Betters Medical Investment Holdings Limited
百德医疗投资控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 6678

Global Offering

Joint Sponsors

BOC INTERNATIONAL
中泰國際 ZHONGTAI INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BOC INTERNATIONAL
中泰國際 ZHONGTAI INTERNATIONAL
中國銀河國際 CHINA GALAXY INTERNATIONAL
信達國際 CINDA INTERNATIONAL

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

Betters Medical Investment Holdings Limited
百德医疗投资控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**248,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**24,800,000 Shares (subject to reallocation)**
Number of International Placing Shares	**:**	**223,200,000 Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$1.72 per Offer Share and expected to be not less than HK$1.40 per Offer Share (payable in full on application in Hong Kong dollars plus brokerage of 1.00%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**6678**

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Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL | EDDID 艾德金融 | 光大證券 國際 EVERBRIGHT SECURITIES INTERNATIONAL | 國信證券(香港) GUOSEN SECURITIES (HK) | 兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL | 華盛証券 Valuable Capital Limited

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display – Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The final Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Tuesday, 27 September 2022 and in any event, not later than Monday, 3 October 2022, or such other date as agreed between parties. The Offer Price will not be more than HK$1.72 and is currently expected to be not less than HK$1.40. If, for any reason, the final Offer Price is not agreed by Monday, 3 October 2022 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

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

The Joint Global Coordinators may (for themselves and on behalf of the Underwriters), with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at baidesz.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. Please refer to "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting – Underwriting arrangements and expenses – The Hong Kong Public Offering – Grounds for termination" in this prospectus.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**baidesz.com**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

22 September 2022

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and our website at baidesz.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or download at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

   (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar and **HK eIPO White Form** Service Provider, Tricor Investor Services Limited, both at +852 3907 7333 on the following dates:

Thursday, 22 September 2022 – 9:00 a.m. to 6:00 p.m.
Friday, 23 September 2022 – 9:00 a.m. to 6:00 p.m.
Monday, 26 September 2022 – 9:00 a.m. to 6:00 p.m.
Tuesday, 27 September 2022 – 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to "How to Apply for the Hong Kong Offer Shares" in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Your application must be for a minimum of 2,000 Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
2,000	3,474.67	60,000	104,240.10	600,000	1,042,401.01	6,000,000	10,424,010.12
4,000	6,949.34	70,000	121,613.45	700,000	1,216,134.52	7,000,000	12,161,345.14
6,000	10,424.02	80,000	138,986.81	800,000	1,389,868.01	8,000,000	13,898,680.16
8,000	13,898.68	90,000	156,360.15	900,000	1,563,601.52	9,000,000	15,636,015.18
10,000	17,373.35	100,000	173,733.50	1,000,000	1,737,335.02	10,000,000	17,373,350.20
20,000	34,746.70	200,000	347,467.01	2,000,000	3,474,670.04	12,400,000*	21,542,954.25
30,000	52,120.05	300,000	521,200.50	3,000,000	5,212,005.06		
40,000	69,493.40	400,000	694,934.01	4,000,000	6,949,340.08		
50,000	86,866.75	500,000	868,667.51	5,000,000	8,686,675.10		

* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE[1]

*We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **baidesz.com** if there is any change in the following expected timetable of the Hong Kong Public Offering:*

2022[1]

Hong Kong Public Offering commences on . . . . . 9:00 a.m. Thursday, 22 September

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways[2]:

(1) the designated website **www.hkeipo.hk**

(2) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.tricorglobal.com/IPOApp** . . . . . 11:30 a.m. on Tuesday, 27 September

Application lists of the Hong Kong Public Offering open[3] . . . . . 11:45 a.m. on Tuesday, 27 September

Latest time for giving **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Tuesday, 27 September

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, 27 September

Application lists of the Hong Kong Public Offering close[3] . . . . . 12:00 noon on Tuesday, 27 September

Expected Price Determination Date[5] . . . . . on or around Tuesday, 27 September

Announcement of the Final Offer Price, the indication of the levels of interest in the International Placing, the results of applications in respect of the Hong Kong Public Offering and the results and basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering is expected to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **baidesz.com**[6] from . . . . . Monday, 3 October

2022[1]

Results of allocations in the Hong Kong Public Offering to be available at **www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult**) or available at "IPO Results" function in the **IPO App** with a "search by ID" function from[7][8] . . . . . Monday, 3 October

Announcement of results of allotment of the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares – 11. Publication of results" of this prospectus from . . . . . Monday, 3 October

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS pursuant to the Hong Kong Public Offering on or before[7][8][9] . . . . . Monday, 3 October

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7][8][9] . . . . . Monday, 3 October

Dealings in Shares on the Stock Exchange to commence at . . . . . 9:00 a.m. on Wednesday, 5 October

The application monies (including brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Monday, 3 October 2022. In addition, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be longer than the normal market practice but in any event not more than seven business days after the Price Determination Date. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, 5 October 2022.

Notes:

(1) Unless otherwise stated, all times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the Stock Exchange website at **www.hkexnews.hk** and our website at **baidesz.com**.

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

(3) If there is a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 27 September 2022, the application lists will not open and close on that day. Please refer to "How to Apply for the Hong Kong Offer Shares – 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" of this prospectus. If the application lists do not open and close on Tuesday, 27 September 2022, the dates mentioned in this section may be affected.

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

(5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or about Tuesday, 27 September 2022 and, in any event, not later than Monday, 3 October 2022. If, for any reason, the final Offer Price is not agreed by Monday, 3 October 2022 between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) e-Auto Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set forth in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

(8) Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant applications shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed "How to Apply for the Hong Kong Offer Shares – 14. Despatch/collection of share certificates and refund monies" in this prospectus.

(9) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Branch Share Registrar at Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 3 October 2022 or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques. Individual applicants who are eligible for personal collection may not authorise any other person to collect on their behalf. Corporate applicants which are eligible for personal collection may arrange for collection by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, 5 October 2022 provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

For further details in relation to the Hong Kong Public Offering, please refer to "How to Apply for the Hong Kong Offer Shares" and "Structure and Conditions of the Global Offering" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other persons or parties involved in the Global Offering. Information contained on our website at **baidesz.com** does not form part of this prospectus.*

CONTENTS

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in "Definitions" and "Glossary" in this prospectus.

BUSINESS OVERVIEW

We are one of the leading microwave ablation (MWA) medical device developers and providers in the PRC for minimally invasive treatment of tumours. Our proprietary MWA medical devices are used for treatment of benign and malignant tumours including thyroid nodules, liver cancer, lung cancer and breast lumps, which have experienced rising incidence rates in China. According to Frost & Sullivan, we ranked first among MWA medical device providers in the treatment for thyroid nodules and breast lumps in the PRC in terms of sales revenue and sales volume of MWA needles in 2021. Further, we were the third largest MWA medical device provider in the PRC in terms of sales revenue in 2021. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices, according to Frost & Sullivan. As at the Latest Practicable Date, we had obtained the Class III medical device registration certificate for our MWA medical devices specifically indicated for liver cancer and thyroid nodule.

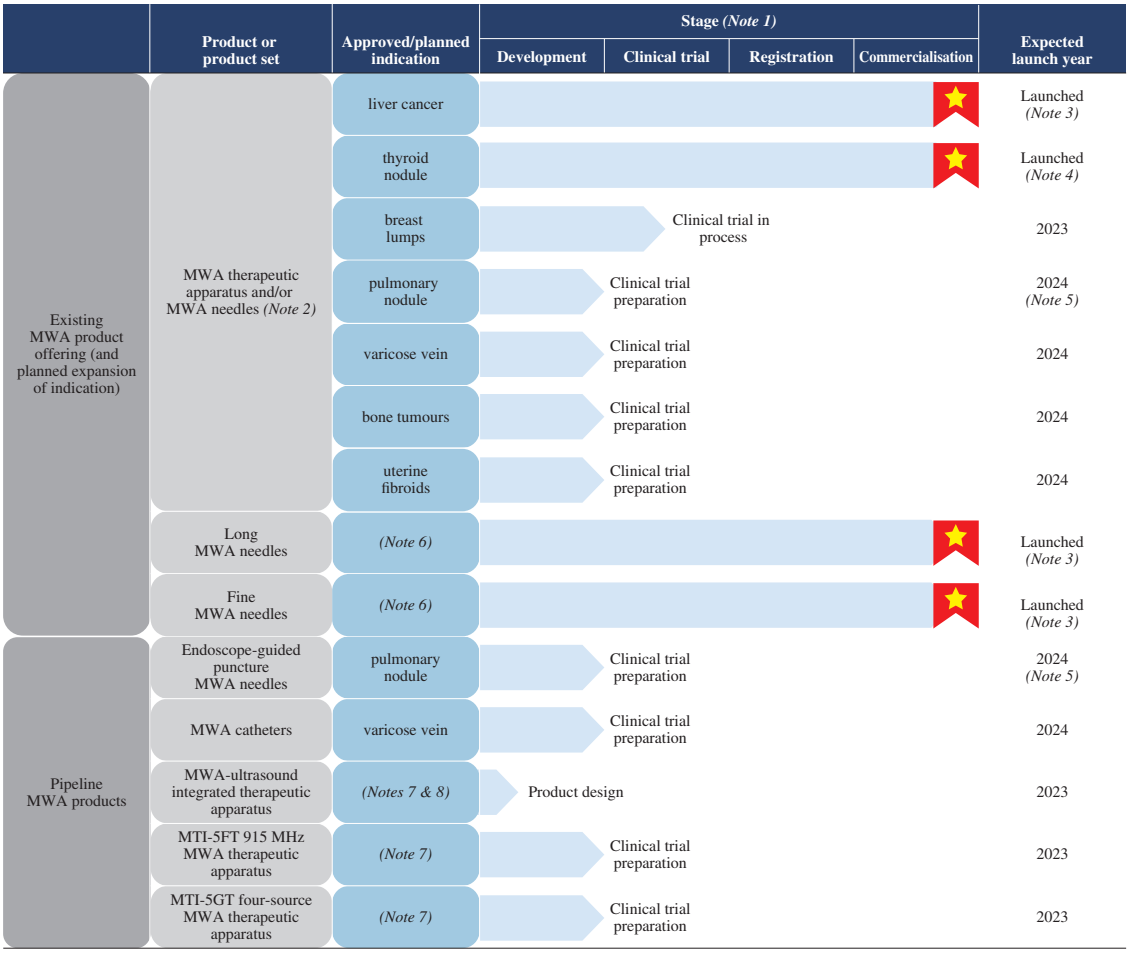
According to Frost & Sullivan, MWA is a minimally invasive treatment technique that denaturises and coagulates the protein of tumour cells with extreme heat generated by microwave energy. MWA treatments have been applied to different benign and malignant tumours and they have the advantages of being safe, minimally invasive and easy to operate with a rapid recovery and low complication rate for patients. Some types of benign tumours may transform into malignancy through a process known as cancer progression. According to Frost & Sullivan, the cancer progression rate among persons with pulmonary nodules, thyroid nodules and breast lumps are 5.5%, 5.0% and 7.0%, respectively. MWA treatments can prevent cancer progression by curbing a benign tumour from developing into a malignant tumour. Therefore, early detection and treatment of benign tumours plays an important role in cancer prevention. We believe that patients diagnosed with a tumour, despite being benign, are inclined to seek removal of such tumour to avoid a potential of it becoming malignant.

We operate in a MWA medical device market which remains underserved but is fast-growing and with extensive potential to grow in China. The number of MWA procedures in the PRC increased from 70,900 in 2016 to 181,200 in 2021 and it is expected to reach 660,000 in 2026, representing a CAGR of 29.6% from 2022 to 2026, according to Frost & Sullivan. Moreover, the size of the MWA market in China in terms of hospital-charge price is expected to experience tremendous growth from RMB3.0 billion in 2022 to RMB9.2 billion in 2026, representing a CAGR of 32.5%, according to Frost & Sullivan. As one of the leading MWA medical device providers in China, we believe we are well-positioned to ride on the positive MWA market trends such as rising number of tumour patients, expanding indications for MWA together with the increasing number of hospitals that can perform MWA procedures to further bolster our market position in the MWA market in China.

We primarily target specialty areas with significant synergy with MWA technology and with substantial market growth potential including both (i) benign tumours with a particular focus on thyroid nodules and breast lumps; and (ii) malignant tumours with particular focus on liver cancer and lung cancer.

Our product offering and pipeline products

Our product offering and pipeline products mainly consist of MWA therapeutic apparatus as well as MWA needles that are used in conjunction with the therapeutic apparatus. The following chart summarises the development status of our major types of existing and pipeline MWA products or product sets as at the Latest Practicable Date:



Notes:

1. For the details of each development stage, please refer to "Business – R&D – R&D approach and process" in this prospectus.

2. We have conducted clinical trials for our MWA therapeutic apparatus and MWA needles specifically indicated for liver cancer and thyroid nodule. We plan to conduct clinical trials for the indicated diseases based on our existing MWA therapeutic apparatus and existing MWA needles. Upon successful completion of the clinical trials for the indicated diseases, the indications of our MWA therapeutic apparatus and MWA needles under the Class III medical device registration certificate will be expanded. Our Directors believe that such expansion of specific indications could increase the recognition and competitiveness of our MWA therapeutic apparatus and MWA needles.

3. These MWA medical devices were initially acquired via the acquisition of Nanjing Changcheng in 2017. To the best knowledge of the Directors, these products were first registered as Class II/Class III medical devices in 2009 and 2010. We endeavour to improve the existing products and launch new products after the acquisition of Nanjing Changcheng. The latest products developed and registered by us are MTI-5AT and MTI-5ET therapeutic apparatus, which were both registered as Class III medical devices in February 2020.

4. Our MWA medical devices specifically indicated for thyroid nodules were registered as Class III medical devices in November 2021. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules completed the relevant clinical trials in China and obtained Class III registration certificate for MWA medical devices with such indication, according to Frost & Sullivan.

5. Based on the clinical trial plan for obtaining Class III medical device registration certificates for our Group's proprietary MWA medical devices specifically indicated for pulmonary nodules, the clinical trial would cover both benign pulmonary nodules and malignant pulmonary nodules (i.e. lung cancer).

6. As at the Latest Practicable Date, our Long MWA needles and Fine MWA needles were registered as Class II medical devices. While there is no specific indication for Class II medical devices under the Class II medical device registration certificate, based on the difference in features of the Long MWA needles and Fine MWA needles, they are commonly used in conjunction with our MWA therapeutic apparatus for the MWA treatments of liver cancer and lung cancer, and thyroid nodules and breast lumps, respectively. In view of the MWA Equipment Guidelines published by the NMPA on 25 November 2021, we plan to apply for Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles.

7. We plan to further expand the coverage of our existing Class III medical devices registration certificate by including these therapeutic apparatus in it. Accordingly, these therapeutic apparatus will have the same approved indication(s) as our launched MWA therapeutic apparatus, i.e. liver cancer and thyroid nodules as at the Latest Practicable Date, and are expected to have additional indications as listed above.

8. Our pipeline MWA-ultrasound integrated therapeutic apparatus is equipped with a built-in ultrasound scanner for locating the tumour(s) precisely during a MWA treatment. Except for this pipeline therapeutic apparatus, our MWA medical devices are used in conjunction with the guidance of ultrasound, CT scan or other imaging equipment to detect the location of the tumour(s). The ultrasound, CT scan or other imaging equipments are generally standard medical devices available in the hospitals.

Competitive strengths and business strategies

We believe the following strengths have contributed to our success and differentiated us from our competitors: (i) we are one of the leading MWA medical device developers and providers in the PRC for minimally invasive treatment of tumours in a fast-growing and underserved MWA medical device market in China; (ii) we have established a solid and strategically managed sales and distribution network; (iii) we have established relationship with market participants which greatly enhances our R&D capabilities; (iv) we are one of the leading players in the MWA medical device industry who add value to stakeholders in the value chain; and (v) we have a visionary and experienced management team with proven track record.

Leveraging on our strengths, we plan to implement the following strategies to achieve our mission: (i) selectively pursue strategic acquisitions or investment; (ii) broaden and deepen our product portfolio, upgrade our medical licences and expand our R&D team; (iii) expand our presence in foreign and emerging markets by setting up overseas offices; and (iv) acquire automated machineries and equipment to improve the automation level of our production lines.

However, RFA can achieve similar therapeutic effect as MWA. RFA is the most widely adopted thermal ablation treatment which has the largest market share of tumour ablation therapy market in the U.S. and Europe mainly because (i) the study on application of RFA technology in the U.S. and Europe has a longer history as compared to MWA and earlier research has shown that RFA is a safer tumour ablation treatment with lower complication rate than MWA; and (ii) RFA has a proven record of satisfactory therapeutic effect in tumour ablation due to its features safety and low complication rate. Thus, RFA has become a more established and recognised treatment modality in the U.S. and Europe. Meanwhile, MWA has a relatively short application history in the U.S. and Europe with less research and clinical data, and has been primarily used in the treatment of liver cancer and lung cancer only. In addition, MWA has not been promoted strongly in the U.S. and European markets. Moreover, MWA treatment may cause over-ablation when coagulate the tumour tissue due to the production and transmission of intense heat. Therefore, some MWA medical devices nowadays are equipped with a cooling system where cooling saline runs through the MWA needles except its tip which has direct contact with the tumour. The circulation of cooling saline can prevent or reduce damage to other parts of the patient's body. While recent research has shown that MWA

treatment can achieve similar therapeutic effect[(1)], due to user stickiness, medical practitioners in the U.S. and Europe who generally have more clinical experience in performing RFA therapy still tend to advise their patients to receive treatment options that they are more familiar with to reduce the risk of error in operation. Hence, the market share of MWA was relatively smaller than that of RFA in the U.S. and Europe from 2018 to 2021.

R&D

We attach great importance to our R&D efforts. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules registered as Class III medical devices, according to Frost & Sullivan. As at the Latest Practicable Date, we possessed, as sole owner or co-owner, a total of 27 registered patents, 20 patents under application and had obtained (i) one registration certificate for Class III medical devices and (ii) two registration certificates for Class II medical devices.

Our R&D team works closely with hospitals, CROs and academic institutions to develop new products and upgrade existing products to respond to the needs of the markets. For example, during the Track Record Period, while we remain responsible for the overall R&D of our MWA therapeutic apparatus, we engaged Nanjing Forestry University (南京林業大學) for the development of new technologies such as software, electrical system and information management system to upgrade our MWA therapeutic apparatus. As at 31 May 2022, our R&D team consisted of 14 members. Our R&D team has been jointly led by our co-chief technical officers, Mr. Lu Rongjian and Mr. Sun Hailong whom have overseen our Group's R&D following the resignation of the then chief technical officer, Mr. Yang Xingrui ("**Mr. Yang**"), on 31 December 2021. Mr. Lu Rongjian has been a lecturer in the Faculty of Mechanical and Electronic Engineering of Nanjing Forestry University (南京林業大學) for more than 17 years and has been the person in charge of the R&D cooperation projects between our Group and Nanjing Forestry University since 2017. Mr. Lu Rongjian subsequently became a contracted technical consultant of Nanjing Changcheng since September 2020. Mr. Sun Hailong joined our Group as a full-time staff member in November 2018, and has been a core member of the R&D team since then. Both Mr. Lu Rongjian and Mr. Sun Hailong have been actively involved in and have supervised the R&D process of our Group. Given the substantial technical knowledge and vast practical experiences in respect of MWA technology and their contributions to the R&D projects of our Group as project leader and/or a key member since 2017 and 2018 respectively, Mr. Lu Rongjian and Mr. Sun Hailong were strategically re-designated as the co-chief technical officers of our Group following the resignation of the then chief technical officer, Mr. Yang, on 31 December 2021. As each of Mr. Lu Rongjian and Mr. Sun Hailong have always undertaken substantial roles in the R&D functions of our Group, a seamless transition of the personnel-in-charge of R&D was therefore enabled. In order to strengthen our R&D capability, we have established an R&D committee to oversee the key stages of our R&D process, advise on the mid- and long-term R&D strategies and direction for R&D of new products and review the status and progress of the R&D projects for new products. For details, please refer to "Business – R&D – R&D Committee" in this prospectus.

Under the leadership of our co-chief technical officers and alongside our R&D team and R&D committee, we have maintained and continued with our R&D projects in a robust manner. As at the Latest Practicable Date, we have five types of pipeline products undergoing the development stages. Also, we will be expanding the coverage of our Class III MWA medical device registration certificate for our medical devices specifically indicated for breast lumps, pulmonary nodules, varicose veins, bone tumours, uterine fibroids, prostate cancers and others diseases. For details, please refer to "Business – R&D – Our product offering and pipeline products" in this prospectus.

Note:

(1) *Glassberg M B, Ghosh S, Clymer J W, et al. (2019)*. Microwave ablation compared with radiofrequency ablation for treatment of hepatocellular carcinoma and liver metastases: a systematic review and meta-analysis. OncoTargets and Therapy.

As we are committed in the development and commercialisation of our products, we have entered into various collaboration agreements with our R&D partners for their R&D services to reinforce our R&D capabilities. For details, please refer to "Business – R&D – R&D collaborations" in this prospectus.

Our customers and sales channels

During the Track Record Period, all of our revenue was derived from China. Our products are ultimately sold to hospitals for end consumption by their patients. These hospitals were mostly Grade II and Grade III hospitals across 22 provinces, municipalities and autonomous regions in China during the Track Record Period. For 5M2022, 259 hospitals in China procured our products, among which, 150 were Grade IIIA hospitals.

Our products are ultimately sold to hospitals by (i) sales to hospitals, either directly or through deliverers; or (ii) sales to distributors, which then on-sell our products to their designated hospitals with our authorisation. We choose between these sales channels primarily based on our own capacity to sell and promote our brands and products in the designated hospitals or regions, and the sales network and services offered by the distributors. Under our model of sales to hospitals through deliverers, although we only enter into delivery agreements with the deliverers, issue invoices and delivery notes to the deliverers and receive payments from deliverers, and without entering into any direct written sales contract with the hospitals, the relevant transactions through our deliverers are accounted for as sales to hospitals rather than sales to deliverers in accordance with HKFRS 15. Our relationship with our deliverers is therefore deemed as a principal-agent relationship. For further details on the assessment of the accounting treatment in relation to this arrangement, please refer to "Financial Information – Sales through deliverers" in this prospectus. For FY2019, FY2020, FY2021 and 5M2022, revenue from our top five customers amounted to RMB35.1 million, RMB47.0 million, RMB87.4 million and RMB27.3 million respectively, accounting for 41.4%, 39.7%, 46.3% and 42.9% of our total revenue for the same period.

The following table sets out a breakdown of our revenue, gross profit and gross profit margin by revenue stream for the years/periods indicated:

	FY2019				FY2020				FY2021			
	Revenue *RMB'000*	% of total revenue	Gross profit *RMB'000*	Gross profit margin *%*	Revenue *RMB'000*	% of total revenue	Gross profit *RMB'000*	Gross profit margin *%*	Revenue *RMB'000*	% of total revenue	Gross profit *RMB'000*	Gross profit margin *%*
Sales of MWA medical devices												
– MWA needles	72,954	85.8	67,956	93.1	88,043	74.4	82,425	93.6	146,017	77.4	135,938	93.1
– Fine MWA needles	45,327	53.3	42,243	93.2	56,215	47.5	52,248	92.9	101,778	54.0	94,191	92.5
– Long MWA needles	27,627	32.5	25,713	93.1	31,828	26.9	30,177	94.8	44,239	23.4	41,747	94.4
– MWA therapeutic apparatus	4,740	5.6	3,434	72.4	10,861	9.2	9,379	86.4	11,209	5.9	9,494	84.7
Subtotal	77,694	91.4	71,390	91.9	98,904	83.6	91,804	92.8	157,226	83.3	145,432	92.5
Sales of other medical devices	4,382	5.2	1,880	42.9	16,786	14.2	7,568	45.1	27,724	14.7	7,887	28.4
Other[(Note)]	2,953	3.4	2,717	92.0	2,597	2.2	2,524	97.2	3,714	2.0	3,422	92.1
Total	85,029	100.0	75,987	89.4	118,287	100.0	101,896	86.1	188,664	100.0	156,741	83.1

	5M2021				5M2022			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	RMB'000		*RMB'000*	*%*	*RMB'000*		*RMB'000*	*%*
	(unaudited)		(unaudited)					
Sales of MWA medical devices								
– MWA needles	46,778	78.5	43,644	93.3	52,608	82.5	48,440	92.1
– Fine MWA needles	32,436	54.4	30,069	92.7	37,286	58.5	34,042	91.3
– Long MWA needles	14,342	24.1	13,575	94.7	15,322	24.0	14,398	94.0
– MWA therapeutic apparatus	3,513	5.9	2,949	83.9	1,910	3.0	1,305	68.3
Subtotal	50,291	84.4	46,593	92.6	54,518	85.5	49,745	91.2
Sales of other medical devices	6,494	10.9	2,830	43.6	8,488	13.3	3,681	43.4
Other[(Note)]	2,820	4.7	2,699	95.7	758	1.2	614	81.0
Total	59,605	100.0	52,122	87.4	63,764	100.0	54,040	84.8

Note: Other represents the rental income recognised, the gross profit and the gross profit margin from leasing of our MWA therapeutic apparatus to customers.

Our suppliers

Our suppliers represent (i) suppliers of direct materials for our production of MWA medical devices; and (ii) suppliers of other medical devices. For FY2019, FY2020, FY2021 and 5M2022, purchase amount from our top five suppliers amounted to RMB4.5 million, RMB9.6 million, RMB25.9 million and RMB5.3 million, respectively, accounting for 50.1%, 58.6%, 81.3% and 54.7% of our total cost of sales, respectively.

SUMMARY FINANCIAL INFORMATION

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

Consolidated statements of profit or loss and other comprehensive income

The following table sets forth a summary of our statements of profit or loss and other comprehensive income for the years/periods indicated, extracted from the Accountants' Report in Appendix I to this prospectus.

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	85,029	118,287	188,664	59,605	63,764
Cost of sales	(9,042)	(16,391)	(31,923)	(7,483)	(9,724)
Gross profit	75,987	101,896	156,741	52,122	54,040
Other income and gains	5,547	5,568	10,326	2,055	8,763
Selling and distribution expenses	(20,184)	(18,538)	(29,150)	(9,114)	(12,492)
Research and development expenses	(8,048)	(4,899)	(9,773)	(2,177)	(4,252)
Administrative expenses	(10,488)	(12,724)	(30,115)	(7,747)	(10,241)
Listing expenses	–	(4,974)	(15,860)	(4,712)	(2,554)
Reversal of impairment losses/ (Impairment losses) on financial and contract assets, net	387	(2,442)	2,646	(2,278)	612
Fair value changes on convertible loans	(86,893)	(25,355)	–	–	–
Gains on redemption of convertible loans	3,620	25,047	–	–	–
Fair value change on convertible redeemable preference shares	–	–	7,100	–	(6,700)
Finance costs	(646)	(1,052)	(975)	(446)	(562)
(Loss)/Profit before income tax expense	(40,718)	62,527	90,940	27,703	26,614
Income tax expense	(8,943)	(15,835)	(16,083)	(5,570)	(5,468)
(Loss)/Profit for the year/period	(49,661)	46,692	74,857	22,133	21,146

	FY2019	FY2020	FY2021	5M2021	5M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other comprehensive income					
Item that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation to presentation currency	–	–	–	–	(108)
Other comprehensive income for the year/period	–	–	–	–	(108)
Total comprehensive income for the year/period	(49,661)	46,692	74,857	22,133	21,038
(Loss)/Profit for the year/period attributable to:					
Owners of the Company	(50,021)	46,348	74,205	21,955	20,976
Non-controlling interests	360	344	652	178	170
	(49,661)	46,692	74,857	22,133	21,146
Total comprehensive income for the year/period attributable to:					
Owners of the Company	(50,021)	46,348	74,205	21,955	20,868
Non-controlling interests	360	344	652	178	170
	(49,661)	46,692	74,857	22,133	21,038

We recorded a net loss of RMB49.7 million for FY2019, which was largely attributable to the loss on fair value change on Convertible Loans of RMB86.9 million.

Non-HKFRS measure

To supplement our consolidated financial statements which are presented under HKFRSs, we also use adjusted net profit as an additional non-HKFRS measure, which is not required by, or presented in accordance with HKFRS. We believe that this non-HKFRS measure facilitates comparisons of operating performance from period to period and from company to company and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to a similarly titled measure presented by other companies. The use of this non-HKFRS measure has limitations as analytical tools, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

Adjusted net profits (non-HKFRS measure) for the Track Record Period are calculated by adding back the fair value changes on the Convertible Loans and the Listing expenses, as well as the subtraction of the gains on redemption of the Convertible Loans and the fair value changes on the Convertible Redeemable Preference Share. As the conversion options associated with the Convertible Loans had been converted in full in FY2020, we do not expect to record further gains or losses in relation to valuation changes from the Convertible Loans or redemption of Convertible Loans thereafter. We do not expect to record any further fair value changes on the Convertible Redeemable Preference Shares as such Convertible Redeemable Preference Shares will be re-designated from liabilities to equity as a result of the automatic conversion into our Shares upon Listing. Further, the Listing expenses was added back to the adjusted net profits (non-HKFRS measure) as such item will not recur after the Listing.

The adjustment has been consistently made during the Track Record Period, which complies with guidance letter HKEX-GL103-19 issued by the Stock Exchange. Our presentation of these non-HKFRS measures should not be construed as an implication that our future results will be unaffected by items of similar natures.

The following table reconciles our adjusted net profit for the year/period presented to the most directly comparable financial measure calculated and presented under HKFRSs.

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit for the year/period	(49,661)	46,692	74,857	22,133	21,146
Adjusted for:					
Add: Fair value changes on convertible loans	86,893	25,355	–	–	–
Add: Listing expenses	–	4,974	15,860	4,712	2,554
Less: Gains on redemption of convertible loans	(3,620)	(25,047)	–	–	–
(Less)/add: Fair value change on convertible redeemable preference shares	–	–	(7,100)	–	6,700
Adjusted net profit for the year/period (non-HKFRS measure) (unaudited)	33,612	51,974	83,617	26,845	30,400

Consolidated statements of financial position

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	5,471	9,146	15,489	13,562
Right-of-use assets	6,098	9,409	5,652	4,237
Intangible asset	1,000	700	400	275
Goodwill	422	422	422	422
Prepayment and deposits	6,512	3,797	566	6,145
Deferred tax assets	2,026	2,411	1,142	1,123
	21,529	25,885	23,671	25,764
Current assets				
Inventories	4,940	5,288	10,635	11,456
Trade receivables	31,747	53,725	78,483	84,309
Contract assets	–	–	621	–
Prepayments, deposits and other receivables	19,018	19,192	26,768	57,392
Amounts due from shareholders	–	–	2,212	1,840
Current tax assets	3,110	–	2,795	2,029
Cash and cash equivalents	1,535	6,993	20,820	24,090
	60,350	85,198	142,334	181,116
Current liabilities				
Trade payables	698	399	2,168	815
Other payables and accruals	29,163	27,725	20,704	21,667
Bank borrowings	–	9,000	13,000	28,000
Lease liabilities	1,080	4,090	2,369	1,997
Contract liabilities	6,884	5,089	4,067	3,799
Convertible loans	182,864	4,572	–	–
Convertible redeemable preference shares	–	–	87,300	94,000
Amounts due to a director	249	–	–	–
Amounts due to a shareholder	12,467	2,417	–	–
Current tax liabilities	593	7,104	2,664	1,748
	233,998	60,396	132,272	152,026
Net current (liabilities)/assets	(173,648)	24,802	10,062	29,090
Total assets less current liabilities	(152,119)	50,687	33,733	54,854

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Lease liabilities	4,821	6,360	2,832	2,090
Deferred tax liabilities	250	175	100	69
	5,071	6,535	2,932	2,159
Net (liabilities)/assets	(157,190)	44,152	30,801	52,695
EQUITY				
Share capital	–	–	74	74
Reserves	(152,429)	47,081	32,994	54,718
(Capital deficiency)/Equity attributable to owners of the Company	(152,429)	47,081	33,068	54,792
Non-controlling interests	(4,761)	(2,929)	(2,267)	(2,097)
Total (deficiency)/equity	(157,190)	44,152	30,801	52,695

We recorded a net current liabilities position of RMB173.6 million and a net liabilities position of RMB157.2 million as at 31 December 2019, which was largely attributable to the Convertible Loans of RMB182.9 million recorded as at 31 December 2019. As at 31 May 2022, the Convertible Redeemable Preference Shares of RMB94.0 million was recorded as our financial liabilities. Upon Listing, the Convertible Redeemable Preference Shares will be re-designated from financial liabilities to equity as a result of automatic conversion into our Shares.

Consolidated statements of cash flows

	FY2019	FY2020	FY2021	5M2021	5M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating profit before movements in working capital	47,408	73,295	97,154	33,642	38,251
Changes in working capital	(905)	(41,117)	(28,962)	23,759	(36,401)
Income tax paid	(15,791)	(6,674)	(22,124)	(13,439)	(5,630)
Net cash generated from/(used in) operating activities	30,712	25,504	46,068	43,962	(3,780)
Net cash generated from/(used in) investing activities	8,234	(14,177)	1,493	5,938	(5,663)
Net cash (used in)/generated from financing activities	(39,819)	(5,869)	(33,734)	(56,690)	12,821
Net (decrease)/increase in cash and cash equivalents	(873)	5,458	13,827	(6,790)	3,378
Cash and cash equivalents at the beginning of the year/period	2,408	1,535	6,993	6,993	20,820
Effect of foreign exchange rate changes, net	–	–	–	–	(108)
Cash and cash equivalents at the end of the year/period	1,535	6,993	20,820	203	24,090

For 5M2022, our net cash used in operating activities was RMB3.8 million, which was primarily attributable to our profit before tax of RMB26.6 million adjusted by initial payments of RMB19.3 million paid for broadening and deepening our product portfolio and upgrading our medical licences, including the application of FDA registration and CE Marks for our proprietary MWA medical devices specifically indicated for liver cancer and thyroid nodules and expanding the indication coverage of our MWA therapeutic apparatus and MWA needles and developing our pipeline products. The initial payments of RMB19.3 million were made pursuant to our business strategies as set forth in "Business – Business Strategies – Broaden and deepen our product portfolio, upgrade our medical licences and expand our R&D team" in this prospectus.

Key financial ratios

	Year ended/As at 31 December			Five months ended/As at 31 May
	2019	2020	2021	2022
Profitability Ratio:				
Gross profit margin	89.4%	86.1%	83.1%	84.8%
Net profit margin	N/A	39.5%	39.7%	33.2%
Return on assets	N/A	42.0%	45.1%	N/A
Return on equity	N/A	105.8%	243.0%	N/A
Liquidity Ratio:				
Current ratio	0.3 times	1.4 times	1.1 times	1.2 times
Quick ratio	0.2 times	1.3 times	1.0 times	1.1 times

For the definition of those key financial ratios and related explanations regarding relevant changes, please refer to "Financial Information – Major financial ratios" in this prospectus.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.56, being the mid-point of our indicative price range for the Global Offering, the total Listing expenses is estimated to be RMB76.5 million (equivalent to HK$86.7 million) (including underwriting commission), representing approximately 22.4% of gross proceeds of approximately RMB341.6 million. Among the Listing expenses, RMB30.0 million (equivalent to HK$34.0 million) is directly attributable to the issue of the Offer Shares in the Global Offering and is expected to be accounted for as a deduction from equity upon Listing in accordance with relevant accounting standards. The remaining expenses of RMB46.5 million (equivalent to HK$52.7 million) were or are expected to be charged as expenses to our consolidated statements of profit or loss, of which RMB5.0 million (equivalent to HK$5.7 million), RMB15.9 million (equivalent to HK$18.0 million) and RMB2.6 million (equivalent to HK$2.9 million) was charged for FY2020, FY2021 and 5M2022, respectively, while the balance of RMB23.0 million (equivalent to HK$26.1 million) is expected to be charged in the remaining months of FY2022. The above total Listing expenses are the latest practicable estimates and for reference only. The final amount to be recognised may differ from these estimates.

FUTURE PLANS AND USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$1.56 per Share, being the mid-point of the indicative range of the Offer Price of HK$1.40 to HK$1.72 per Share, and assuming the Over-allotment Option is not exercised) will be HK$300.2 million (equivalent to RMB265.1 million). Our Directors intend to apply the net proceeds from the Global Offering as follows:

(1) HK$123.1 million (equivalent to RMB108.7 million), representing 41.0% of the net proceeds, will be used for broadening and deepening our product portfolio, upgrading our medical licences and expanding our R&D team, among which,

(i) HK$54.9 million (equivalent to approximately RMB48.5 million), representing 18.3% of the net proceeds, will be used to expand the indication coverage of our Class III medical device registration certificate to other diseases and our product offering;

(ii) HK$26.6 million (equivalent to approximately RMB23.5 million), representing 8.9% of the net proceeds, will be used to finance the application for FDA registration and CE Marks respectively for our MWA medical devices;

(iii) HK$25.9 million (equivalent to approximately RMB22.9 million), representing 8.6% of the net proceeds, will be used to finance the study and R&D of MWA intelligence; and

(iv) HK$15.7 million (equivalent to approximately RMB13.8 million), representing 5.2% of the net proceeds, will be used to finance our expansion of R&D team at different levels;

(2) HK$114.0 million (equivalent to RMB100.8 million), representing 38.0% of the net proceeds, will be used for selectively pursuing strategic acquisitions, investment or synergistic business cooperation;

(3) HK$24.0 million (equivalent to RMB21.2 million), representing 8.0% of the net proceeds, will be used for expanding our presence in foreign and emerging markets by setting up overseas offices;

(4) HK$9.1 million (equivalent to RMB8.0 million), representing 3.0% of the net proceeds, will be used for acquiring automated machineries and equipment to improve the automation level of our production lines; and

(5) the remaining balance of HK$30.0 million (equivalent to RMB26.4 million), representing 10.0% of the net proceeds, will be used for additional working capital and other general corporate purposes.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set forth in "Risk Factors" in this prospectus which include but not limited to:

- We may be unable to obtain, maintain or renew the regulatory filings and registration certificates needed to commercialise our MWA medical devices in a timely manner, or at all.

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

- We may fail to maintain or renew our relationship with our distributors and customers, or maintain our sales network.

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

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

- We may fail to effectively manage our deliverers or distributors. Actions taken by our deliverers or distributors in violation of the framework agreements or sales guidelines could materially and adversely affect our business, prospects and reputation.

DIVIDEND

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that it may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the Memorandum and Articles of Association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy. During the Track Record Period, we declared dividends of RMB35.0 million for FY2021 and the full amount of which had been paid.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalisation Issue, Ms. Wu BVI Entity will directly hold 50.65% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of options under the Pre-IPO Share Option Scheme). Ms. Wu BVI Entity is wholly-owned by Ms. Wu. As such, each of Ms. Wu BVI Entity and Ms. Wu will continue to be our Controlling Shareholder under the Listing Rules after the Global Offering and the Capitalisation Issue. Please refer to "Relationship with our Controlling Shareholders" for further details.

PRE-IPO INVESTMENTS

Our Group underwent several rounds of pre-IPO investments with the Series A Investors, the Series B Investors, and the Series C Investors. For the identities of the Series A Investors, Series B Investors and Series C Investors and the details of the pre-IPO investments, please refer to "History, Reorganisation and Corporate Structure – The pre-IPO investments" in this prospectus.

PRE-IPO SHARE OPTION SCHEME

Our Company has adopted the Pre-IPO Share Option Scheme on 24 September 2021 (as amended and restated on 11 September 2022). A summary of the principal terms of the Pre-IPO Share Option Scheme are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus. As at the Latest Practicable Date, save for the options granted under the Pre-IPO Share Option Scheme on 26 September 2021, no other option had been granted. For details, please refer to "Statutory and General Information – D. Pre-IPO Share Option Scheme – (u) Outstanding options granted under the Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

GLOBAL OFFERING STATISTICS[1]

	Based on the maximum Offer Price of HK$1.72 per Offer Share	Based on the minimum Offer Price of HK$1.40 per Offer Share
Market capitalisation of our Shares[2]	HK$2,752 million	HK$2,240 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[3]	HK$0.34	HK$0.29

Notes:

1. All statistics in this table are based on the assumption that (i) the Over-allotment Option is not exercised; and (ii) options granted under the Pre-IPO Share Option Scheme are not exercised.

2. The market capitalisation is calculated based on 1,600,000,000 Shares expected to be in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in "Unaudited Pro Forma Financial Information" set out in Appendix II to this prospectus and on the basis of a total of 1,600,000,000 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised.

OUTBREAK OF 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 11 March 2020, the World Health Organisation announced the COVID-19 outbreak a pandemic. More recently in early 2022, there have been regional outbreaks of COVID-19 variants including the highly transmissible Delta and Omicron, in China. The spread of COVID-19 continues to affect China, where we conduct our business. The pandemic caused delays in various aspects of our operations, including the clinical trials and product registration testing in China, the operation of the Nanjing Plant 1, the supply of direct materials and our production process. For example, we suspended the operation of the Nanjing Plant 1 for one month from early February 2020 to early March 2020 to protect our employees from the impact of COVID-19. In terms of R&D, the COVID-19 outbreak has slowed down the progress of our product registration testing and/or clinical trial activities, causing a delay of approximately one month to our on-going R&D projects from mid-March to mid-April 2022. Furthermore, the lockdown imposed over the COVID-19 outbreak in Suzhou in early 2022 caused logistics delay of approximately 10 days in our production process as the transportation of our MWA needles from the professional sterilisation service provider located in Suzhou was disrupted in mid-April 2022. Notwithstanding the above, we consider the effect of the COVID-19 pandemic on our business to be relatively limited for the Track Record Period and up to the Latest Practicable Date.

Our Directors believe that, based on information available as at the Latest Practicable Date, the outbreak of COVID-19 did not and is not expected to result in a material disruption to our business operations or have any material impact on our business, considering that: (i) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks; (ii) our operations have not experienced any material disruption since the outbreak of the COVID-19 pandemic, save for the suspension of operation of the Nanjing Plant 1 as mentioned above; (iii) to the best of our Directors' knowledge, hospitals in China which have procured our proprietary MWA medical devices during the Track Record Period have all

resumed full services and our clinical trial progress has not been materially disrupted, save for the slight delay in our clinical trial activities in 2022 as aforementioned; (iv) we have not experienced significant fluctuation in our sales performance and revenue during the COVID-19 pandemic; and (v) although we experienced some minor delays in logistics and supply of some direct materials since the outbreak of the COVID-19 pandemic as mentioned above, our inventory levels were sufficient to support our operations.

The above analysis is made by our management based on currently available information concerning COVID-19. It is difficult to predict the impact that COVID-19 will have on our business, as our business could be impacted by the current pandemic or future continuance or reoccurrence of COVID-19 in numerous ways. For details, please refer to "Risk Factors – Risks relating to our business and industry – Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations." in this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our financial performance

We expect our net profit for FY2022 will decrease primarily due to (i) additional R&D expenses is incurred as we plan to utilise the net proceeds from the Global Offering to broaden and deepen our product portfolio, upgrading our medical licences, and expanding our R&D team, details of which are disclosed in "Business – Business strategies" and "Future Plans and Use of Proceeds" in this prospectus; (ii) additional selling and distribution expenses; and (iii) change in fair value of the Convertible Redeemable Preference Shares.

The 2021 Medical Device Regulations

The Regulations on the Supervision and Administration of Medical Devices (2021 Revision) (《醫療器械監督管理條例(2021修訂)》) (the "**2021 Medical Device Regulations**") was revised and adopted by the State Council on 21 December 2020 and came into effect on 1 June 2021. The major amendments in the 2021 Medical Device Regulations include: (1) implementing the registrant-or-submitter accountability system to highlight the entity responsibilities of enterprises; (2) improving the system for medical device innovation; (3) optimising the approval process; (4) optimising the filing process; (5) improving post marketing regulatory requirements; and (6) reinforcing penalty and punishment. We are of the view that the 2021 Medical Device Regulations will not have any material adverse effect on our business, financial condition, results of operations or prospect. We closely follow the implementation progress of the 2021 Medical Device Regulations to ensure our compliance. For a detailed description on the aforesaid major amendments pursuant to the 2021 Medical Device Regulations, please refer to "Regulatory Overview – Laws and regulations relating to medical devices" in this prospectus.

Our PRC Legal Advisers are of the view that the 2021 Medical Device Regulations stipulates the time for approval of clinical trial protocol and reduces the approval time for production licenses of medical devices from 30 working days to 20 working days, thus shortening the application period for medical device licenses. Our pipeline products (including MWA medical devices that will be indicated for breast lump, bone tumours, uterine fibroids, pulmonary nodule, varicose vein, etc) currently in different stages such as clinical trials, prototype manufacturing and development will benefit from the 2021 Medical Device Regulations.

The MWA Equipment Guidelines

The NMPA published the MWA Equipment Guidelines on 25 November 2021, which is a guidance document for registration applicants and technical reviewers. The MWA Equipment Guidelines should be used in conjunction with the relevant laws and regulations of the PRC. As advised by our PRC Legal Advisers, the potential implications brought to our Group by the guidance measures as stipulated in the MWA Equipment Guidelines are two-fold:

(1) the MWA Equipment Guidelines stipulates that MWA equipment should be administrated as Class III medical device under Medical Device Classification Catalog*《醫療器械分類目錄》. Hence, only Class III medical device registration certificate will be considered for all new MWA needle registration; and

(2) the MWA Equipment Guidelines stipulates that (i) applicants applying for Class III registration certificates for their MWA equipment should set out the scope of application of their MWA equipment based on the characteristics of the product, limit or modify the scope of application of their MWA equipment based on clinical data and relevant clinical diagnosis and treatment specifications; and (ii) the scope of application should clearly identify the specific organs or tissues on which the MWA equipment are to be applied. For more details, please refer to "Regulatory Overview – Laws and regulations relating to medical devices" in this prospectus.

Our Directors are of the view that we are well-positioned in the MWA medical device industry in the PRC and that the MWA Equipment Guidelines would not have a material and adverse effect on our business, financial condition and results of operations for the reasons below:

(i) we had obtained the Class III medical device registration certificate for our MWA medical devices specifically indicated for liver cancer and thyroid nodule (which are our major products). Our two Class II medical device registration certificates for our MWA needles, which cover all and the same models of our MWA needles sold during the Track Record Period, are valid until 25 March 2023 and 13 January 2025, respectively. As advised by our PRC Legal Advisers, the two Class II medical device registration certificates are legal and valid until their respective expiry date because (a) pursuant to the 2021 Medical Device Regulations and the Measures for Medical Devices Registration and Filing* (《醫療器械註冊與備案管理辦法》), the validity period of a medical device registration certificate is five years, and the two Class II medical device registration certificates of our Group are still valid as at the Latest Practicable Date, and to the best knowledge of our Directors, we have not received any notification or order from the competent regulatory authority that our Class II medical device registration certificates are to be revoked or invalidated; and (b) according to the interview with and telephone enquiries to the competent authorities conducted by our PRC Legal Advisers, our Class II medical device registration certificate can still be used during the validity period after the publication of the MWA Equipment Guidelines. Accordingly, the sales of our MWA needles with Class II medical device registration status would not be restricted by the MWA Equipment Guidelines until 13 January 2025;

(ii) our ability to sell our Class II medical devices would not be restricted after 13 January 2025 as we have engaged Nanjing Huitong for the application of (a) Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles; and (b) expanding the indications of our MWA medical devices on our Class III medical device registration certificate to breast lumps, pulmonary nodules, varicose vein, bone tumours and uterine fibroid, all of which are expected to be completed by 2023 or 2024, as detailed below:

(a) the application of Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of Class II Long MWA needles and Class II Fine MWA needles

As advised by the PRC Legal Advisers, pursuant to the 2021 Medical Devices Regulations, for the purpose of registration application of Class III medical devices, clinical evaluation (臨床評價) should be performed to prove the safety and effectiveness of medical devices in application, which can be done by conducting evaluation on the medical devices of the same type based on existing literatures and clinical data. According to Frost & Sullivan and the interview conducted with Nanjing Huitong, clinical evaluation on medical devices of the same type is a process of evaluating a medical device by comparing it with the existing clinical data of a Class III medical device of the same type, and it can be used to upgrade the registration of an existing Class II medical device to a Class III medical device. As clinical evaluation on medical devices of the same type will not involve clinical trial on human subjects, such process takes significantly less time and cost than the normal registration process of Class III medical devices. The abovementioned applications will be made through the process of clinical evaluation (by comparing the Class II Fine MWA needles to Class III Fine MWA needles and comparing the Class II Long MWA needles to Class III Long MWA needles). While we have engaged Nanjing Huitong for the applications of Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of Class II Long MWA needles and Class II Fine MWA needles in January 2022, and the corresponding R&D work commenced shortly after the engagement, the said applications are expected to be completed in the first quarter of 2023. Based on the discussion with Nanjing Huitong, the Directors believe that there is generally no risk of failing the clinical evaluation process and it is unlikely that there will be material delay or denial of approval by the NMPA for the abovementioned applications.

(b) the application of Class III medical device registration certificates specifically indicated for breast lumps, lung cancer and more organs

According to Frost & Sullivan, it takes generally 48 to 60 months for Class III medical devices to complete the R&D process. We had proactively started our R&D work to expand the indication of MWA medical devices on our Class III medical device registration certificate to breast lumps in 2019 and each of pulmonary nodules, varicose veins, bone tumours and uterine fibroids in 2020 respectively. We are one of the leading MWA medical device providers in commencing product registration testing and/or clinical trials of MWA medical devices in the treatment of other diseases, including breast lumps, pulmonary

nodules, varicose veins, bone tumours and uterine fibroid and the latest R&D progress are as follows:

Breast lumps

We have completed the prototype manufacturing and product registration testing of our MWA medical devices specifically indicated for breast lumps, and is in the course of clinical trial which we expect to complete in the first quarter of 2023. We will conduct NMPA registration right after the clinical trial, and we expect to obtain the Class III medical device registration certificate specifically indicated for breast lumps in the fourth quarter of 2023.

Pulmonary nodules

We have completed the prototype manufacturing of our MWA medical devices specifically indicated for pulmonary nodules, and is in the course of product registration testing which we expect to complete in the third quarter of 2022. We will conduct clinical trial right after the product registration testing, which we expect to complete in the fourth quarter of 2023, followed by the NMPA registration and we expect to obtain the Class III medical device registration certificate specifically indicated for pulmonary nodules in the third quarter of 2024.

Varicose veins

We have completed the prototype manufacturing of our MWA medical devices specifically indicated for varicose veins, and is in the course of product registration testing which we expect to complete in the fourth quarter of 2022. We expect to conduct clinical trial right after the product registration testing, which we expect to complete in the first quarter of 2024, followed by NMPA registration and we expect to obtain the Class III medical device registration certificate specifically indicated for varicose veins in the third quarter of 2024.

Bone tumours and uterine fibroid

We are in the course of prototype manufacturing of our MWA medical devices specifically indicated for bone tumours and uterine fibroid, respectively, which we expect to complete in the third quarter of 2022. We expect to conduct product registration testing after the prototype manufacturing, which we expect to complete in the first quarter of 2023, followed by clinical trial which we expect to complete in the second quarter of 2024. NMPA registration will be conducted afterwards and we expect to obtain the Class III medical device registration certificate specifically indicated for bone tumours and uterine fibroid in the fourth quarter of 2024.

Based on the discussion with Nanjing Huitong, the Directors believe that there will unlikely be material delay for the abovementioned applications.

(iii) according to Frost & Sullivan, other than some of our competitors which have already obtained Class III registration certificates for their MWA therapeutic apparatus and MWA needles specifically indicated for liver cancer, none of our competitors have obtained Class III registration certificates for their MWA needles specifically indicated

for thyroid nodules or other diseases which our Group has planned to expand our indication on our Class III medical registration certificate (including breast lumps, lung cancer, varicose vein, bone tumours and uterine fibroid). Accordingly, no competitive disadvantages would be posed to our Group by the MWA Equipment Guidelines.

Regulatory updates related to commissioned production of medical devices

On 22 March 2022, the NMPA issued the Guidelines for the Preparation of Quality Agreement for Commissioned Production of Medical Devices (《醫療器械委託生產質量協議編製指南》) (the "**Commission Guidelines**"), and as advised by our PRC Legal Advisers, such guidelines primarily proposed a number of more stringent requirements (as compared to the existing regulatory regime under the 2021 Medical Device Regulations (《醫療器械監督管理條例(2021修訂)》)) in relation to engaging commissioned production enterprise for the manufacturing of medical devices. Since May 2022, Hunan Baide, as the registrant of medical devices, has commissioned a third party manufacturer which has obtained the Permit for Medical Device Production (醫療器械生產許可證) to produce relevant models of MWA needles. We entered into a contract and a quality agreement for commissioned production in accordance with the 2021 Medical Device Regulations and the Commission Guidelines which stipulated the rights, obligations and responsibilities of both parties in the whole production process. As advised by the PRC Legal Advisers, our commissioned production was legal and valid under the relevant laws and regulations of the PRC. Our Directors are of the view that the Commission Guidelines will not have any material and adverse impact on our business operation. Please refer to "Regulatory Overview – Laws and regulations relating to medical devices – Commissioned production of medical devices" in this prospectus for further details. We are dedicated to manufacturing our MWA medical devices in our own manufacturing facilities and has no intention to adopt commissioned production as our major production drive in the near future.

No material adverse change

Our Directors confirm that, since 31 May 2022 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position and there has been no event which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

"5M2021"	for the five months ended 31 May 2021
"5M2022"	for the five months ended 31 May 2022
"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on 11 September 2022 which will come into effect upon Listing, a summary of which is set out in Appendix III to this prospectus, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Baide HK"	Baide Medical Investment Company Limited (百德醫療投資有限公司), a company incorporated in Hong Kong with limited liability on 29 January 2021 and an indirect wholly-owned subsidiary of our Company
"Baide PRC Entity 1"	Guangzhou Dedao Capital Management Company Limited* 廣州德道資本管理有限公司, a company established in the PRC with limited liability on 4 March 2021 and its equity interest is owned as to 99% by WFOE, 0.61% by Ms. Wu PRC Entity 1, 0.27% by Investor PRC Entity 1 and 0.12% by Investor PRC Entity 2
"Baide PRC Entity 2"	Guangzhou Baihui Corporate Management Company Limited* 廣州百輝企業管理有限公司, a company established in the PRC with limited liability on 4 December 2020 and its equity interest is owned as to 99% by Baide PRC Entity 1 and 1% by Baide HK
"Baide PRC Entity 3"	Guangzhou Zhengde Corporate Management Company Limited* 廣州正德企業管理有限公司, a company established in the PRC with limited liability on 4 December 2020 and its equity interest is owned as to 99% by Baide PRC Entity 1 and 1% by Baide HK

"Baide PRC Entity 4"	Guangzhou Yide Capital Management Company Limited* 廣州易德資本管理有限公司, a company established in the PRC with limited liability on 10 December 2020 and its equity interest is owned as to 99% by Baide PRC Entity 1 and 1% by Baide HK
"Baide Suzhou"	Baide (Suzhou) Medical Company Limited* 百德(蘇州)醫療有限公司, a company established in the PRC with limited liability on 5 June 2012 and an indirect subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"BOCI Asia"	BOCI Asia Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being one of the Joint Sponsors to the Global Offering, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers
"business day(s)"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 1,341,973,803 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to in the section headed "Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this prospectus
"Cayman Companies Act" or "Companies Act"	the Companies Act (As Revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)

"CCASS Custodian Participant(s)"	person(s) admitted to participate in CCASS as custodian participant(s)
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on one's behalf, including by (i) instructing a broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on one's behalf; or (ii) regarding an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant(s)"	person(s) admitted to participate in CCASS as investor participant(s), who may be an individual, joint individual(s) or corporation(s)
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant(s)"	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
"Chairlady"	chairlady of our Board
"China" or "PRC"	The People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules

"CNIPA"	China National Intellectual Property Administration (國家知識產權局)
"Companies Ordinance" or "Hong Kong 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" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "Our Company"	Betters Medical Investment Holdings Limited (百德医疗投资控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 22 January 2021 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 18 February 2021
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration Settlement Deed"	the deed of consideration settlement dated 23 March 2021 and entered into among the Company, Baide HK, Investor Q and Investor BVI Entity 12 in relation to the settlement of the subscription price of HK$1,368,500 under the Investor BVI Entity 12 Subscription Agreement, details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Ms. Wu BVI Entity and Ms. Wu
"Convertible Loans"	the zero coupon convertible loans with conversion option issued by Baide Suzhou to investors in 2018
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2

"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the securities markets in the PRC
"Customer A"	Henan Huateng Biotechnology Co., Ltd* (河南華騰生物科技有限公司), a company established in the PRC with limited liability on 6 July 2018. Please refer to "Business – Our Customers – Relationship with Customer Group A" for further details
"Customer B"	Zhuhai Hengkang Medical Technology Co., Ltd* (珠海恒康醫療科技有限公司), a company established in the PRC with limited liability on 24 October 2016. Please refer to "Business – Our Customers – Relationship with Customer Group A" for further details
"Customer C"	Guangzhou Tengfeng Biological Technology Co., Ltd* (廣州騰鋒生物科技有限公司), a company established in the PRC with limited liability on 2 November 2015 and was one of our top five suppliers for FY2021. Please refer to "Business – Our suppliers – Relationship with Customer C" for further details
"Customer Group A"	Customer A and Customer B, which are grouped together and regarded as one single customer as they are under the control of the same ultimate shareholder. It was our largest customer for FY2019 and FY2020 and one of our top five customers for FY2021. Please refer to "Business – Our Customers – Relationship with Customer Group A" for further details
"Deed of Indemnity"	the deed of indemnity dated 11 September 2022 and entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each member of our Group) to provide certain indemnities, particulars of which are set out in the section headed "Statutory and General Information – E. Other Information – 1. Tax and other indemnities" in Appendix IV to this prospectus

"Deed of Non-competition"	the deed of non-competition dated 11 September 2022 and entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee of our subsidiaries), particulars of which are set out in the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" in this prospectus
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EIT"	the PRC enterprise income tax
"EIT Law"	The PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) promulgated by the NPC on 16 March 2007, effective on 1 January 2008 and subsequently amended on 24 February 2017 and 29 December 2018, as amended, supplemented or otherwise modified from time to time
"Extreme Condition(s)"	extreme condition(s) including but not limited to serious disruption of public transport services, extensive flooding, major landslides and large-scale power outage caused by a super typhoon according to the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Labour Department of the government of Hong Kong in June 2019, as announced by the government of Hong Kong
"FDA"	the Food and Drug Administration of the U.S. Department of Health and Human Services
"FRC"	the Financial Reporting Council
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"Frost & Sullivan Report"	the industry report commissioned by us and independently prepared by Frost & Sullivan, summary of which is set forth in the section headed "Industry Overview" in this prospectus
"FY2019", "FY2020", "FY2021"	for the financial year ended 31 December 2019, 2020 and 2021, respectively
"FY2022"	for the financial year ending 31 December 2022
"Global Offering"	the Hong Kong Public Offering and the International Placing

"**GREEN** Application Form" or "Application Form"	the application form to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time
"Guangzhou Baipin"	Guangzhou Baipin Medical Research Company Limited* 廣州百品醫學研究有限公司, a company established in the PRC with limited liability on 26 June 2017, which was directly owned as to 70% by Baide Suzhou and 30% by Ms. Wu prior to its deregistration on 28 September 2018
"Guizhou Baiyuan"	Guizhou Baiyuan Medical Company Limited* 貴州百源醫療有限公司, a company established in the PRC with limited liability on 21 September 2017 and a wholly-owned subsidiary of Baide Suzhou
"Guoke Baide"	Guoke Baide (Guangdong) Medical Company Limited* 國科百德(廣東)醫療有限公司, a company established in the PRC with limited liability on 5 July 2019 and a wholly-owned subsidiary of Baide Suzhou
"Henan Ruide"	Henan Ruide Medical Instrument Company Limited* 河南瑞德醫療器械有限公司, a company established in the PRC with limited liability on 6 July 2018 and a wholly-owned subsidiary of Baide Suzhou
"**HK eIPO White Form**"	the application of Hong Kong Offer Shares for issue in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk** or the **IPO App**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by the Company, as specified on the designated website at **www.hkeipo.hk** or the **IPO App**
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s) issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 24,800,000 new Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described in "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the issue and offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee, SFC transaction levy and FRC transaction levy) on and subject to the terms and conditions described in this prospectus, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering, whose names are set out in "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 21 September 2022 and entered into by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters relating to the underwriting of the Hong Kong Offer Shares, further details of which are set out in "Underwriting – Underwriting arrangements and expenses" in this prospectus

"Hunan Baide"	Hunan Baide Medical Technology Company Limited* 湖南百德醫療科技有限公司, a company established in the PRC with limited liability on 26 November 2019 and a wholly-owned subsidiary of Baide Suzhou
"Hunan MPA"	Hunan Provincial Medical Products Administration (湖南省藥品監督管理局), or where the context requires, its predecessor Hunan Food and Drug Administration (湖南省食品藥品監督管理局)
"Independent PRC Entity A"	Guangzhou Shuimu No. 23 Investment Partnership Enterprise (Limited Partnership)* 廣州水木二十三號投資合夥企業(有限合夥), a limited partnership established in the PRC on 28 November 2017. The general partner and executive partner of Independent PRC Entity A is Guangzhou Shuimu Asset Management Company Limited* 廣州水木資產管理有限公司, an Independent Third Party who is beneficially owned by 40 partners who are all Individual Third Parties. The limited partners of Independent PRC Entity A are Zhou Gang (周剛), Huang Huajun (黃華軍), Chen Rongchang (陳榮昌), Lin Manyang (林滿揚), Lin Yongxin (林永信), Wu Hanchang (吳漢昌) who are all Independent Third Parties and Guangdong Shuimu Hualun Investment Management Partnership Enterprise (Limited partnership)* 廣東水木華侖投資管理合夥企業(有限合夥), an Independent Third Party who is beneficially owned by 40 partners who are all Individual Third Parties. The capital contributions of Independent PRC Entity A are all made by Independent Third Parties
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"International Placing"	the placing of the International Placing Shares at the final Offer Price to professional, institutional and other investors, as further described in "Structure and Conditions of the Global Offering" in this prospectus

"International Placing Shares"	the 223,200,000 new Shares offered by our Company for subscription under the International Placing, subject to reallocation and the exercise of the Over-allotment Option, as described in "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the International Underwriters relating to the International Placing, as further described in "Underwriting – International Placing" in this prospectus
"Investment Agreements"	the Series A Investment Agreements, the Series A Supplemental Investment Agreements, the Series B Investment Agreements, the Series B Supplemental Investment Agreements, the Investor Q Equity Transfer Agreements, the Investor BVI Entity 12 Subscription Agreement, the Consideration Settlement Deed, and the Series C Investment Agreement, details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments" in this prospectus
"Investor BVI Entities"	Investor BVI Entity 1, Investor BVI Entity 2, Investor BVI Entity 3, Investor BVI Entity 4, Investor BVI Entity 5, Investor BVI Entity 6, Investor BVI Entity 7, Investor BVI Entity 8, Investor BVI Entity 10, Investor BVI Entity 11 and Investor BVI Entity 12
"Investor BVI Entity 1"	Brilliant Cut Limited, a company incorporated in the BVI with limited liability on 3 December 2020 and its equity share capital is owned as to approximately 62.40% by Investor A and approximately 37.60% by Investor B
"Investor BVI Entity 2"	Daily Charm Holdings Limited, a company incorporated in the BVI with limited liability on 16 September 2020 and its equity share capital is wholly-owned by Investor C

"Investor BVI Entity 3"	Cheer Aim Investments Limited, a company incorporated in the BVI with limited liability on 8 December 2020 and its equity share capital is wholly-owned by Investor D
"Investor BVI Entity 4"	Cosmic Discovery Limited, a company incorporated in the BVI with limited liability on 1 September 2020 and its equity share capital is owned as to 80% by Ren Zhen (任禎) ("**Investor E**") and 20% by Ban Yan (班妍) ("**Investor F**")
"Investor BVI Entity 5"	Mighty Sino International Limited, a company incorporated in the BVI with limited liability on 13 November 2020 and its equity share capital is owned as to approximately 61.01% by Investor G and approximately 38.99% by Investor H
"Investor BVI Entity 6"	Nation Hero International Limited, a company incorporated in the BVI with limited liability on 13 November 2020 and its equity share capital is wholly-owned by Investor I
"Investor BVI Entity 7"	Pride Supreme Limited, a company incorporated in the BVI with limited liability on 16 October 2020 and its equity share capital is wholly-owned by Investor J
"Investor BVI Entity 8"	Rainbow Avenue Limited, a company incorporated in the BVI with limited liability on 19 November 2020 and its equity share capital is wholly-owned by Investor K
"Investor BVI Entity 10"	Major Delight Limited, a company incorporated in the BVI with limited liability on 8 December 2020 and its equity share capital is owned as to 50% by Shang Wankuan (尚萬寬) ("**Investor N**") and 50% by Xiao Huayong (肖華勇) ("**Investor O**")
"Investor BVI Entity 11"	Success Avenue Limited, a company incorporated in the BVI with limited liability on 8 December 2020 and its equity share capital is wholly-owned by Investor P
"Investor BVI Entity 12"	Tiger Goal Limited, a company incorporated in the BVI with limited liability on 15 January 2021 and its equity share capital is wholly-owned by Investor Q

"Investor BVI Entity 12 Subscription Agreement"	the subscription agreement dated 23 March 2021 and entered into between Investor BVI Entity 12 and our Company in relation to the subscription of 100,000 new Shares of our Company by Investor BVI Entity 12 at the aggregate subscription price of HK$1,368,500, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus
"Investor PRC Entity 1"	Guangzhou Deben Corporate Management Company Limited* 廣州德本企業管理有限公司, a company established in the PRC with limited liability on 14 January 2021 and its equity interest is owned as to approximately 26.54% by Investor C, approximately 17.69% by Investor A, approximately 15.92% by Investor PRC Entity 7, approximately 10% by Investor J, approximately 8.85% by Investor G, approximately 8.71% by Investor K, approximately 5.62% by Investor B, approximately 2.43% by Shareholder L, approximately 2.43% by Shareholder M and approximately 1.81% by Investor PRC Entity 6
"Investor PRC Entity 2"	Guangzhou Deji Capital Management Company Limited* 廣州德吉資本管理有限公司, a company established in the PRC with limited liability on 10 December 2020 and its equity interest is owned as to approximately 40.99% by Investor D, approximately 27.32% by Investor I, approximately 13.32% by Investor H, approximately 11.88% by Investor B, 3.84% by Investor P and approximately 2.65% by Investor C
"Investor PRC Entity 3"	Yichun Xiwenhang Corporate Management Partnership Enterprise (Limited partnership)* 宜春思文航企業管理合夥企業(有限合夥), a limited partnership established in the PRC on 25 November 2020, the general partner and executive partner of Investor PRC Entity 3 is Investor G, who subscribed for approximately 17.40% of the capital contribution and the limited partners of Investor PRC Entity 3 are Investor A, Investor J, Investor K and Investor B, who subscribed for approximately 34.78%, 19.65%, 17.13% and 11.04% of the capital contribution respectively

"Investor PRC Entity 4"	Yichunshi Ruhui Corporate Management Partnership Enterprise (Limited partnership)* 宜春市汝輝企業管理合夥企業(有限合夥), a limited partnership established in the PRC on 30 November 2020, the limited partners of Investor PRC Entity 4 are Investor C and Investor PRC Entity 7, who subscribed for approximately 59.94% and 35.96% of the capital contribution respectively and the general partner and executive partner of Investor PRC Entity 4 is Investor PRC Entity 6, who subscribed for approximately 4.10% of the capital contribution
"Investor PRC Entity 6"	Ruzhou Wanhua Corporate Management Consulting Centre (Limited partnership)* 汝州萬華企業管理諮詢中心(有限合夥), a limited partnership established in the PRC on 26 June 2018, the limited partner of Investor PRC Entity 6 is Investor O, who subscribed for 50% of the capital contribution and the general partner and executive partner of Investor PRC Entity 6 is Investor N, who subscribed for 50% of the capital contribution
"Investor PRC Entity 7"	Ruzhoushi Borui Yangguang Corporate Management Consulting Centre (Limited partnership)* 汝州市博睿陽光企業管理諮詢中心(有限合夥), a limited partnership established in the PRC on 12 June 2018, the limited partner of Investor PRC Entity 7 is Investor F, who subscribed for 20% of the capital contribution and the general partner and executive partner of Investor PRC Entity 7 is Investor E, who subscribed for 80% of the capital contribution
"Investor Q Equity Transfer Agreements"	three equity transfer agreements dated 29 January 2021 and entered into between Investor Q and each of Ms. Wu PRC Entity 1, Investor PRC Entity 1 and Investor PRC Entity 2, pursuant to which Investor Q acquired 1% equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 at the consideration of RMB698,100, RMB317,200 and RMB134,700 respectively
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

"Jiangsu MPA"	Jiangsu Provincial Medical Products Administration (江蘇省藥品監督管理局), or where the context requires, its predecessor Jiangsu Food and Drug Administration (江蘇省食品藥品監督管理局)
"Joint Bookrunners"	BOCI Asia, Zhongtai International Securities, China Galaxy International Securities (Hong Kong) Co., Limited, Cinda International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Eddid Securities and Futures Limited, China Everbright Securities (HK) Limited, Guosen Securities (HK) Capital Company Limited, China Industrial Securities International Capital Limited and Valuable Capital Limited
"Joint Global Coordinators"	BOCI Asia, Zhongtai International Securities, China Galaxy International Securities (Hong Kong) Co., Limited and Cinda International Capital Limited
"Joint Lead Managers"	BOCI Asia, Zhongtai International Securities, China Galaxy International Securities (Hong Kong) Co., Limited, Cinda International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Eddid Securities and Futures Limited, China Everbright Securities (HK) Limited, Guosen Securities (HK) Capital Company Limited, China Industrial Securities International Capital Limited, Valuable Capital Limited and ZMF Asset Management Limited
"Joint Sponsors"	BOCI Asia and Zhongtai International Capital
"Latest Practicable Date"	13 September 2022, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, 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
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted to take effect upon Listing, a summary of which is contained in Appendix III to this prospectus, as amended from time to time
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), as appropriate to the context
"Ms. Qiu"	Qiu Quan (邱荃), an executive Director
"Ms. Wu"	Wu Haimei (吳海梅), a Controlling Shareholder, the Chairlady, the chief executive officer and an executive Director
"Ms. Wu BVI Entity"	Auto King International Limited, a company incorporated in the BVI with limited liability on 3 December 2020 and its equity share capital is wholly-owned by Ms. Wu, a Controlling Shareholder
"Ms. Wu PRC Entity 1"	Guangzhou Huide Capital Management Company Limited* 廣州匯德資本管理有限公司, a company established in the PRC with limited liability on 10 December 2020 and its equity interest is owned as to 99.9% by Ms. Wu and 0.1% by Ms. Wu PRC Entity 2
"Ms. Wu PRC Entity 2"	Guangzhou Dehui Capital Management Company Limited* 廣州德輝資本管理有限公司, a company established in the PRC with limited liability on 17 November 2020 and its equity interest is wholly-owned by Ms. Wu

"Ms. Wu PRC Entity 3"	Yichun Xiumeihui Corporate Management Partnership Enterprise (Limited Partnership)* 宜春秀梅輝企業管理合夥企業(有限合夥), a limited partnership established in the PRC on 30 November 2020, the general partner and executive partner of Ms. Wu PRC Entity 3 was Ms. Wu PRC Entity 2 who subscribed for 0.1% capital contribution and the limited partner of Ms. Wu PRC Entity 3 was Ms. Wu, who subscribed for 99.9% capital contribution, Ms. Wu PRC Entity 3 was controlled by Ms. Wu immediately prior to its deregistration on 27 May 2021
"Ms. Wu PRC Entity 4"	Ruzhou Baide Chuangye Investment Management Centre (Limited Partnership)* 汝州市百德創業投資管理中心(有限合夥), a limited partnership established in the PRC on 9 November 2017, the general partner and executive partner of which is Ms. Wu who subscribed for 99% capital contribution and the limited partner is Ms. Qiu, who subscribed for 1% capital contribution; Ms. Wu PRC Entity 4 was controlled by Ms. Wu immediately prior to its deregistration on 21 October 2021
"Ms. Wu PRC Entity 5"	Ruzhou Bairui Corporate Management Consultancy Centre (Limited Partnership)* 汝州百瑞企業管理諮詢中心(有限合夥), a limited partnership established in the PRC on 12 June 2018, the general partner and executive partner of which is Ms. Wu who subscribed for 99% capital contribution and the limited partner is Ms. Xu, who subscribed for 1% capital contribution; Ms. Wu PRC Entity 5 was controlled by Ms. Wu immediately prior to its deregistration on 21 October 2021
"Ms. Wu PRC Entity 6"	Guangzhou Baibang Corporate Management Partnership Enterprise (Limited Partnership)* 廣州百邦企業管理合夥企業(有限合夥), a limited partnership established in the PRC on 11 January 2018, the general partner and executive partner of which is Ms. Wu, who subscribed for 80% capital contribution and the limited partners are Ms. Qiu, who made 10% capital contribution and Rao Li (饒麗), an Independent Third Party, who subscribed for 10% capital contribution; Ms. Wu PRC Entity 6 is controlled by Ms. Wu

"Ms. Wu PRC Entity 7"	Guangzhou Baidewei Corporate Management Partnership Enterprise (Limited Partnership)* 廣州百德威企業管理合夥企業(有限合夥), a limited partnership established in the PRC on 12 July 2016, the general partner of Ms. Wu PRC Entity 7 is Ms. Wu who subscribed for 99% capital contribution and the limited partner of Ms. Wu PRC Entity 7 is Ms. Xu, who subscribed for 1% capital contribution. The executive partners of Ms. Wu PRC Entity 7 are Ms. Wu and Ms. Xu, Ms. Wu PRC Entity 7 was controlled by Ms. Wu immediately prior to its deregistration on 11 May 2022
"Ms. Xu"	Xu Peirong (徐培容), quality responsible personnel of Guoke Baide
"MWA Equipment Guidelines"	the Guidelines for Registration and Review of Microwave Ablation Equipment (《微波消融設備註冊審查指導原則》) published by the NMPA on 25 November 2021
"Nanjing Changcheng"	Nanjing Changcheng Medical Equipment Company Limited* 南京長城醫療設備有限公司, a company established in the PRC with limited liability on 28 January 2016 and a wholly-owned subsidiary of Baide Suzhou
"Nanjing Huitong"	Nanjing Huitong Medical Technology Co., Ltd* (南京匯通醫療技術有限公司), a CRO
"Nanjing Plant 1"	our existing production plant in Nanjing City located at 3rd floor, Building 4, Dongshan Industrial Concentration Area, 811 Hushan Road, Jiangning District, Nanjing City* (南京市江寧區湖山路811號東山工業集中區4棟3樓)
"Nanjing Plant 2"	our new production plant in Nanjing City located at 2nd floor, Building 4, Hailmans Industrial Park, 2881 Shuanglong Road, Jiangning Economic and Technological Development Zone, Nanjing City* (南京市江寧區經濟技術開發區雙龍大道2881號海爾曼斯產業園4幢2樓)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	National Medical Products Administration (國家藥品監督管理局), or where the context requires, its predecessor National Food and Drug Administration (國家食品藥品監督管理總局)

"Nomination Committee"	the nomination committee of our Board
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.00%, Stock Exchange trading fee of 0.005%, SFC transaction levy of 0.0027% and FRC transaction levy of 0.00015%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Price Range"	HK$1.40 to HK$1.72 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company under the International Underwriting Agreement to allot and issue up to an aggregate of 37,200,000 additional new Shares at the Offer Price, representing 15% of the initial number of Offer Shares offered under the Global Offering, details of which are described in "Structure and Conditions of the Global Offering" in this prospectus
"PRC Government" or "Chinese Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organisations thereof, or where the context require, any of them
"PRC Legal Advisers"	Hills & Co., our legal advisers as to PRC laws
"PRC Subsidiaries"	Baide PRC Entity 1, Baide PRC Entity 2, Baide PRC Entity 3, Baide PRC Entity 4, Baide Suzhou, Guizhou Baiyuan, Guoke Baide, Hunan Baide, Henan Ruide, Nanjing Changcheng, Ruikede Xiamen and WFOE
"Preference Share(s)" or "Convertible Redeemable Preference Share(s)"	convertible redeemable preference shares of our Company of HK$0.01 each

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on 24 September 2021 (as amended and restated on 11 September 2022), a summary of the principal terms of which are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus
"Price Determination Date"	the date, expected to be on or around Tuesday, 27 September 2022 but in any event not later than Monday, 3 October 2022, on which the Offer Price will be determined for the purposes of the Global Offering
"Production Plants"	the Nanjing Plant 1, the Nanjing Plant 2 and the Suzhou Plant
"prospectus"	this prospectus being issued in connection with the Global Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the PRC Government
"Qualified IPO"	public offering of ordinary Shares (or securities representing such ordinary Shares) on the Main Board of the Stock Exchange, Nasdaq, New York Stock Exchange or any other comparable internationally recognised stock exchange approved by the Series C Investors
"Regulation S"	Regulation S under the US Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the pre-listing reorganisation of our Group, as further described in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus

"Repurchase Agreement"	the repurchase agreement dated 1 September 2021 and entered into among, our Company as purchaser and Investor BVI Entity 1, Investor BVI Entity 2, Investor BVI Entity 3, Investor BVI Entity 4, Investor BVI Entity 5, Investor BVI Entity 7, as vendors in relation to the repurchase of 1,243,303 Shares by our Company at the total consideration of RMB66,773,584, details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus
"Ruikede Xiamen"	Ruikede Biological Technology (Xiamen) Company Limited* 瑞科德生物科技(廈門)有限公司, a company established in the PRC with limited liability on 17 July 2019 and an indirect 80%-owned subsidiary of Baide Suzhou and the remaining 20% equity interest is owned by Wang Jing. Wang Jing is a substantial shareholder of Ruikede Xiamen as 20% of the equity interest in Ruikede Xiamen is owned by Wang Jing. Save for being a substantial shareholder of Ruikede Xiamen, Wang Jing has no other relationship with our Group and its respective connected persons
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外滙管理局)
"SAIC"	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), including, as the context may require, its local counterparts, which was merged into the SAMR
"SAMR"	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), including, as the context may require, its local counterparts
"Series A Investment"	the investments made by the Series A Investors according to the terms and conditions of the Series A Investment Agreements (as amended and supplemented by the Series A Supplemental Investment Agreements)
"Series A Investment Agreements"	the investment agreements entered into between Baide Suzhou and each of the Series A Investors, details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments" in this prospectus

"Series A Investors"	Investor A, Investor B, Investor C, Investor G, Investor J, Investor K, Investor PRC Entity 6 and Investor PRC Entity 7, details of the names of Investor A, Investor B, Investor C, Investor G, Investor J and Investor K are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series A Investors"
"Series A Supplemental Investment Agreements"	the supplemental investment agreements dated 3 December 2020 and entered into between Baide Suzhou and each of the Series A Investors, for converting the convertible loans of an aggregate amount of RMB10,755,000 into the equity interest of Baide Suzhou, representing approximately 26.24% of the equity interest of Baide Suzhou immediately after the exercise of the conversion option, details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments" in this prospectus
"Series B Investment"	the investments made by the Series B Investors according to the terms and conditions of the Series B Investment Agreements (as amended and supplemented by the Series B Supplemental Investment Agreements) or Investor Q Equity Transfer Agreements
"Series B Investment Agreements"	the investment agreements entered into between Ms. Wu and each of the Series B Investors (save for Investor Q), details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments" in this prospectus
"Series B Investors"	Investor B, Investor C, Investor D, Investor H, Investor I, Investor P and Investor Q, details of the names of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series B Investors"
"Series B Supplemental Investment Agreements"	the supplemental investment agreements entered into between Ms. Wu and each of the Series B Investors (save for Investor Q), details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments" in this prospectus

"Series C Investment"	the subscription of an aggregate of 1,269,500 Preference Shares by the Series C Investors at an aggregate subscription consideration of RMB94,400,000 pursuant to the terms and conditions of the Series C Investment Agreement
"Series C Investment Agreement"	the subscription agreement dated 30 June 2021 and entered into among the Series C Investors, our Company, Tycoon Choice, Baide HK, the PRC Subsidiaries, Ms. Wu and Ms. Wu BVI Entity in relation to the Series C Investment, details of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The Pre-IPO Investments" in this prospectus
"Series C Investors"	BOCI Investment, Courage Elite, CVC, IPE and Weitian, details of the names of which are disclosed in the section headed "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series C Investors"
"Series C Shareholders Agreement"	the shareholders agreement dated 5 July 2021 and entered into among the Series C Investors, the Investor BVI Entities, Shareholder BVI Entity 9, our Company, Tycoon Choice, Baide HK, the PRC Subsidiaries, Ms. Wu and Ms. Wu BVI Entity in relation to the shareholders' rights in our Company, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – the pre-IPO investments" in this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Shareholder BVI Entity 9"	Good Hero Global Limited, a company incorporated in the BVI with limited liability on 8 December 2020 and its equity share capital is owned as to 50% by Gao Chunsheng (高春生) ("**Shareholder L**") and 50% by Zhang Shufen (張淑芬) ("**Shareholder M**")

"Shareholder PRC Entity 5"	Shanghai Zhanheng Investment Management Centre (Limited Partnership)* 上海占衡投資管理中心(有限合夥), a limited partnership established in the PRC on 17 October 2014, the limited partner of Shareholder PRC Entity 5 is Shareholder L who subscribed for 50% of the capital contribution and the general partner and executive partner of Shareholder PRC Entity 5 is Shareholder M who subscribed for 50% of the capital contribution
"STA"	State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Stabilising Manager"	Cinda International Capital Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Ms. Wu BVI Entity on or about the same date as the International Underwriting Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Plant"	our production plant located at Room 101, 201 and 501, 7/F, No. 52, Yingang Road, Fuqiao Town, Taicang City* (太倉市浮橋鎮銀港路52號7號樓101、201、501室)
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs, issued by the SFC and as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising FY2019, FY2020, FY2021 and 5M2022
"Tycoon Choice"	Tycoon Choice Global Limited, a company incorporated in the BVI with limited liability on 8 January 2021 and a wholly-owned subsidiary of our Company
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"WFOE"	Baide (Guangdong) Capital Management Company Limited* 百德(廣東)資本管理有限公司, a company established in the PRC with limited liability on 3 March 2021 and is an indirect wholly-owned subsidiary of our Company
"Zhongtai International Capital"	Zhongtai International Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being one of the Joint Sponsors to the Global Offering
"Zhongtai International Securities"	Zhongtai International Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO, being one of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers
"%"	per cent

In this prospectus, the English names of PRC nationals, entities, departments, facilities, certificates, titles, etc. marked "" are translations of their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme.

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

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"AI"	artificial intelligence
"CAGR"	compared annual growth rate
"CE Mark"	officially known as CE Marking, a mandatory marking on certain products, which is required if they are placed on the market in the European Economic Area (EEA), to indicate conformity with the essential health and safety requirements set out in all applicable Directives issued by the European Union. By affixing the CE Marking, a manufacturer, or its representative, or the importer assures that a product meets all the essential requirements of all applicable Directives issued by the European Union
"cm"	centimetre(s)
"CRO"	contract research organisation, a company that provides R&D Services to the pharmaceutical, biotechnology, and medical device industries on a contract basis
"CT Scan"	computed tomography scan, a special radiographic technique used for scanning tumour tissue in cancer patients
"DFS"	disease-free survival, refers to the time from surgical resection to local recurrence. The higher the DFS, the more effective the treatment is
"Fine MWA needles"	a group of existing models of MWA needles under the Class II medical device registration certificate and/or the Class III medical device registration certificate as accessories of our MWA therapeutic apparatus. With length of needle ranging from 8 cm to 10 cm and diameter ranging from 1.4 mm to 1.6 mm, these MWA needles are commonly used for MWA treatments of thyroid nodules and breast lumps
"GDP"	gross domestic product
"GFA"	gross floor area

"Grade II hospital(s)"	medium-level hospital(s) in China, as hospitals in China are divided into three classes by the National Health Commission of the PRC. Among the hospital classes, Grade II hospitals are at the second level, typically having more than 100 but less than 500 beds, providing comprehensive healthcare services on a regional basis and performing general medical teaching and research tasks
"Grade III hospital(s)"	top-level hospital(s) in China, as hospitals in China are divided into three classes by the National Health Commission of the PRC. Among the hospital classes, Grade III hospitals are 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. Grade III hospitals are divided into Special, A, B, and C grades
"Greater Bay Area"	for the purpose of this prospectus only, the mainland part of the Guangdong-Hong Kong-Macau Greater Bay Area, a geographical region in China, including Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, unless indicated otherwise
"ISO"	acronym for International Organisation for Standardisation, a series of international standards, including quality management and quality assurance standards published by the Universal Certification Services Co., Ltd., a non-government organisation for assessing the quality system of business organisations
"KOL(s)"	key opinion leader(s), being persons or organisations who have expert medical product knowledge and influence in a particular field, trusted by relevant interest groups and are able to affect peers' medical practice, such as prescribing behaviour, surgical procedures preference and residency training focus

"Long MWA needles"	a group of existing models of MWA needles under the Class II medical device registration certificate and/or the Class III medical device registration certificate as accessories of our MWA therapeutic apparatus. With length of needle ranging from 15 cm to 21 cm and diameter ranging from 1.8 mm to 2.0 mm, these MWA needles are commonly used for MWA treatments of liver cancer and lung cancer
"LTP"	local tumour progression, refers to regrowth or recurrence within or abutting the ablation zone after a complete ablation. The lower the LTP, the less likely the need of retreatment is
"m"	metre(s)
"MHz"	megahertz, a unit of frequency which equals to 1,000,000 cycles per second
"MWA"	microwave ablation, a form of thermal ablation to treat tumours
"penetration rate"	the size of the population using certain product or service expressed as percentage of the total target population eligible for such product or service
"PTFE"	polytetrafluoroethylene, a synthetic fluoropolymer of tetrafluoroethylene
"R&D"	research and development
"RFA"	radiofrequency ablation, a form of thermal ablation that uses high-frequency electrical currents to create heat
"sq.m."	square metre(s)
"VRR"	volume reduction ratio, refers the percentage reduction in volume of tumour. The higher the VRR, the more effective the treatment is and the less likely the need of retreatment is
"W"	watt, a unit of energy (power)

This prospectus contains certain forward-looking statements and information relating to our Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "can", "consider", "continue", "could", "forecast", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "shall", "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 materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licences or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- capital market developments;
- certain statements in sections headed "Business" and "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

This prospectus also contains market data and projects that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in "Risk Factors" in this prospectus. You should read this prospectus in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as at the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks or uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

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

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations; some of which are beyond our control. We have categorised these risks and uncertainties into (i) risks relating to our business and industry; (ii) risks relating to our financial performance; (iii) risks relating to intellectual property rights; (iv) risks relating to conducting business in China; and (v) risks relating to our Global Offering and our Shares.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

We need to complete regulatory filings or obtain registration certificates for our MWA medical devices from the NMPA or its local branches at the provincial or prefectural city level. In China, medical devices are classified into Class I, Class II and Class III depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. Class I medical devices need to be filed with the local branches at the prefectural city level of the NMPA before they can be commercialised. Class II and Class III medical devices are examined by the provincial branches of the NMPA and the NMPA, respectively, and are required to apply for registration certificates from competent authorities for commercialisation. For further details, please refer to "Regulatory Overview – Laws and regulations relating to medical devices – The classification, registration and filing of medical devices" in this prospectus. The filing and registration process is unpredictable, and may be lengthy and costly, and depends on numerous factors, some of which are beyond our control, including the discretion of regulatory authorities. Even if our MWA medical devices are to successfully obtain approval from the regulatory authorities, that approval might significantly limit the approved indications for use, or require that precautions, contraindications or warnings be included on the product labelling, or require expensive and time-consuming post-approval clinical trials or surveillance as conditions of approval. Following an approval for commercial sale of our product candidates, certain changes to the product, such as changes in manufacturing processes and additional labelling claims, may be subject to additional review and approval by the NMPA and/or comparable regulatory authorities.

In addition, even if we are able to obtain the registration certificates for our MWA medical devices, if we or others later identify safety issues with our MWA medical devices, we may be forced to suspend sales and marketing, and regulatory authorities may cancel the registration certificates for such medical devices.

Moreover, registration certificates for medical devices have a five-year term and must be renewed by filing renewal applications with the NMPA or its provincial branches at least six months prior to the expiry of the certificate. As at the Latest Practicable Date, we had obtained (i) one registration certificate for Class III medical devices and (ii) two registration certificates for Class II medical devices. For further details, please refer to "Business – Licences, permits and approvals" in this prospectus. When deciding whether or not to grant renewal, the NMPA or its provincial branches usually focuses on, among other things, whether the product conforms to latest applicable standards or quality requirements and whether the registrant files a registration renewal application within the prescribed time limit. With respect to a medical device used for treating rare diseases or urgently needed to respond to public health emergencies, the NMPA or its provincial branches will also focus on whether the matters as specified in the medical device registration certificate have been completed within a prescribed time limit as required by the registration approval authority. If the NMPA or its provincial branches decide not to grant the renewal of our registration certificates or require us to obtain additional registration certificates, we will not be able to continue to manufacture and sell the relevant MWA medical devices, which would have a material and adverse effect on our business, financial condition and results of operations.

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

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

In addition, the regulatory framework for the MWA medical device industry in China is constantly evolving, and we expect it will continue to evolve. In recent years, the healthcare regulatory framework in China has undergone significant changes, including, with respect to quality control, supply, pricing and tender process for medical devices. We cannot predict the likelihood, nature or extent of regulatory changes that may arise from existing or future legislation in China. Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain additional permits, licences or certificates. There is no assurance that we will respond successfully and timely to such changes. Such changes may also result in increased compliance costs or prevent our successful development, manufacture or commercialisation of products in China, which would adversely affect our business, financial condition and results of operations.

We may fail to maintain or renew our relationship with our distributors and customers, or maintain our sales network.

Our growth and future success is reliant upon our ability to maintain good relationships with our customers and solidifying our market position. Our ability to maintain good relationships with existing customers and attract new customers significantly depends on, among others, our ability to (i) continuously anticipate and effectively respond to changing customers' demands and preferences, and (ii) anticipate and respond to changes in the competitive and changing landscape of the industry. In the event that we cannot (i) maintain good relationships with our customers, (ii) maintain or guarantee the high quality of our MWA medical devices, our business and financial performance will be adversely affected.

We rely largely on our deliverers to deliver and our distributors to on-sell our products to hospitals. The performance of our deliverers and distributors and the ability of our distributors to on-sell our products and expand their businesses and their sales network are crucial to the growth of our business and may directly affect our sales volume and profitability. Any reduction, delay or cancellation of orders from distributors, or our failure to renew the agreements with deliverers and distributors and fail to timely identify and engage additional or replacement distributors upon the loss of one or more of our deliverers and distributors, may cause fluctuations or declines in our revenue or the sustainability of our growth and have a material and adverse effect on our business, financial condition and results of operations. In addition, a decline in our distributors' performance could have a negative impact on our results of operations.

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

Demand for, prices of, and ability to sell our products is related to the availability of governmental and private health insurance in China for treatments using our products. China has a complex medical insurance system that is currently undergoing reform. The governmental insurance coverage or reimbursement level in China for new procedures and the medical device used in such procedures is subject to significant uncertainty and varies from region to region, as local government approvals for such coverage must be obtained in each geographic region. In addition, the PRC Government may change, reduce or eliminate the governmental insurance coverage then available for treatments using our products. For details, please refer to

"Regulatory Overview – National medical insurance programme" in this prospectus. As at the Latest Practicable Date, our products have been included in the medical insurance reimbursement list in nine provinces in China. During the Track Record Period, we sold our products to direct customers in seven of these provinces, namely Guangdong Province, Fujian Province, Jiangxi Province, Henan Province, Yunnan Province, Shanxi Province and Jiangsu Province. Our revenue generated from these direct customers amounted to RMB56.9 million, RMB77.9 million, RMB100.8 million and RMB33.8 million for FY2019, FY2020, FY2021 and 5M2022, respectively, representing 67.0%, 65.9%, 53.4% and 53.0% of our total revenue for the same periods. We cannot assure you that our products and pipeline products (upon commercialisation) will be included in the medical insurance reimbursement list at all times, or at all. To the extent that our products are not included in the medical insurance reimbursement list or if any such insurance schemes are modified or cancelled which result in any removal of our products from medical insurance catalogue, hospitals may recommend and patients may choose alternative treatment methods, which will reduce demand for our products, and our sales may be adversely impacted or not able to achieve our expected levels, which may lead to a material and adverse effect on our business, results of operations and financial condition.

In addition, according to Frost & Sullivan, the national medical insurance programme in China would generally reimburse patients for a higher percentage of the product cost if they use a medical device manufactured by a Chinese domestic company as opposed to an imported device. We cannot guarantee that this favourable policy will be maintained in the future. Moreover, we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, while such price cut and reimbursement may not necessarily cause our sales to increase and our results of operations may be adversely affected.

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

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

In order to obtain the registration certificates for Class III medical devices for our pipeline products, and FDA approval and CE Mark certifications for our existing products, we are required to conduct, at our own expense, clinical trials, unless such products fall under the exemptions by the relevant authorities. Clinical trials may be expensive and the duration of a clinical trial generally varies substantially with the type, complexity, novelty and intended use of the product. In our experience, clinical trials for our products generally take one to two years, depending on the complexity and degree of innovation of the products. Delays or failures may occur in our clinical trials for many reasons, including but not limited to:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;

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

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

We may not be able to obtain Class III medical device registration certificates specifically indicated for additional diseases in a timely manner.

The NMPA published the MWA Equipment Guidelines on 25 November 2021, which stipulates that MWA equipment should be administrated as Class III medical device under Medical Device Classification Catalog*《醫療器械分類目錄》. Hence, only Class III medical device registration certificate will be considered for all new MWA needle registration. In addition, the MWA Equipment Guidelines stipulates that (i) applicants applying for Class III registration certificates for their MWA equipment should set out the scope of application of their MWA equipment based on the characteristics of the product, limit or modify the scope of application of their MWA equipment based on clinical data and relevant clinical diagnosis and treatment specifications; and (ii) the scope of application should clearly identify the specific organs or tissues on which the MWA equipment are to be applied. For details, please refer to "Regulatory Overview – Laws and regulations relating to medical devices – The classification, registration and filing of medical devices – Registration and filings of medical devices" in this prospectus.

We have engaged Nanjing Huitong for the application of (a) Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles; and (b) expanding the indications of our MWA medical devices on our Class III medical device registration certificate to breast lumps, pulmonary nodules, varicose vein, bone tumours and uterine fibroid, all of which are expected to be completed by 2023 or 2024. For details, please refer to "Summary – Recent development and no material adverse change – The MWA Equipment Guidelines" in this prospectus.

However, we cannot guarantee that the above applications will be completed in a timely manner, for example, due to delay in product registration testing and clinical trials which are beyond our control. If we fail to obtain Class III medical device registration certificates for our Class II medical devices before the expiry of all our existing Class II medical device registration certificates (i.e. 13 January 2025), our ability to generate sales revenue from such medical devices will be affected.

We may fail to effectively manage our deliverers or distributors. Actions taken by our deliverers or distributors in violation of the framework agreements or sales guidelines could materially and adversely affect our business, prospects and reputation.

We have limited control over the operations and actions of our deliverers and distributors, all of whom, to the best of our Directors' knowledge, are Independent Third Parties during the Track Record Period. We rely on the framework agreements, sales guidelines and the policies and measures we have in place to manage our deliverers or distributors, including their compliance with laws, rules, regulations and our policies. For further details, please refer to "Business – Our sales channels – Selection and management of deliverers or distributors" in this prospectus. We cannot guarantee that we will be able to effectively manage our deliverers or distributors, or that our deliverers or distributors would not breach our agreements and policies. If our deliverers or distributors take one or more of the following actions, our business, results of operations, prospects and reputation may be adversely affected:

- breaching the framework agreements or our policies and measures, including by selling products to customers other than their designated hospitals;
- failing to deliver our products to designated hospitals in a timely manner;
- failing to maintain the requisite licences, 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 deliverers or distributors of the framework agreements, sales guideline, 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 unfavourable

public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

Our Directors believe that our ability to continue to develop and launch new products and expand our product portfolio is crucial to our continued success. We cannot guarantee that we will be successful in developing new products or that we will be able to identify promising product development opportunities. Development of new products and technologies and improvements of existing products and technologies require substantial technical, financial and human resources. We conduct in-house R&D and actively pursue collaborations with third parties in developing our pipeline products. For further details, please refer to "Business – Our businesses – Product pipeline" and "Business – R&D" in this prospectus. However, we cannot assure you that such efforts will be able to deliver the intended results.

Even if we are able to develop new medical devices and obtain the necessary registration certificates to commercialise such products, we cannot guarantee that our new medical devices will be commercially successful or that such products will yield the anticipated returns to cover our investment. Medical technology is a fast-developing field with new breakthroughs being made and new treatments and technologies being developed frequently. We cannot assure you that we will always be able to respond to emerging market trends and introduce new products in a timely and effective manner. We have focused our product portfolio on MWA medical devices. We cannot guarantee that MWA treatments using our products, especially in the ablation of tumour in thyroid, breast, lung and liver on which we heavily focus our business and product pipeline, will not be replaced by the introduction of more advanced or disruptive treatments or technologies. Moreover, our competitors may launch new and competing products earlier than us or market such products in a more effective manner, or our end customers may prefer their

products. Our business may not continue to grow as we expected, which could dampen the demand for our products or cause our products to become obsolete, and we may not be able to respond and adapt to the introduction of new treatments, products or technologies or develop products that continue to be in demand to respond to changes in market conditions in a timely manner, in which case we may not be able to maintain or enhance our market share in the MWA medical device industry and our business, results of operations and prospects may be materially and adversely affected.

In addition, we may focus our efforts and resources on pipeline products or other potential technologies that are ultimately proved to be unsuccessful, and our business, financial condition and results of operations may be materially and adversely affected as a result.

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

Our MWA medical devices are designed to be used in surgeries and any quality defect may result in serious clinical incidents and product liability claims. Product liability claims against our products may include allegations of defects in design and manufacturing, improper handling or transportation of products, negligence, strict liability and a breach of warranties. Although we have established measures to ensure sufficient control over the quality of our products as set out in "Business – Quality control and management" in this prospectus, we may be subject to product liability claims if our products have latent quality issues that were undetected during our inspections and quality control. Even if our products do not have latent defects, other factors that are out of our control, such as the quality and skill of doctors using our products, the surgery methodology and the choice of products used during surgery, may affect the safety and outcome of the surgery. Patients may still initiate legal proceedings against us, and the hospitals and doctors may claim, with or without merit, that our products have latent defects. Regardless of the merits or eventual outcome, liability claims may result in:

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

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

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

The growth and success of our business depends on our ability to successfully market our products to hospitals through tender processes.

Our future growth and success significantly depend on our ability to successfully market our products to hospitals, either directly or through our deliverers or distributors. Our MWA medical devices being sold to public hospitals are required to go through standard public tender procedure established in some provinces or regions. Meanwhile, some hospitals may organise tenders to select suppliers for medical devices. If our MWA medical devices win the bids, such products would be qualified for future procurement by public hospitals in that particular region and the bidding prices generally determine the maximum retail price of our products.

Our bids during the public tender process may not be successful and our products may not be chosen for a number of reasons, including where: (i) our prices are not competitive; (ii) our products fail to meet the technical or quality requirements imposed by the hospitals or are less clinically effective than competing products; (iii) our reputation is adversely affected by unforeseeable events; or (iv) our service quality or any other aspect of our operation fails to meet the relevant requirements. If we are unable to win the bids during the public tender process, our ability to expand our overall sales network may be limited, which may in turn, materially and adversely affect our business and results of operations.

The sizes of the markets for our current and pipeline products have not been established with precision, and may be smaller than we estimate, and we may not be able to fully capture the target populations of our products.

Our estimates of the total addressable markets and target population for our current products and pipeline products are based on a number of internal and third-party estimates, including, without limitation, the size of target populations, the number of individuals who are at a higher risk for developing tumours, and the assumed prices at which we can sell the relevant pipeline products for markets that have not been established. In determining the estimated market size, Frost & Sullivan has assumed that (i) the number of patients with tumours will continue to rise and the penetration of MWA therapy in those patients are gradually increasing; (ii) the medical insurance coverage of MWA will further expand in various geographic regions in China; and (iii) the PRC Government will continue its effort to promote innovation and development of domestic medical device industry. While we believe our assumptions and the data underlying our estimates are reasonable, these assumptions and estimates may not be

correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. As a result, our estimates of the total addressable markets for our current or future products may be proved to be incorrect. If the target population who would benefit from our products, the price at which we can sell our products or the total addressable markets for our products is smaller than we have estimated, our sales growth may be impaired and there may be an adverse impact on our business.

In addition, we may not be able to fully capture the target populations of our products. Whether our products can fully capture the target population in China depends on various factors, such as the commercialisation of our products, inclusion of our products under national public medical insurance programme and continuous policy support from the PRC Government.

Relevant government authorities may require us to contribute additional social insurance premium or housing provident funds, or impose late payment fees or fines on us.

Pursuant to the relevant laws and regulations in the PRC, we are required to open social insurance registration and housing provident funds registration accounts, and to make social insurance premium contributions and housing provident funds for our employees. Furthermore, as advised by our PRC Legal Advisers, a company who entered into an employment contract with its employees instead of its branch office shall be the one to make the social insurance and housing provident fund contribution. During the Track Record Period, some of our subsidiaries or branch office (i) engaged third party human resource agencies to pay social insurance and housing provident fund for some of our employees; (ii) failed to make full contribution to the social insurance and housing provident fund for some of our employees as required by the relevant PRC laws and regulations; and (iii) Baide Suzhou, who entered into the employment contract with its employees, failed to make the social insurance and housing provident fund contribution for some of its employees. Instead, such contribution were made by Baide Suzhou's Guangdong branch office. As a result, we may be required by the competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. As at the Latest Practicable Date, there had been no administrative action initiated nor any fine or penalty imposed in relation to these non-compliance incidents, we have not received any order to settle the outstanding social insurance and housing provident fund contributions and no enforcement actions has been pursued against us in relation to these non-compliance incidents during the Track Record Period for any failure to pay the social insurance and the housing provident fund contributions on time and in full. We have also made provisions for the historical inadequate contributions in our financial statements. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the aggregate outstanding amount of social insurance and housing provident fund contributions were RMB3.5 million, RMB3.3 million, RMB2.1 million and RMB1.6 million, respectively. We have also arranged the branch office of the relevant subsidiary to enter into new employment contracts with the relevant employees and have made the appropriate social insurance and housing provident fund contribution. For details, please refer to "Business – Legal and regulatory compliance – Legal compliance – Social insurance premium and housing provident fund contribution" in this prospectus. We cannot assure you that the competent local government authorities will not require us to pay the outstanding amount within a specified time limit or

impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

On 20 July 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System (《國税地税徵管體制改革方案》) (the "**Reform Plan**"). Pursuant to the Reform Plan, starting from 1 January 2019, tax authorities shall be responsible for the collection of social insurance contributions in the PRC. However, only limited specific implementing rules for the Reform Plan have been issued, and the effect of the Reform Plan is uncertain at the current stage. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfalls or be subject to any penalties or fines, any of which may have a material adverse effect on our business and results of operations.

We rely on KOLs and marketing service providers in the development and marketing of our products.

Our relationships with KOLs and marketing service providers play an important role in our R&D and sales and marketing activities. We actively interact with doctors (who may be KOLs) and marketing service providers to gain first-hand knowledge of unmet clinical needs, doctors' preferences and clinical practice trends, which is critical to our ability to develop new market-responsive products and improve our existing products. In addition, we engage marketing service providers (which collaborate with KOLs on our behalf) as a part of our academic promotion and marketing strategy, which enables us to strengthen the promotion of our products towards end-users, by leveraging their sales and marketing expertise. For further details, please refer to "Business – Marketing" in this prospectus.

We cannot assure you that we will be able to maintain or strengthen our relationships with these industry participants, or that our efforts to maintain or strengthen such relationships will yield the successful development of new products or increased sales. These industry participants may leave their roles, change their business or practice focus, choose to no longer cooperate with us or cooperate with our competitors instead. Even if they continue to cooperate with us, their market insights and perceptions, which we take into account in our R&D process, may be inaccurate and lead us to develop products that do not have significant market potential. Even if their insights and perceptions are correct, we may fail to develop commercially viable products. Moreover, we cannot assure you that our academic promotion and marketing strategy will continue to serve as an effective marketing strategy. Industry participants may no longer want to collaborate with us or attend our conferences, and our marketing strategy may no longer be able to yield larger hospital coverage or increased sales commensurate to our efforts spent. If we are unable to develop new products or generate returns from our relationships with industry participants as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

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

For the production of our MWA needles, the principal materials include metal, needles, needle connectors, plastic handles, coaxial cable and tube. For the production of MWA therapeutic apparatus, the principal materials include peristaltic pump, monitor, and various components and accessories of computers. During the Track Record Period, we procured all of our direct materials in China. Please refer to "Business – Our suppliers" in this prospectus for further details. Any disruption in production or inability of our suppliers to produce adequate quantities to meet our needs could impair our ability to manufacture products as scheduled. Moreover, we expect our demand for such direct materials to increase as we expand our business scale and commercialise our MWA medical devices, and we cannot guarantee that our current suppliers have the capacity to meet our demand. We are also exposed to the possibility of increased costs, which we may not be able to pass on to customers, and as a result, lower our profitability. In addition, although we have implemented quality inspection procedures on such materials before they are used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. We also cannot assure you that these third parties will be able to maintain and renew all licences, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the raw materials supplied to us. If we are unable to do so and the quality of our products suffers as a result, we may have to delay manufacturing and sales, recall our products, be subject to product liability claims, fail to comply with continuing regulatory requirements and incur significant costs to rectify such issue, which may have a material and adverse effect on our business, financial condition and results of operations.

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

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

acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

Besides, we, our Shareholders, Directors, officers, employees, distributors, deliverers, customers, 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 our reputation. In addition, to the extent our employees or other business partners we cooperate with were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Any negative publicity regarding our industry could also affect our reputation and market's 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 doctors.

We may not be successful in implementing our business strategies.

Our business objectives and strategies as set out in this prospectus are based on our existing plans and intentions. However, our objectives and strategies are based on prevailing circumstances and the development trends of our industry currently known to our Directors, the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. There are significant challenges and uncertainties involved in our strategic plans, including whether (i) we will be able to complete these plans on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from these plans to cover our indebtedness, costs or contingent liabilities associated with such plans; and (iii) these plans will be in line with the market demand and national and local policies in the future. Our future prospects should be considered in light of the risks, expenses and difficulties which may be encountered by us in our various stages of development of business. We cannot assure you that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business, financial condition and results of operations may be adversely affected.

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

Our business is primarily subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Our business could also be under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), and COVID-19. In response to the COVID-19 outbreak, the PRC Government has introduced a series of disease containment and treatment measures, as a result of which business activities and hospital services in China have been temporarily disrupted. In addition, to assist in the COVID-19 containment measures, some hospitals

temporarily prioritised the resources for urgent medical treatments and delayed clinical trials and treatments for non-urgent medical conditions, including, MWA treatments of thyroid nodules and breast lumps. To protect our employees, we temporarily suspended our production for one month in February 2020. Moreover, the COVID-19 outbreak may have a negative impact on the local, national and global economy and financial and market conditions. While we consider the effect of the COVID-19 pandemic on our business to be relatively limited for FY2020, FY2021 and 5M2022 and up to the Latest Practicable Date, we cannot predict when the COVID-19 outbreak will become completely under control and we cannot guarantee that the COVID-19 outbreak will not worsen. Having considered that the past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China, the COVID-19 outbreak and any other public health crisis in China especially in the cities where we have presence, may result in material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

Exercise of options under the Pre-IPO Share Option Scheme may affect our Company's result of operation and dilute Shareholders' percentage of ownership.

Our Company has granted share options under the Pre-IPO Share Option Scheme for the purpose of providing motivation and rewarding past contributions to grantees, such as our Directors, senior management and employees and its affiliates to incentivise their performance in the future. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may materially and adversely affect our Company's results of operations. The exercise of options under the Pre-IPO Share Option Scheme will result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. Please refer to "Statutory and General Information – D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus for details.

Future plans to pursue strategic acquisitions and investments may subject us to risks and uncertainties.

We plan to selectively pursue strategic acquisitions and investments. Please refer to "Business – Business strategies" in this prospectus for further details. Such endeavours may involve significant risks and uncertainties, including distraction of management from current operations, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and risks relating to market acceptance, loss of key acquired personnel, difficulties in integrating diverse corporate cultures, and increased costs in integrating managerial, operational, financial, and administrative systems. Our ability to implement our acquisition and investment will depend on our ability to identify suitable targets, to reach agreement with them on commercially reasonable terms, the availability of financing to complete acquisitions, and our ability to obtain any required shareholder or government approvals. In addition, we may be unable to manage an acquired or invested entity profitably (especially if our acquisition or investment targets have been operating at a loss) or successfully integrate its operations with our own. These factors could harm our ability to achieve anticipated levels of profitability at operations we have acquired or invested in, or realise other anticipated benefits of an acquisition or investment, and could adversely affect our business, financial condition and results of

operations. Any acquisition or investment may also cause us to assume liabilities, increase our expenses and working capital requirements, or subject us to litigation, which would reduce our return on invested capital. Failure to manage the acquisitions and investments we make could materially harm our business and operating results.

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

As part of our business strategy, we plan to expand our presence in foreign and emerging markets. Our business may therefore be subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, any additional tariff, import or export quota and/or governmental policies affecting the business activities between China and those foreign countries and regions may affect the prospects of establishing new distributorships and partnerships, expanding our team, making investments, registering our products, conducting clinical trials, commercialising and importing/exporting in these countries and regions.

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

We may be subject to fines for our failure to comply with the relevant PRC laws and regulations relating to safety facilities.

According to the Supervision and Administration Rules of "Three Simultaneities" for the Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》) of the PRC, the safety facilities of a construction project must be designed, built and put into production and use simultaneously with the main part of the project. For the design of the safety facilities of a construction project, the business entity shall organise the examination thereof and form a written report for inspection. Before a construction project is put into production or use after completion, the business entity shall organise a completion acceptance of the safety facilities of the project and form a written report for inspection. The project may not be put into production or use until its safety facilities pass the completion acceptance.

To the best knowledge of the Directors, prior to our acquisition of the Nanjing Plant 1 in 2017, it had put in place occupational hazards protection facilities without conducting the Three Simultaneities procedures before it commenced production. Although we acquired Nanjing Changcheng only in 2017 where the non-compliance has already occurred, we may still be subject to penalties due to such non-compliance.

We have established a series of policies and procedures with respect to health and work safety and Nanjing Changcheng was accredited as a third-grade enterprise of work safety standardisation (安全生產標準化三級企業). During the Track Record Period and up to the Latest Practicable Date, we have not been imposed administrative penalties by the relevant government authorities for violation of the laws, regulations and rules regarding work safety protection. However, there is no assurance that we will not be subject to fines for the failure to comply with PRC requirements relating to safety facilities. If the relevant government authority is of the view that there is potential work safety hazards, the relevant government authority may impose a correction order requiring us to undertake rectification measures within a prescribed time, and a fine of no less than RMB5,000 and not exceeding RMB30,000 if we fail to rectify the issue within the prescribed time.

Any disruptions to the operation of our manufacturing facilities could materially adversely affect our business, financial condition and results of operations.

The operation of our manufacturing facilities may be substantially interrupted due to a number of factors, many of which are outside of our control, including but not limited to fires, floods, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, loss of licences, certifications and permits, changes in governmental planning for the land underlying these facilities, and regulatory changes.

Furthermore, our manufacturing facilities may be subject to inspections by the relevant government authorities as part of the process of maintaining or renewing the permits, licences and certificates required for our business and operations. We may be required to delay, suspend or cease manufacturing activities if we fail to pass these regulatory inspections, which will affect our ability to fulfill product orders and sell our MWA medical devices, and in turn, have a material and adverse effect on our business, financial condition and results of operations.

In addition, if contaminants are discovered in our raw materials, products or in the manufacturing facilities, our manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. In these cases, we may be required to delay, suspend or cease manufacturing activities. We may be unable to secure temporary, alternative manufacturers for our MWA medical devices with the terms, quality and costs acceptable to us, or at all. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production in our manufacturing facilities.

In addition, to the best of our Directors' knowledge, all of our production facilities are leased from Independent Third Party. If our leases are terminated due to any challenges from third parties or urban renewal, etc, or our leases are otherwise not renewed by the respective

Independent Third Party upon the expiration, we would need to seek alternative premises and incur unexpected relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition and results of operations.

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

Our future success depends on the continued service of the key members of our directors and senior management. In particular, Ms. Wu, our executive Director, has over 20 years of experience in the medical devices industry. Our Directors believe that the expertise, industry experience and contributions of our executive Directors and other members of our senior management are crucial to our success. If we lose any of our key management members and are unable to recruit and retain replacement personnel with equivalent qualifications or talents in a timely manner, the growth of our business could be adversely affected.

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

We may experience labour shortages or increases in labour costs.

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

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

We are subject to competition from domestic and international competitors and may not be able to compete effectively, and, as a result, our market share and profitability may be adversely affected.

We operate in a highly concentrated market. We face competition from domestic and international competitors based on quality and functionality, the timing and scope of the regulatory approvals, prices, sales and marketing capabilities, the availability and cost of supply, corporate brand recognition and reputation and other factors. Some of our domestic and international competitors may have advantages over us on certain aspects, including but not limited to financial and other resources, complexity of products, corporate brand recognition, R&D, technical and manufacturing capabilities, human resources, sales network and technical training support. Our competitors may develop competing products which can constitute perfect substitutes for our MWA medical devices with lower cost and/or better effect. We may not be able to successfully compete with our competitors and cannot assure you that we will be able to demonstrate compelling advantages in quality, functionality, convenience and/or safety to overcome price competition and to be commercially successful.

In addition, although our historical business growth, revenue and profitability have largely depended on our ability to penetrate the domestic market, we expect to establish our presence and increase our sales in the global market in the future. As a result, we may face intense and uncertain competition and may not localise and compete successfully or effectively in the overseas markets, which may materially and adversely affect our prospects, business, results of operations and financial condition.

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

We project demand for our MWA medical devices based on rolling projections from our customers, our understanding of expected hospital procurement spending, and our customers' inventory levels. Fluctuating sales and purchasing cycles of our customers, however, make it difficult for us to forecast future demand accurately at all times.

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

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

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

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

In China, a number of legislative and regulatory changes and proposed changes regarding medical device industry could prevent or delay regulatory approval of our pipeline products, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any pipeline products 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 in relation to the medical device industry, including measures which may result in more rigorous coverage criteria and downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from government programmes may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue or attain profitability.

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 Regulations on the Supervision and Administration of Medical Device was passed at the executive meeting of the State Council on 21 December 2020; and the revised draft amendment to the Regulations on the Supervision and

Administration of Medical Devices was passed and was officially promulgated on 1 June 2021, the requirements of clinical trials, sales and regulation would be changed. For details, please refer to "Regulatory Overview – Laws and regulations relating to medical devices – The classification, registration and filing of medical devices – Regulations on the supervision and administration of medical devices" in this prospectus.

In addition, in 2021, China started to initiate centralised procurement pilot programmes in an effort to regulate prices of medical devices through group procurement at the provincial level. For details, please refer to "Regulatory Overview – Laws and regulations relating to medical devices operation – Tender processes for medical devices" in this prospectus. Our products were not covered by centralised national procurement as at the Latest Practicable Date, and we do not expect our products to be covered by the centralised national procurement in the short-to-mid term. However, it is out of our control as to whether or when the centralised national procurement will cover the types of products that we produce. If our products were covered by the centralised national 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 fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

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

If third party medical institutions fail to protect patient data and privacy, our reputation will be damaged and we might be subject to fines or other regulatory punishments.

We outsource a significant portion of clinical trials to reputable third-party medical institutions. Any leakage or abuse of patient data by our third-party partners may be perceived by the patients as a result of our failure. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal

obligations, or any compromise of information security that results in the unauthorised release or transfer of personally identifiable information or other patient data, could cause our customers to lose trust in us and could expose us to legal claims.

Whilst we have made efforts to ensure our compliance with the applicable privacy regulations in various jurisdictions, we may not be capable of adjusting our internal policies in a timely manner and any failure to comply with applicable regulations could also result in regulatory enforcement actions against us.

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

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

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

Fair value changes in our financial instruments and related valuation uncertainty may materially affect our financial condition and results of operations.

During the year ended 31 December 2018, the Series A Investors entered into the Series A Investment Agreements with Baide Suzhou (as amended and supplemented by the Series A Supplemental Investment Agreements dated 3 December 2020) for the subscription of the Convertible Loans up to an aggregate amount of RMB10,755,000 convertible into the shares of Baide Suzhou. There were three other Independent Third Parties investors who signed similar investment agreements with Baide Suzhou to subscribe for Convertible Loans during the year ended 31 December 2018.

On 30 June 2021, our Company entered into the Series C Investment Agreement with, among other parties, the Series C Investors, Tycoon Choice, Baide HK, Ms. Wu and Ms. Wu BVI Entity for the subscription of the Convertible Redeemable Preference Shares. For further details of the identity and background of the Series C Investors, and the principal terms of the Series C Investment Agreement, please refer to "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series C Investors" in this prospectus.

Our Convertible Loans and Preference Shares were and/or will be recorded on a fair value basis and measured as financial liabilities at fair value through profit or loss. We use significant unobservable inputs, such as expected volatility, risk-free interest rate and time to liquidation, in

valuing our financial instruments. Such valuation requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. For instance, we recorded (i) a loss on fair value changes on Convertible Loans of RMB86.9 million and RMB25.4 million in FY2019 and FY2020, respectively, (ii) a gain in fair value change on Preference Shares of RMB7.1 million in FY2021; and (iii) a loss in fair value change on Preference Shares of RMB6.7 million in 5M2022. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of our financial instruments. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our financial condition. The Convertible Loans were all redeemed in full during FY2019 and FY2020. We do not expect to recognise any further gains or losses on fair value changes from these Convertible Loans in the future. On the other hand, our Preference Shares will be automatically converted to our Shares upon the Listing. To the extent we need to revalue the Preference Shares prior to the Listing, any change in fair value of Preference Shares and related valuation uncertainty could materially affect our financial position and performance. After the automatic conversion of the Preference Shares into Shares no later than the date immediately before the date on which the Listing of the Shares commence on a recognised stock exchange pursuant to a Qualified IPO, we do not expect to recognise any further gains or losses on fair value changes from these Preference Shares in the future.

Our historical operating results may not be representative of future performance. In particular, our high gross profit margin during the Track Record Period may not be sustainable.

Our revenue increased from RMB85.0 million in FY2019 to RMB118.3 million in FY2020 and further to RMB188.7 million in FY2021, representing a CAGR of 49.0%. Our gross profit increased from RMB76.0 million in FY2019 to RMB101.9 million in FY2020 and further to RMB156.7 million in FY2021, representing a CAGR of 43.6%. Our revenue increased from RMB59.6 million in 5M2021 to RMB63.8 million in 5M2022. Our gross profit increased from RMB52.1 million in 5M2021 to RMB54.0 million in 5M2022. We recorded gross profit margin of 89.4%, 86.1%, 83.1%, 87.4% and 84.8% for FY2019, FY2020, FY2021, 5M2021 and 5M2022, respectively. We cannot assure you that our historical operating results, in particular our high gross profit margin, will be indicative of future performance for various reasons, including uncertainties of the success of our existing and new products, changes in market and the regulatory environment, as well as our ability to manage our sales network and the intensified competition in the MWA medical device market in China. For example, our profitability for future years may be negatively affected by low-margin sales and competition strategies adopted by our competitors, increasing costs of raw materials and increasing selling and distribution costs arising from the expansion of our sales and distribution network. As a result, our gross profit margin may not be sustainable. Investors should not rely on our historical results as an indication of our future financial or operating performance.

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

During the Track Record Period, a majority of our sales are made by selling our MWA medical devices to hospitals (either directly or through deliverers) or our distributors across China. We generally grant our trade debtors a credit term of 30 to 90 days, and we typically only grant longer credit terms to major trade debtors on a case-by-case basis based on our assessment. Under the sales through deliverer model commonly adopted in the pharmaceutical and medical device industry in the PRC, deliverers are our trade debtors and the default risk of the hospital customers would be borne by deliverers. Our deliverers would bear the default risk of the hospital customers mainly because (i) their large scales of operation and wide distribution networks enable them to naturally and effectively reduce the inherent default risk through diversification and comprehensive risk management; and (ii) the risk of default in payment by hospitals in practice is historically proven to be very remote. In addition, according to Frost & Sullivan, deliverers bearing the customer default risks for the medical device or pharmaceutical manufacturers is a generally accepted and common feature under the sales through deliverer model in the pharmaceutical and medical device industry in the PRC. As at 31 December 2019, 2020 and 2021 and 31 May 2022, we had trade receivables of RMB31.7 million, RMB53.7 million, RMB78.5 million and RMB84.3 million, respectively. For FY2019, FY2020, FY2021 and 5M2022, our trade receivable turnover days were 139 days, 132 days, 128 days and 193 days, respectively. We have concentration of credit risk with respect to trade receivables and contract assets. As at 31 December 2019, 2020 and 2021 and 31 May 2022, RMB15.8 million, RMB18.2 million, RMB30.9 million and RMB20.9 million of our trade receivables, representing 41.9%, 29.2%, 37.2% and 23.7% of trade receivables before impairment loss allowance were due from our largest trade debtor group for the respective years. Our sales and marketing team monitors and manages our trade debtors and are responsible for collecting amounts due from our trade debtors. We cannot assure you that our trade debtors could settle trade receivables in a timely manner, or at all, or that we can properly assess and respond in a timely manner to changes in their credit profile and financial condition. Adverse changes in their financial conditions may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection, which would in turn have an adverse and material effect on our business, financial condition and results of operations. Moreover, as we continue to grow our business, the amount of trade receivables we record may increase, which may have a negative impact on our cash flow.

The discontinuation or reduction of any of the preferential tax treatments or government incentives or grants currently available to us could reduce our profitability.

Pursuant to the EIT Law, the EIT rate generally applicable in the PRC has been 25%. However, Nanjing Changcheng and Baide Suzhou, our principal operating subsidiaries, have been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulations since 2020 and 2021 respectively. Accordingly, Nanjing Changcheng was entitled to a preferential tax treatment of 15% for FY2020, FY2021 and 5M2022 and Baide Suzhou was entitled to a preferential tax treatment of 15% for FY2021 and 5M2022.

Moreover, according to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in R&D activities are entitled to claim 175% of their R&D expenses incurred as tax deductible expenses in determining tax assessable profits ("**Super Deduction**") from 1 January 2018 to 31 October 2023. From 2021 onwards, the Super Deduction ratio has increased to 200%. Two PRC subsidiaries of our Group have claimed such Super Deduction in ascertaining its tax assessable profits during the Track Record Period. We also received the incentives from local government authorities for encouragement of local investment of RMB5.5 million, RMB1.6 million, RMB4.3 million and RMB7.4 million for FY2019, FY2020, FY2021 and 5M2022, respectively; as well as immediate refund of VAT levied and other government grants. If we fail to maintain or renew the High and New Technology Enterprise accreditation or if any of the preferential tax treatments or government grants discontinue or reduce, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

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

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

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

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or licence intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause

the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavourable terms, including relinquishing or licensing to a third party on unfavourable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialise ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favourable terms.

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

We maintain an inventory level based on anticipated product demand and production schedule. For FY2019, FY2020, FY2021 and 5M2022, our inventory turnover days were 168 days, 114 days, 91 days and 172 days, respectively. We cannot guarantee that we will be able to maintain proper inventory levels for our MWA medical devices and raw materials. Inventory levels in excess of product demand may result in inventory write-downs, expiration of products and increase in inventory holding costs. Conversely, we may experience inventory shortages if we underestimate demand for our MWA medical devices, which may result in unfilled orders and have a negative impact on our relationship with hospitals, deliverers and distributors. To manage our inventory level, we require our deliverers and distributors to provide us with reports on their inventory levels and sales performance on a monthly basis and cooperate with us on our inventory checks. We mainly rely on the monthly reports to track the inventory level of our MWA medical devices of our distributors and predict the sales trends of our MWA medical devices by our deliverers and distributors. For details, please refer to "Business – Inventory management" in this prospectus. However, there is no assurance that the information contained in the monthly reports provided by the deliverers and distributors is accurate. As a result, we may not be able to predict customers' preferences and anticipate the real market demands of our products. Any incorrect forecast or anticipation of market trends may end up in our inability to effectively manage our inventory and sales strategies. This may adversely affect our business performance and financial condition.

We recorded net current liabilities as at 31 December 2019 and net liabilities as at 31 December 2019.

We recorded net current liabilities position as at 31 December 2019 primarily due to (i) the Convertible Loans of RMB182.9 million recorded as at 31 December 2019; (ii) other payables and accruals mainly due to consideration payable to the vendor of Nanjing Changcheng in relation to the acquisition of Nanjing Changcheng; and (iii) amounts due to a shareholder. For more details, please refer to "Financial Information – Net current assets and liabilities" in this prospectus. We also recorded net liabilities of RMB157.2 million as at 31 December 2019. We cannot assure you that we will not record net current liabilities or net liabilities in the future. Net current liabilities expose us to liquidity risks. Our future liquidity, the payment of trade and other payables and repayment of borrowings as and when they become due will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a

shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may adversely affect our results of operations and financial position.

Our deferred tax assets may not be recovered.

As at 31 May 2022, our deferred tax assets amounted to RMB1.1 million, representing approximately 0.5% of our total assets. We periodically assess the probability of the realisation of deferred tax assets, using accounting judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, these deferred tax assets can only be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised. However, we cannot assure you that our expectation of future earnings will materialise, due to factors beyond our control such as general economic conditions or, negative development of a regulatory environment, in which case we may not be able to recover our deferred tax assets which in turn could have an adverse effect on our financial condition and results of operations.

We are subject to risk of impairment losses with respect to prepayments, deposits and other receivables, which may affect our business operations.

There are uncertainties about the recoverability of our prepayments, deposits and other receivables which included, among others, prepayments for R&D services on product development and registration of our proprietary MWA medical devices, trade deposits to suppliers, prepaid Listing expenses, rental deposits of our leased properties, and prepayments for property, plant and equipment. As at 31 December 2019, 2020 and 2021 and 31 May 2022, we recorded current and non-current prepayments, deposits and other receivables of RMB25.5 million, RMB23.0 million, RMB27.3 million and RMB63.5 million, respectively. However, there is no guarantee that the suppliers and service providers will perform their obligations in a timely manner and we are subject to recoverability or credit risk in relation to prepayments, deposits and other receivables. We conduct assessments on the recoverability of prepayments, deposits and other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, current economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. However, there is no assurance that our expectations or estimates will be entirely accurate for the future, as we are not in control of all the underlying factors affecting such prepayments, deposits and other receivables. Therefore, if we are not able to recover the prepayments, deposits and other receivables as scheduled, our financial position and results of operations may be adversely affected.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have an adverse impact on our business, reputation and liquidity position.

Our contract liabilities represent our obligations to provide the contracted products. We recorded contract liabilities of RMB6.9 million, RMB5.1 million, RMB4.1 million and RMB3.8 million as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. For details, please refer to "Financial Information – Discussion on selected items of consolidated statements of financial position – Contract liabilities" in this prospectus. If we experience any obstacles in providing the contracted products to our customers, we may not be able to honour our obligations in respect of our contract liabilities, which may have an adverse impact on our business, reputation and liquidity position.

We have recorded negative operating cash flows for 5M2022.

Our Group recorded net cash used in operating activities of RMB3.8 million for 5M2022. For details of our cash flows, please refer to "Financial Information – Liquidity and capital resources – Cash flows" in this prospectus. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we record net operating cash outflows again in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operation and growth prospects.

RISKS RELATING TO INTELLECTUAL PROPERTY RIGHTS

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

Our Directors believe that our success depends in large part on our ability to protect our proprietary technologies by obtaining intellectual property rights, including patent rights. We primarily focus on protecting our intellectual property rights in China. Our internal policies require all our employees to comply with confidentiality and non-competition obligations. For further details, please refer to "Business – Intellectual property rights" in this prospectus. We cannot assure you that such policies will not be breached, or that our employees or other third parties have not disclosed, or will not disclose, any of our proprietary know-how to our competitors or others. We may not have adequate remedies for any breach, and cannot assure you that our proprietary know-how will not otherwise become known to, or be independently developed by, our competitors.

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.

Moreover, competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to jurisdictions where we have patent protection, but where enforcement rights are not strong. These products may compete with our products or pipeline products and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

As advised by our PRC Legal Advisers, under the Patent Law of the PRC, a patent owner may be compelled to grant licences to third parties. In China, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we are forced to grant a licence to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

Our intellectual property may be subject to further priority disputes, inventorship disputes or similar proceedings.

We may be subject to claims from our R&D partners or other third parties who may claim to have an interest in our patents or other intellectual property. For example, we entered into framework collaboration agreement with Xiamen Institute of Rare Earth Materials* (廈門稀土材料研究所) without specifying the circumstances under which the ownership of the intellectual property jointly developed will be vested in us, which may lead to potential disputes in the future. Please refer to "Business – R&D – R&D collaborations" in this prospectus for further details.

If we are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which we are subject, we may lose valuable intellectual property rights through the loss of one or more patents or our patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we are unsuccessful in any inventorship disputes to which we are subject, we may lose valuable intellectual property rights, such as exclusive ownership. If we are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licences from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licences may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licences, we may need to cease the development, manufacture and commercialisation of one or more of our products. The loss of exclusivity or the narrowing of our patent claims could limit our ability to stop others from using or commercialising similar or identical products. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

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

Certain medical devices and accessories may be manufactured, distributed or sold under our brand names in our target markets without our proper licence or authorisation, or may be mislabeled with respect to their actual usage or manufacturers. These products are generally referred to as counterfeit products. The regulatory control and law enforcement system in relation to the counterfeit products, particularly in developing markets such as China, may be inadequate to discourage or eliminate the manufacturing and sales of counterfeit products imitating our products. Since counterfeit products in many cases have very similar appearances compared with the authentic products but are generally sold at lower prices, counterfeits of our products may quickly erode the demand for our products. In addition, those that use counterfeit products may be at risk due to a number of serious quality and safety issues, which would harm our reputation, business and prospects. We cannot guarantee that there will not be any counterfeit of our products in the future, or that we will be able to identify and handle counterfeit issues effectively and in a timely manner, or at all, in which case our business and reputation may be materially and adversely affected.

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

Effective protection of our intellectual property is critical to maintaining our competitive position. As at the Latest Practicable Date, we possessed, as sole owner or co-owner, a total of 27 registered patents in China, of which three are invention patents, 18 are utility model patents and six are design patents, and we have made applications for 10 invention patents and 10 utility model patents. However, due to the complexity of patent application, the issuance of a patent may not be conclusive as to its inventorship, scope, validity or enforceability, and our patent applications may be challenged in courts or patent offices. Consequently, we do not know whether any of our technologies or products will be protectable or remain protected by valid and enforceable patents. If we are unable to obtain patent protection with respect to our technologies and products, third parties could develop and commercialise technologies and products similar or identical to ours and compete directly against us. Our ability to successfully commercialise any technology or product may be adversely affected, and our business, financial condition, results of operations and prospects could be materially harmed. Changes in either the patent laws or their interpretation in China 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 or whether the claims of any future granted patents will provide sufficient protection from competitors.

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

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

Despite measures we take to obtain patent protection with respect to our major products and technologies, any of our granted patents could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our products, the defendant could counterclaim that our patent is invalid and/or unenforceable. Although we believe that we have conducted our patent prosecution in accordance with the duty of candour and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, or perhaps all, of the patent protection on a product or technology. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Any loss of patent protection could have a material adverse impact on one or more of our major products and technologies and our business.

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

According to Frost & Sullivan, the MWA medical device industry in the PRC is litigious with respect to patents and other intellectual property. Companies operating in our industry routinely seek patent protection for their product designs, and many of our principal competitors have large patent portfolios. We face the risk of claims that we have infringed on, misappropriated or violated third parties' intellectual property rights in the countries where we operate, principally China. In addition, there can be no assurance that our employees or the co-authors of our intellectual property rights have not used, or will not use in the future, third parties' proprietary know-how or trade secrets in their work for or with us, especially during the course of our R&D, which could result in litigation against us. Prior to our development of major new products, our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful. Any claims of patent or other intellectual property infringement, misappropriation or violation, even those without merit, could:

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

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

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

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

Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance 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 legalise 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.

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

We own a number of trademarks in China for our brand name. As at the Latest Practicable Date, we have registered 20 trademarks in China and two trademarks in Hong Kong, which we believe are material to our business. For further details, please refer to "Business – Intellectual property rights" in this prospectus. All of our MWA medical devices are offered to the market under our brand name. Our registered or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name

recognition among potential partners or customers in our markets of interest. Some of our distributors may use our trademarks and brand name when conducting sales and marketing activities on our behalf or promoting our products. We may not be able to prevent unauthorised use of our trademarks and trade names by distributors, which may harm our brand and reputation. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Moreover, we cannot assure you that our trademarks will not be imitated, or there will be no counterfeits sold to our customers under our trademarks. End users may suffer from safety incidents caused by counterfeit products, which may subject us to costly investigations and counterfeit crack downs, and materially and adversely affect our business and reputation. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our competitive position, business, financial condition, results of operations, and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

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

The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 6.6% in 2018 to 2.3% in 2020, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. Any changes in the political, economic or social conditions in China may materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. A substantial majority of our revenue and future income is expected to be denominated in Renminbi and we will need to

convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements.

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

We may be treated as a resident enterprise for PRC tax purposes under the EIT Law, which could result in unfavourable tax consequences to us and our non-PRC Shareholders.

We are incorporated under the laws of the Cayman Islands, but all of our operations are in China. Under the EIT Law and its implementation rules, an enterprise incorporated in a foreign country or region may be classified as either a "non-resident enterprise" or a "resident enterprise". If an enterprise incorporated in a foreign country or region has its "de facto management bodies" located within China, such enterprise will be considered as a PRC tax resident enterprise and will normally be subject to the EIT tax rate of 25% on its worldwide income. The relevant implementation rules define "de facto management bodies" as those which exercise substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other aspects of an enterprise. In April 2009, the STA issued the Circular 82, which sets forth certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in mainland China. However, the Circular 82 only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals. Substantially all of the members of our management are currently located in China and we expect them to continue to be located in China. Due to the lack of clear guidance on the criteria pursuant to which the PRC tax authorities will determine our tax residency under the EIT Law, it remains unclear whether the PRC tax authorities will treat us as a PRC resident enterprise for tax purposes. As a result, if we are deemed to be a PRC tax resident enterprise, we will be subject to an EIT tax rate of 25% on our worldwide income. The withholding income tax rate is 10%, unless otherwise provided under applicable double taxation treaties between China and the governments of foreign tax jurisdictions where Shareholders reside. In addition, if we are deemed to be a PRC

resident enterprise for tax purposes under the EIT Law, gains on sales or other transfers of the Offer Shares by an investor may also be treated as income derived from sources within the PRC and be subject to PRC tax.

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

All of our assets are located in China and substantially all of our executive Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible. In addition, in July 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

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

PRC laws and regulations impose significant regulatory approval and review requirements, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC laws and regulations, such as the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (the "**M&A Rules**") which came into effect on 8 September 2006 and was amended on 22 June 2009, Anti-Monopoly Law of the PRC and the Rules of MOFCOM on Implementation of the Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, promulgated by the MOFCOM in August 2011, or the MOFCOM Security Review Rules, which came into effect on 1 September 2011, and replaced the Interim Provisions of the MOFCOM on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in March 2011, established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

The MOFCOM Security Review Rules are formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on 3 February 2011, or Circular No. 6. According to these circulars and rules, a security review is required for mergers and acquisitions by foreign investors having "national defence and security" concerns, and for mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises that have "national security" concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

Furthermore, according to the Measures for the Security Review of Foreign Investment, or the New Security Review Measures, promulgated by NDRC and MOFCOM on 19 December 2020, a foreign investment security review working mechanism will be established to be responsible for organising, coordinating and guiding the security review of foreign investment. If a proposed foreign investment meets the conditions as stipulated in the New Security Review Measures, the foreign investor or the relevant domestic party shall report such case to the review working mechanism, in order to obtain the security review clearance before proceeding with the proposed foreign investment. However, as the New Security Review Measures was newly issued, there are still substantial uncertainties as to its interpretation and implementations in practice.

We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and we may face substantial uncertainties as to whether we can complete any required approval processes. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

SAFE has promulgated the Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**") on 4 July 2014, which requires a PRC resident, including a PRC resident natural person or a PRC legal person, to register with the local branch of the SAFE before it contributes its assets or equity interest into a special purpose vehicle for the purpose of investment and financing. According to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related in Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) which was promulgated on 13 February 2015 by SAFE and became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interests in the domestic entity were located. Following the initial registration, when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local banks designated by the SAFE in a timely manner. Failure to comply with the registration procedures of Circular 37 may result in penalties, including the imposition of restrictions on the ability of the offshore special purpose vehicle's Chinese subsidiary to distribute dividends to its overseas parent.

As at the Latest Practicable Date, to the best of our knowledge, Ms. Wu, our Controlling Shareholder, who is a PRC resident of our Company, has duly completed the foreign exchange registrations with the SAFE in accordance with the Circular 37. However, we do not have control over our Shareholders and we cannot assure you that all of our PRC resident beneficial owners will comply with SAFE's regulations. Any failure by our PRC resident Shareholders to register with SAFE or update SAFE's records, or the failure of future Shareholders who are PRC residents to comply with the registration requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our Chinese subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to the Shareholders.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) ("**SAFE Circular 7**"). Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of this Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

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

We intend to take the position that we, as legal entities organised outside the PRC, are not deemed a Chinese resident enterprise. However, under the EIT Law, we may be deemed a Chinese resident enterprise by the Chinese tax authorities for tax purposes. As such, we may be required to withhold Chinese income tax on capital gains realised from sales of our Shares and

dividends distributed to Shareholders, as such income may be regarded as income from "sources within China." In this case, our foreign corporate Shareholders who are not deemed Chinese resident enterprises may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. Any non-resident taxpayer meeting conditions for enjoying the treaty benefits may be entitled to the treaty benefits itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities according to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納税人享受協定待遇管理辦法》) effective from 1 January 2020. If a competent tax authority, in the course of subsequent administration, finds out that a non-resident taxpayer enjoys treaty benefits without meeting the conditions thereof and underpays or fails to pay them at all, it may instruct the non-resident taxpayer to pay the overdue taxes within a prescribed period. With respect to dividends, the "beneficial owner" tests under the Circular of the STA 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.

On 3 February 2015, the STA issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》) ("**Circular 7**"), which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得税管理的通知》). Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the "**Chinese Taxable Assets**"). For example, Circular 7 provides that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, Chinese tax authorities may disregard the existence of the overseas holding company and re-characterise the nature of the indirect transfer of Chinese Taxable Assets as a direct transfer of Chinese Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding Chinese EIT and without any other bona fide commercial purpose. Except as provided in Circular 7, transfers of Chinese Taxable Assets under the following circumstances will be automatically deemed as having no bona fide commercial purpose, and are subject to Chinese enterprise income tax: (i) more than 75% of the value of the overseas enterprise is derived directly or indirectly from Chinese Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of the Chinese Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of the Chinese Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold the Chinese Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organisation forms, yet prove to be

inadequate in their ability to perform their intended functions and withstand risks as their alleged organisation forms suggest; or (iv) the tax from the indirect transfer of Chinese Taxable Assets payable abroad is lower than the tax in China that may be imposed on the direct transfer of such Chinese Taxable Assets. Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will reclassify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

During the Track Record Period, we have taken some corporate restructuring steps in preparation for the Listing. Please refer to "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus for further details.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of Shareholders' loans or capital contributions after completion of the Global Offering. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, cannot exceed statutory limits, which is either in the difference between the registered capital and the total investment amount of such foreign-invested enterprise or a multiple of the foreign-invested enterprise's net assets in the previous year, and shall be registered with the SAFE or its local counterparts. Any such loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registration.

Furthermore, if we make any capital contributions to our PRC subsidiaries, the PRC subsidiary is required to register the details of the capital contribution with the local branch of SAMR and submit a report on the capital contribution via the online enterprise registration system to the MOFCOM.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**Circular 19**"), which took effect and replaced certain previous SAFE regulations from 1 June 2015. SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**"), effective on 9 June 2016, which, among other things, amend certain provisions of Circular 19. According to Circular 19 and Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that

Renminbi capital may not be used for business beyond its business scope, or to provide loans to persons other than affiliates, unless otherwise permitted under its business scope. Circular 19 and Circular 16 may limit our ability to transfer the net proceeds from the Global Offering to our PRC subsidiary and convert the net proceeds into RMB.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares was the result of negotiations between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded. Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- our financial results;
- stability of Hong Kong's economy and financial markets, particularly in light of the recent political unrest in the city and the COVID-19 outbreak;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and involvement in material litigation.

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

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

Immediately following the completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Controlling Shareholders will be entitled to exercise voting rights of 50.65% of the total issued share capital of our Company. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

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

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the Listing Date as described in "Underwriting" in this prospectus, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in the section headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this prospectus or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by our Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

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

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

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

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

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

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

Potential investors will pay a price per Share in the Global Offering that substantially exceeds the per Share value of our net tangible assets as at 31 May 2022. Therefore, purchasers of our Shares in the Global Offering will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential

investors would receive less than the amount they paid for their Shares. For further details, please refer to "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

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

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under HKFRSs. As a result, our operating subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under HKFRSs. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and Cayman Islands law, including, where required, the approval from our Shareholders and/or our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends of such amount and at such time as our Board considers to be justified by our profits and overall financial requirements. In any event, no dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future.

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

Certain facts, statistics and data contained in this prospectus relating to China, Hong Kong, the MWA medical device industry have been derived from various official government publications or other third party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third party reports for the purpose of disclosure in this prospectus and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market

practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Global Offering accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

Issuer	:	Betters Medical Investment Holdings Limited (百德医疗投资控股有限公司)
The Global Offering	:	The Global Offering of initially 248,000,000 Shares comprising (i) 24,800,000 new Shares for subscription by the public in Hong Kong and (ii) initially 223,200,000 new Shares for subscription under International Placing (subject to reallocation and the Over-allotment Option). If the Over-allotment Option is exercised, our Company will be issuing up to 37,200,000 additional new Shares.
Offer price range	:	Not more than HK$1.72 and not less than HK$1.40 per Share
Share borrowing arrangements in connection with settlement	:	The Stabilising Manager or any person acting for it may borrow from Ms. Wu BVI Entity up to 37,200,000 Shares (assuming the Over-allotment Option is exercised in full).
Over-allotment Option	:	Up to 37,200,000 additional new Shares to be issued by our Company
Procedure for application for Hong Kong Offer Shares	:	Please refer to "How to Apply for the Hong Kong Offer Shares" in this prospectus.
Conditions of the Hong Kong Public Offering	:	Details of the conditions of the Hong Kong Public Offering are set out in "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus.

Lock-up undertakings by our Company and the Controlling Shareholders	:	Please refer to "Underwriting – Underwriting arrangements and expenses – Undertakings to the Stock Exchange pursuant to the Listing Rules" in this prospectus.
Share registrar	:	Our principal register of members will be maintained by our Company's principal share registrar, Conyers Trust Company (Cayman) Limited in the Cayman Islands and our Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited in Hong Kong.
Stamp duty	:	Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.13% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.26% is currently payable on a typical sale and purchase transaction involving the Shares. Transfers of the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.
Application for listing on the Stock Exchange	:	Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme. No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Restrictions on offers and offers for sale	:	No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.
Eligibility for CCASS	:	Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
Language	:	If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

Rounding of figures	:	In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place and figures in this prospectus are in approximate figures. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.
Exchange rate	:	For the purpose of illustration only and unless otherwise specified in this prospectus, the following exchange rates are adopted: RMB1.00 = HK$1.1326 HK$1.00 = RMB0.8829 US$1.00 = HK$7.8 HK$1.00 = US$0.1283 No representation is made that the relevant amounts in any particular could have been, or could be, converted into such other currencies or vice versa at such rates or at any other rate on such date or on any other date.
Commencement of dealing in the Shares	:	Dealings in our Shares on the Main Board are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 5 October 2022. Shares will be traded in board lots of 2,000 Shares each.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our Group's core business and operation are primarily located, managed and conducted in the PRC. Our Group's principal management headquarters and assets are primarily located in the PRC. The business operations of our Group have been managed and conducted in the PRC, and the turnover of our Group is also generated in the PRC. Our Group does not have any operation in Hong Kong and none of our Group's business is located, conducted or managed in Hong Kong. Moreover, all the executive Directors are ordinarily based in the PRC. Since all of our Group's current operations are mainly in the PRC, our Group does not and, in the foreseeable future, will not have management presence in Hong Kong.

In terms of our Group's management and operations, the appointment of additional executive Directors who are ordinarily resident in Hong Kong or the reallocation of our executive Directors who are ordinarily based in other jurisdictions to Hong Kong would not only increase our Group's administrative expenses, but would also reduce the effectiveness of the Board in making decisions for our Group, especially when business decisions are required to be made within a short period of time. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group or reallocating our executive Directors who are ordinarily based in other jurisdictions to Hong Kong for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules may not be in the best interest of our Company and the Shareholders as a whole. If additional executive Directors who are ordinarily resident in Hong Kong are appointed, they may not be able to understand fully the daily operations of our Group, or appreciate fully the circumstances surrounding or affecting the business operations and development of our Group from time to time, as they will not be physically present in the operational and management centre of our Group in the PRC all the time. As such, such executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgments that are most beneficial to the operation and development of our Group.

For the reasons abovementioned, our Directors believe that it would be practically difficult and commercially unfeasible for our Company to appoint Hong Kong residents as executive Directors or to relocate our executive Directors who are ordinarily based in other jurisdictions to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorised representatives are Ms. Wu, an executive Director, and Mr. Ng Kun Seng Chris, the company secretary of our Company. Mr. Ng Kun Seng Chris is ordinarily resident in Hong Kong. In addition, each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all members of our Board and senior management promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communications between the Stock Exchange, the authorised representatives and our Directors, we will also implement a policy that (i) each Director will provide their respective office phone numbers, mobile phone numbers, residential phone numbers, facsimile numbers and email addresses (if applicable) to the authorised representatives and his or her respective alternates; and (ii) in the event that a Director expects to travel and be out of office, he or she will have to provide the phone number of the place of his or her accommodation to the authorised representatives to the Stock Exchange;

(c) each Director possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) all Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange; and

(e) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Zhongtai International Capital as our compliance adviser (the "**Compliance Adviser**"), who will act as the alternate channels of communications with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong. The Compliance Adviser will, in addition to the authorised representatives act as an additional channel of communication with the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication among itself, its authorised representatives, Directors, other officers and the Compliance Adviser. Our Company will also inform the Stock Exchange promptly in respect of any change in its authorised representatives or Compliance Adviser.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Ms. Wu Haimei (吳海梅)	Room 0902, Building 12, Haiyu Garden, Xiguan, Guangzhou, PRC	Chinese
Ms. Qiu Quan (邱荃)	Room 408, 45 Baiyuan Road, Yuexiu District, Guangzhou, PRC	Chinese
Mr. Hou Wei (侯偉)	102, No. 21, Lane 88, Shengxin Xihuan Road, Ludi International Home, Huaqiao Town, Kunshan City, PRC	Chinese
Non-executive Director		
Ms. Liu Jiayi (劉佳依)	Room A, 48th Floor, Block 1, The Zenith, 3 Wan Chai Road, Wan Chai, Hong Kong	Chinese
Independent non-executive Directors		
Prof. Xing Michael Mingzhao	Flat 1001, Block 1, Teacher Apartment of Southern University of Science and Technology, No. 1088 Xueyuan Avenue, Taoyuan Street, Nanshan, Shenzhen, Guangdong, PRC	American
Mr. Chu Chun Ming (朱俊明)	Flat C, 15/F., Tower 2, 19 Homantin Hill Road, Parc Regal, Ho Man Tin, Kowloon, Hong Kong	Chinese
Prof. Ma Jianguo (馬建國)	Flat 0202, Block 20, Xinghui Wenhua, Panyu, Guangzhou, Guangdong, PRC	Singaporean

For detailed information of our Directors, please refer to "Directors and Senior Management" of this prospectus.

PARTIES INVOLVED

Joint Sponsors	**BOCI Asia Limited** 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong **Zhongtai International Capital Limited** 19/F, Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**BOCI Asia Limited** 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong **Zhongtai International Securities Limited** 19/F, Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong **China Galaxy International Securities (Hong Kong) Co., Limited** 20/F, Wing On Centre 111 Connaught Road Central Hong Kong **Cinda International Capital Limited** 45/F, COSCO Tower 183 Queen's Road Central Hong Kong

Joint Bookrunners and Joint Lead Managers

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

Eddid Securities and Futures Limited
21/F, Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

China Everbright Securities (HK) Limited
12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Guosen Securities (HK) Capital Company Limited
Suites 3207–3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong

China Industrial Securities International Capital Limited
32/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Valuable Capital Limited
3601, 36/F, China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Joint Lead Manager	**ZMF Asset Management Limited** Unit 2502 25/F, World Wide House 19 Des Voeux Road Central Central Hong Kong
Legal advisers to the Company	*As to Hong Kong laws:* **Michael Li & Co.** 19/F Prosperity Tower 39 Queen's Road Central Central Hong Kong *As to Cayman Islands laws:* **Conyers Dill & Pearman** 29/F One Exchange Square 8 Connaught Place Central Hong Kong *As to PRC laws:* **Hills & Co.** 11th Floor, Central Business Building No. 88 Fu Hua 1st Road Fu Tian Central District Shenzhen Guangdong Province PRC

Legal advisers to the Joint Sponsors and the Underwriters

As to Hong Kong laws:
Chungs Lawyers
in association with DeHeng Law Offices
28th Floor, Henley Building
5 Queen's Road Central, Central
Hong Kong

King & Wood Mallesons
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:
King & Wood Mallesons
25th Floor,
Guangzhou CTF Finance Centre
No. 6 Zhujiang East Road
Zhujiang New Town
Tianhe District, Guangzhou
Guangdong Province, PRC

Auditors and reporting accountants	**BDO Limited** *Certified Public Accountants* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504, Wheelock Square, 1717 Nanjing West Road, Shanghai PRC
Receiving bank	**DBS Bank (Hong Kong) Limited** 11/F, The Center 99 Queen's Road Central Hong Kong
Compliance adviser	**Zhongtai International Capital Limited** 19/F, Li Po Chun Chambers 189 Des Voeux Road Central Central, Hong Kong

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	17th Floor, Tower B China International Center No. 33 Zhongshan 3rd Road Yuexiu District, Guangzhou PRC 510055
Principal place of business in Hong Kong	Unit 901, 9/F, Prosperity Tower 39 Queen's Road Central Central Hong Kong
Company secretary	Mr. Ng Kun Seng Chris *CPA* Room C, 16/F, Block 2 Sunshine Plaza 17 Sung On Street Hung Hom, Kowloon Hong Kong
Authorised representatives *(for the purpose of the Listing Rules)*	Ms. Wu Haimei Room 0902, Building 12, Haiyu Garden Xiguan, Guangzhou PRC Mr. Ng Kun Seng Chris Room C, 16/F, Block 2 Sunshine Plaza 17 Sung On Street Hung Hom, Kowloon Hong Kong
Authorised representative *(for the purpose of the Companies Ordinance)*	Mr. Ng Kun Seng Chris Room C, 16/F, Block 2 Sunshine Plaza 17 Sung On Street Hung Hom, Kowloon Hong Kong

Audit Committee	Mr. Chu Chun Ming *(Chairman)* Prof. Xing Michael Mingzhao Prof. Ma Jianguo
Remuneration Committee	Prof. Xing Michael Mingzhao *(Chairman)* Mr. Chu Chun Ming Prof. Ma Jianguo
Nomination Committee	Prof. Ma Jianguo *(Chairman)* Mr. Chu Chun Ming Prof. Xing Michael Mingzhao
Principal Share Registrar and transfer office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch Share Registrar and transfer office in Hong Kong	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	**DBS Bank (Hong Kong) Limited** 16/F., The Center 99 Queen's Road Central Central, Hong Kong **Industrial and Commercial Bank of China Limited** Shop 1103 and 1108 33 Zhongshan Third Road Yuexiu District Guangzhou, PRC
Company website	**http://baidesz.com/** *(information contained in this website does not form part of this prospectus)*

The information and statistics set out in this section and other sections of this prospectus relating to the industry were extracted from the report prepared by Frost & Sullivan which was commissioned by us, and from various official government publications and other publicly available publications. We engage Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the tumour ablation market in the PRC, in particular the MWA market in the PRC. Founded in 1961, Frost & Sullivan is an independent global consulting firm based in the United States, and offers industry research, market strategies and provides growth consulting on a variety of industries. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of approximately RMB1.6 million.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on its own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the medical device market, the tumour ablation market, and the MWA segment in the PRC: (i) the growth of the economy is likely to maintain at a steady rate in China in the next five years; (ii) the key growth drivers mentioned in this section are likely to continue driving the growth of the tumour ablation market from 2022 to 2026; and (iii) there is no force majeure or industry regulation that will undramatically or dramatically affect any of such market.

Save as disclosed otherwise, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading, and there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

OVERVIEW OF MEDICAL DEVICE MARKET IN CHINA

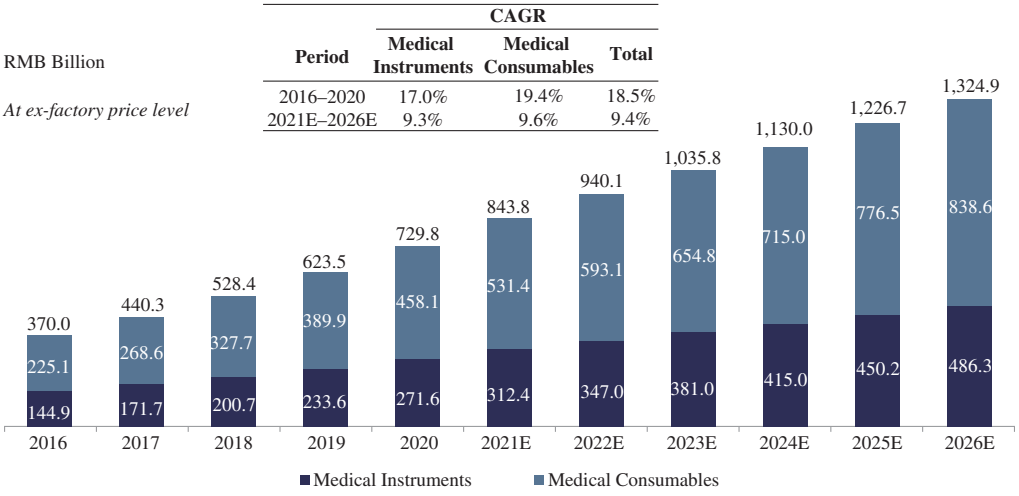
Market size of medical device market in China

Driven by the increasing prevalence of various diseases and strong government initiative such as "Made in China 2025" to promote local brands, the medical device market in China in terms of sales revenue has gained a rapid growth, increasing from RMB370.0 billion in 2016 to RMB729.8 billion in 2020, representing a CAGR of 18.5%. The medical device market in China is expected to continue to grow due to increasing clinical needs and continuous innovation on medical devices, which is expected to reach RMB1,324.9 billion in 2026, with a CAGR of 9.4% from 2021 to 2026.

In the meantime, as sub-segments of medical device market, the medical instruments and medical consumables markets have witnessed a growing trend since 2016, and are expected to

reach RMB486.3 billion and RMB838.6 billion in 2026 at a CAGR of 9.3% and 9.6% from 2021 to 2026, respectively.

Market Size of Medical Device Market in China, 2016–2026E



Source: Frost & Sullivan Analysis

Overview of Tumour Treatment

Tumours are divided into benign tumours and malignant tumours, of which, malignant tumours are cancerous. Some types of benign tumours such as thyroid nodules, breast lumps and pulmonary nodules may transform into malignancies through a process known as cancer progression. Therefore, early detection and treatment of benign tumours plays an important role in cancer prevention. Currently, tumour treatment options primarily include surgery, radiotherapy, interventional radiology, chemotherapy, targeted therapy and immunotherapy. The type of tumour treatment depends on the specific conditions of the patient, such as the size and feature of the tumour, the desired effect, and the acceptable cost. The doctors will give patients professional suggestions on tumour treatment.

Surgery is a clinical procedure in which a surgeon removes the cancer from an oncology patient with the aid of tools. It is effective for solid tumours with clear periphery at fixed positions or tumours at early stage. When the tumours have spread or systemic metastases have occurred, surgical treatment may not be suitable any more. Surgery typically costs RMB10,000 to RMB50,000 per procedure.

Radiotherapy uses high energy to kill malignant cancer cells or other benign tumour cells. Since the discovery of X-ray in 1895, radiotherapy has developed rapidly across the world, and it is now considered applicable to various types of cancer, including solid tumours and hematologic tumours. Radiotherapy typically costs RMB10,000 to RMB30,000 per course of treatment.

Interventional Treatment is a clinical procedure of minimally invasive treatment which utilises puncture needles, catheters and other interventional devices under the guidance of digital subtraction angiography (DSA), CT, ultrasound and MRI equipment. Interventional radiology can be used to treat various types of solid tumours. Non-vascular interventional treatment is usually applied in tumor interventional treatment, including percutaneous biopsy, MWA,

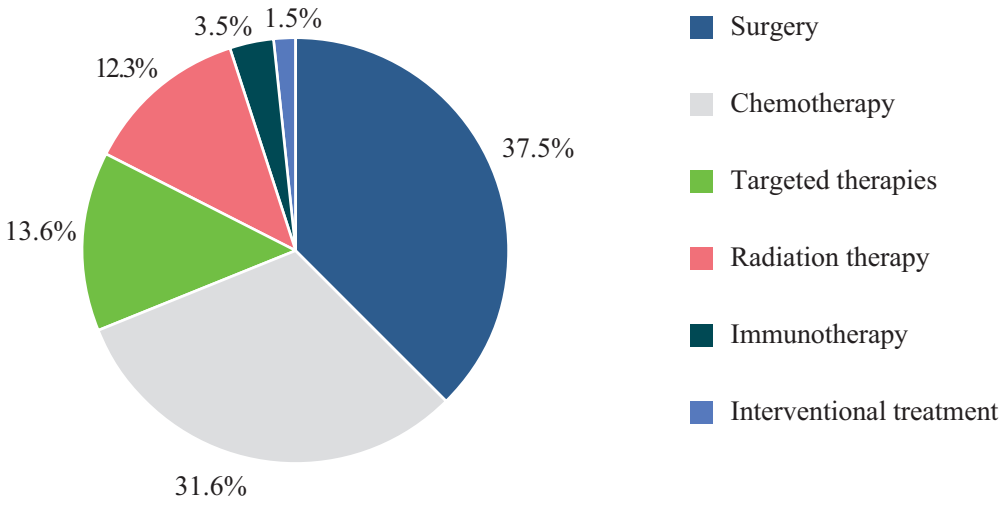
RFA, argon-helium knife, etc. The cost of interventional treatment usually ranges from RMB10,000 to RMB40,000 per procedure.

Chemotherapy uses one or more pharmaceuticals to kill cancer cells and control their growth. Similar to radiotherapy, chemotherapy applies to various types of cancer, either alone or in combination with other treatment options. Chemotherapy typically costs RMB50 to RMB300 per day.

Targeted Therapy typically uses small-molecule drugs or monoclonal antibodies to prevent the proliferation and spread of cancer cells by targeting the specific genes, proteins or tissue environments which contribute to the proliferation and spread of such cancer cells. Targeted therapy is applicable to various types of cancer with detectable targets. Targeted therapy typically costs RMB400 to RMB800 per day.

Immunotherapy uses biological agents to treat cancer by inducing, enhancing or restraining the immunoreactions of oncology patients, and it is considered suitable for various types of cancer, including solid tumours and hematologic cancer. Immunotherapy typically costs RMB500 to RMB1,500 per day.

Market Share of Tumour Treatment Options, China, 2021



Source: Frost & Sullivan analysis

Note: The market share of tumour treatment options is calculated based on treatment expenditure and number of patients who are treated.

OVERVIEW OF TUMOUR ABLATION THERAPY MARKET IN CHINA

Tumour ablation therapy is a technique guided by ultrasound, computed tomography (CT), Magnetic Resonance Imaging (MRI) and other imaging techniques while using energy ablation (including MWA), chemical ablation, or other minimally invasive procedures to target the tumour, causing acute cellular necrosis with very high temperature to ultimately achieve inactivation of the tumour. Tumour ablation therapy is primarily applied in the treatment of both benign and malignant tumours. Tumour ablation medical devices include professional equipment (such as ablation therapeutic apparatus) and consumables involved in tumour ablation (such as ablation needles). MWA needles are generally classified as Class II or Class III medical devices

under NMPA, and ablation therapeutic apparatus usually are classified as Class III medical devices under NMPA while could be applied to the treatment of various tumours such as thyroid nodules, liver cancer, breast lumps and lung cancer.

Major tumour ablation therapies

MWA, RFA, Cryoablation (CRA) and Laser Ablation (LSA) are major tumour ablation therapies. By comparison, MWA has the advantage in rapid heating and short operation time. Generally, it can be applied to tumours with diameter from 2 cm to 5 cm, thus has a wider applicable range of tumour size.

	MWA	**RFA**	**CRA**	**LSA**
Principle	• Microwave creating heat for ablation	• High-frequency electrical currents creating heat for ablation	• Utilise the gas throttling effect of argon/helium for ablation	• He-Ne laser or excimer laser technology for ablation
Advantages	• Wide range of applicable tumour size • More efficient in coagulating blood vessels • Shorter operation time	• Wide range of applicable diseases • Applicable to tumours close to the major blood vessels and vital organs	• Less pain during operation • Easy to locate the tumours during operation	• The laser fibre bundle is small and flexible, and the energy output can be precisely controlled
Disadvantages	• Not suitable for tumours close to major blood vessels or vital organs	• Longer operation time • Affected by tissue carbonisation effect • Affected by blood perfusion	• Longer operation time • Risk of causing complications • Not amenable for people with poor coagulation function	• Longer operation time • Not suitable for large tumours

Source: Frost & Sullivan Analysis

The following table sets out the efficacy data of the major tumour ablation therapies when they are applied to the treatment of liver cancer and thyroid nodule, respectively:

	MWA	RFA	CRA	LSA
Liver Cancer	For tumours <3 cm in diameter: 5-year LTP: 8.3%, 5-year DFS: 12%;	For tumours <3 cm in diameter: 5-year LTP: 21.2%, 5-year DFS: 19%;	For tumours ≤4 cm in diameter: 3-year LTP: 7%;	For tumours <3 cm in diameter: 1-year LTP* (8.5% for patients in percutaneous ultrasonography guided laser ablation group; 15.0% for patients in endoscopic ultrasonography-guided laser ablation group);
	Complete ablation rate for tumors: 98.3%;	Complete ablation rate for tumors: 98.1%;	Complete ablation rate for tumors: 97.4%;	Complete ablation rate for tumors: 89.0%;
Thyroid Nodule	VRR of nodule: 1st month: 15.3%; 3rd month: 47.9%; 6th month: 67.8%; 12th month: 79.3%; 18th month: 91.7%	VRR of nodule: 1st month: 15.4%; 3rd month: 48.2%; 6th month: 68.1%; 12th month: 80.1%; 18th month: 89.2%	N/A	VRR of nodule: 91.7%*

Source: Literature review; Frost & Sullivan Analysis

Notes:

(1) LTP: local tumour progression; DFS: disease-free survival; VRR: volume reduction ratio; Complete ablation rate: percentage of the patient population whose tumour is completely eradicated after the ablation therapy.

(2) The different years of LTP are presented based on the best available information that can be obtained from the independent study of such ablation method.

(3) The LTP data are based on the best available information that can be obtained for each ablation method and no available information of DFS for CRA and LSA can be obtained.

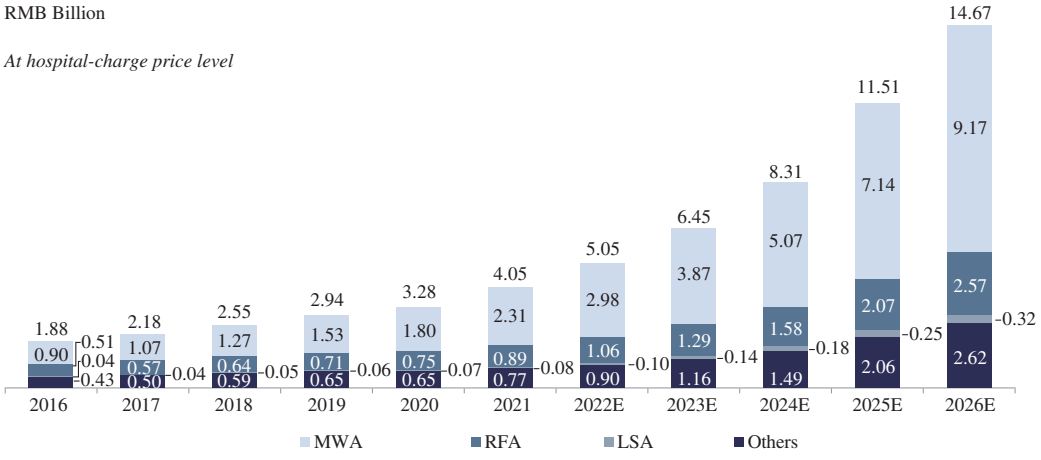
* An independent study without comparison with other ablation methods

Market size of tumour ablation therapy market in China

Given the increasing number of new tumour patients in China, the promotion of ablation therapy in hospitals and the rising adoption of minimally invasive operation, the ablation therapy has gradually become one of the most common treatments for tumour. From 2016 to 2021, the market size of China's tumour ablation industry calculated at hospital-charge price has increased from RMB1.88 billion to RMB4.05 billion with a CAGR of 16.6%. MWA is the largest sector of tumour ablation therapy market in China, contributing to 57.0% of the overall ablation market, with a sales revenue of RMB2.31 billion in 2021. With the further popularisation of tumour ablation therapy and the increasing coverage of tumour ablation treatment in medical insurance in different geographic regions, the market size of the tumour ablation industry in China will remain an upward trend and is expected to reach RMB14.67 billion in 2026 with a CAGR of 30.6% from 2022 to 2026. MWA is expected to grow at a faster rate than the overall tumour ablation therapy market in China from 2022 to 2026, primarily because (i) MWA is more widely applicable to different diseases than other ablation techniques due to its features of minimally invasive, rapid recovery and low complication rate for patients; (ii) the intensity of R&D, promotion and education of MWA techniques by MWA medical device manufacturers in the PRC are generally higher than other ablation techniques by other manufacturers in the PRC; and (iii) MWA is expected to gain wider hospital coverage in the PRC in the future than other ablation technologies.

Market Size of China's Tumour Ablation Therapy Market, 2016–2026E

CAGR	Total	MWA	RFA	LSA	Others
2016–2021	16.6%	20.6%	11.9%	16.9%	12.2%
2022E–2026E	30.6%	32.5%	24.8%	39.8%	35.8%



Source: *Expert interviews, Frost & Sullivan analysis*

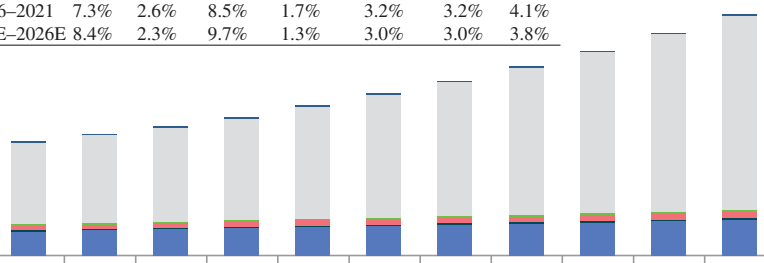
Note: Other tumour ablation methods including CRA, nano knife ablation, high intensity focused ultrasound ablation (HIFU) and etc., contributed to 19% of the overall tumour ablation therapy market in 2021.

Tumour ablation therapy has been successfully applied to the treatment of thyroid nodules, liver cancer, breast lumps and lung cancer. It has the advantage of being safe, minimally invasive and easy to operate with a rapid recovery and low complication rate. Ablation therapies, especially MWA and RFA, have gained increasing recognition by clinical physicians in hospitals. In addition, the scope of tumour ablation therapy is limited to the size of tumour and its adjacent tissues, which has little impact on the body as a whole and can be performed repeatedly.

Number of New Patients Eligible for Tumour Ablation Therapy, 2016–2026E

Thousand

CAGR	Total	Liver Cancer	Thyroid Nodule	Breast Lump	Pulmonary Nodule	Lung Cancer	Others
2016–2021	7.3%	2.6%	8.5%	1.7%	3.2%	3.2%	4.1%
2022E–2026E	8.4%	2.3%	9.7%	1.3%	3.0%	3.0%	3.8%



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Total	8,650.2	9,190.6	9,812.1	10,480.3	11,380.8	12,288.3	13,273.8	14,365.0	15,553.7	16,873.8	18,315.8
Liver Cancer	90.2	92.6	95.0	97.5	99.9	102.4	104.9	107.4	109.9	112.4	114.7
Thyroid Nodule	6,179.4	6,620.7	7,143.2	7,712.2	8,508.0	9,310.8	10,189.3	11,171.2	12,247.8	13,452.7	14,776.1
Breast Lump	129.6	131.9	134.2	136.5	138.8	141.0	143.1	145.2	147.1	149.0	150.5
Pulmonary Nodule	349.9	361.4	373.2	385.1	397.2	409.6	422.1	434.7	447.5	460.5	474.3
Lung Cancer	77.3	79.8	82.4	85.1	87.7	90.4	93.2	96.0	98.8	101.7	104.8
Others	1,823.9	1,904.2	1,984.0	2,064.0	2,149.2	2,234.2	2,321.2	2,410.5	2,502.5	2,597.5	2,695.4

Source: *Expert interviews, Frost & Sullivan analysis*

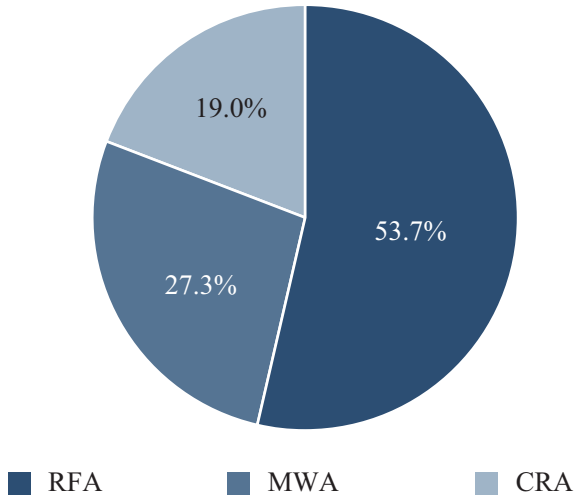
Note: The number of new patients eligible for tumour ablation therapy refers to the number of patients newly diagnosed for such diseases in that year who opt for treatment and are eligible for tumour ablation therapy.

OVERVIEW OF OVERSEAS TUMOUR ABLATION THERAPY MARKET

Europe

In 2021, MWA contributed to 27.3% of the total revenue of the tumour ablation therapy market in Europe.

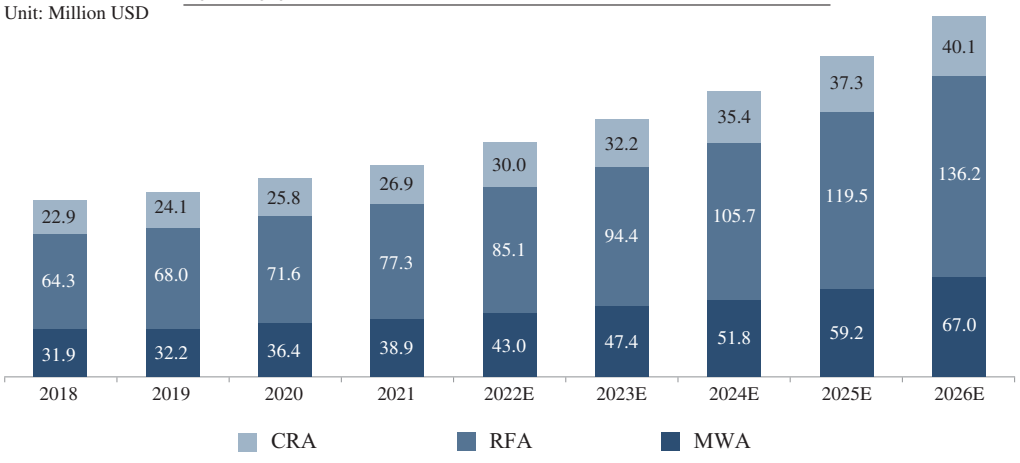
Breakdown of Tumour Ablation Therapy Market in Europe, 2021



Source: Frost & Sullivan analysis

Market Size of Tumour Ablation Therapy Market in Europe, 2018 – 2026E

	Total	MWA	RFA	CRA
2018–2021	6.3%	6.8%	6.3%	5.5%
2022E–2026E	11.4%	11.7%	12.5%	7.5%



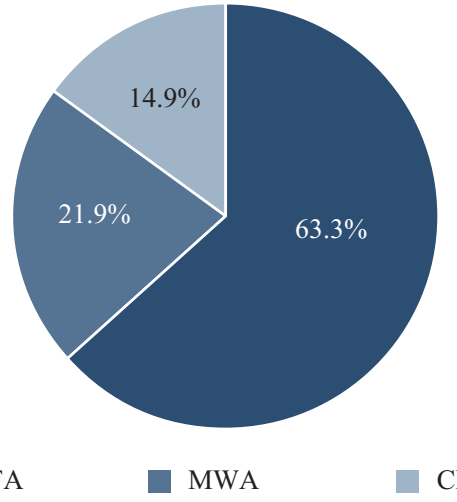
Source: Frost & Sullivan analysis

The tumour ablation therapy market in Europe increased from US$119 million in 2018 to US$143 million in 2021, at a CAGR of 6.3%. It is expected that the tumour ablation therapy market in Europe will reach US$243 million in 2026, with a CAGR of 11.4% from 2022 to 2026.

The U.S.

In 2021, MWA contributed to 21.9% of the total revenue of the tumour ablation therapy market in the U.S..

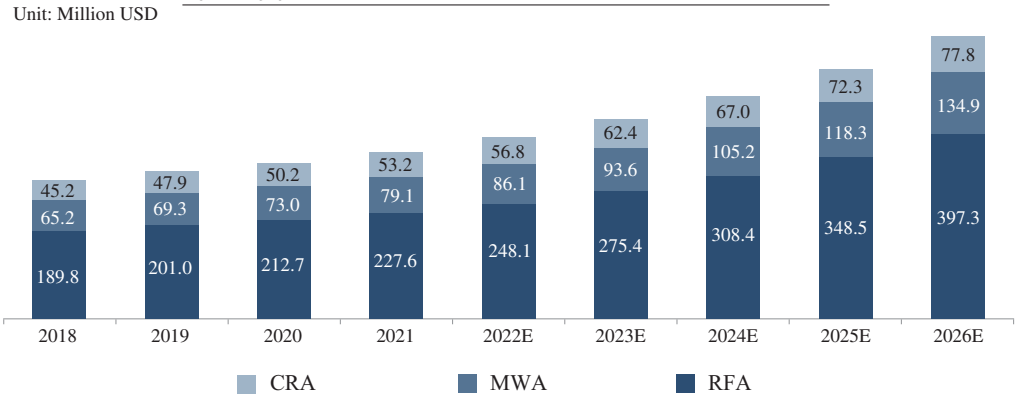
Breakdown of Tumour Ablation Therapy Market in the U.S., 2021



Source: Frost & Sullivan analysis

Market Size of Tumour Ablation Therapy Market in the U.S., 2018 – 2026E

	Total	MWA	RFA	CRA
2018–2021	6.2%	6.7%	6.2%	5.6%
2022E–2026E	11.8%	11.9%	12.5%	8.2%



Source: Frost & Sullivan analysis

The tumour ablation therapy market in the U.S. increased from US$300.0 million in 2018 to US$359.6 million in 2021, at a CAGR of 6.2%. It is expected that tumour ablation therapy market in the U.S. will reach US$610.3 million in 2026, with a CAGR of 11.8% from 2022 to 2026.

Comparison between overseas tumour ablation therapy market and the tumour ablation therapy market in China

MWA was the largest sector of tumour ablation therapy market in China in 2021, contributing to 57.0% of the overall tumour ablation therapy market, followed by RFA which contributed to 22.0% of the overall tumour ablation therapy market.

RFA was the largest sector of tumour ablation therapy market in the U.S. and Europe in 2021, contributing to 63.3% and 53.7% of the overall tumour ablation therapy market, respectively; followed by MWA which contributed to 21.9% and 27.3% of the overall tumour ablation therapy market in the U.S. and Europe, respectively.

MWA has the largest market share of tumour ablation therapy market in China mainly because, after years of research and exploration of MWA by Chinese scholars, MWA technology has developed rapidly in the PRC. Comparing to RFA, MWA generally has a shorter operation time and it can simultaneously treat multiple lesions. According to "Radiofrequency ablation versus microwave ablation for early stage hepatocellular carcinoma: A PRISMA-compliant systematic review and meta-analysis" published in Medicine in 2020, the median ablation time was shorter in the MWA group (12 minutes) compared with the RFA group (29 minutes). In addition, research has shown that MWA treatment has similar safety and efficacy as compared to RFA[(1)]. The indications of MWA therapy in the PRC market have gradually expanded from liver tumour to other indications (such as thyroid nodules, breast lumps, pulmonary nodules, varicose vein, bone tumours, uterine fibroid, prostate cancer), which leads to the rise in market share of MWA therapy in the PRC. Another reason for the rise in market share of MWA therapy in the PRC is that the MWA medical device manufacturers have put considerable effort in promoting MWA products in the past years through academic conferences, and conducting surgical training for medical practitioners to popularise MWA therapy in the PRC. On the other hand, the product promotion of RFA medical device manufacturers in the PRC is not as strong as that of MWA medical device manufacturers.

RFA is the most widely adopted thermal ablation treatment which has the largest market share of tumour ablation therapy market in the U.S. and Europe mainly because (i) the study on application of RFA technology in the U.S. and Europe has a longer history as compared to MWA and earlier research has shown that RFA is a safer tumour ablation treatment with lower complication rate than MWA; and (ii) RFA has a proven record of satisfactory therapeutic effect in tumour ablation due to its features safety and low complication rate. Thus, RFA has become a more established and recognised treatment modality in the U.S. and Europe. Meanwhile, MWA has a relatively short application history in the U.S. and Europe with less research and clinical data, and has been primarily used in the treatment of liver cancer and lung cancer only. In addition, MWA has not been promoted strongly in the U.S. and European markets. Moreover, MWA treatment may cause over-ablation when coagulate the tumour tissue due to the production and transmission of intense heat. Therefore, some MWA medical devices nowadays are equipped with a cooling system where cooling saline runs through the MWA needles except its tip which has direct contact with the tumour. The circulation of cooling saline can prevent or reduce damage to other parts of the patient's body. While recent research has shown that MWA

Note:

(1) *Glassberg M B, Ghosh S, Clymer J W, et al. (2019).* Microwave ablation compared with radiofrequency ablation for treatment of hepatocellular carcinoma and liver metastases: a systematic review and meta-analysis. OncoTargets and Therapy.

treatment can achieve similar therapeutic effect[(1)], due to user stickiness, medical practitioners in the U.S. and Europe who generally have more clinical experience in performing RFA therapy still tend to advise their patients to receive treatment options that they are more familiar with to reduce the risk of error in operation. Hence, the market share of MWA was relatively smaller than that of RFA in the U.S. and Europe from 2018 to 2021.

OVERVIEW OF MWA MARKET IN CHINA

MWA is a technique of destroying cells and tissues through microwave energy heat. Under the guidance of Ultrasound B, CT and other medical imaging equipment, the tumour is exposed through a laparoscopic port or an open incision, and then a MWA needle or needles is/are inserted into the tumour. Through MWA needle, the microwave heating released by the MWA therapeutic apparatus can usually ablate (destroy) tumour tissue in 10 minutes.

Number of MWA procedures in China

MWA therapy can be applied to a wide range of diseases, including thyroid nodule and cancer, breast lump, liver cancer, pulmonary nodule and lung cancer.

The patients eligible for MWA are patients:

(i) in a single-tumour case, with a tumour no larger than 5cm in diameter; or in a multiple-tumour case, with no more than three tumours and each tumour no larger than 3cm in diameter;

(ii) absence of vascular invasion, distant metastases, and lymph node involvement;

(iii) with no contraindication for MWA, for example, no severe organ dysfunction of the liver, kidney, heart, lung and brain, and standard or near-normal coagulation function; and

(iv) not a surgical candidate at the time of the procedure.

MWA therapy is not applicable to patients with tumours near major blood vessels or vital organs. In addition, patients with the following conditions are not considered clinically eligible for MWA:

(i) liver failure, such as massive ascites, hepatic encephalopathy, and who are delirious etc.;

(ii) severe coagulation dysfunction (such as prothrombin time >30s, prothrombin activity <40%, and BPC $<30\times10^9$/L);

(iii) tumour volume exceeding 70% of liver volume or high extrahepatic tumour burden (including BCLC stage D liver cell carcinoma);

Note:

(1) *Glassberg M B, Ghosh S, Clymer J W, et al. (2019).* Microwave ablation compared with radiofrequency ablation for treatment of hepatocellular carcinoma and liver metastases: a systematic review and meta-analysis. OncoTargets and Therapy.

(iv) active inflammatory or infectious lesions in any organ;

(v) acute or severe chronic renal failure, heart/lung insufficiency; and

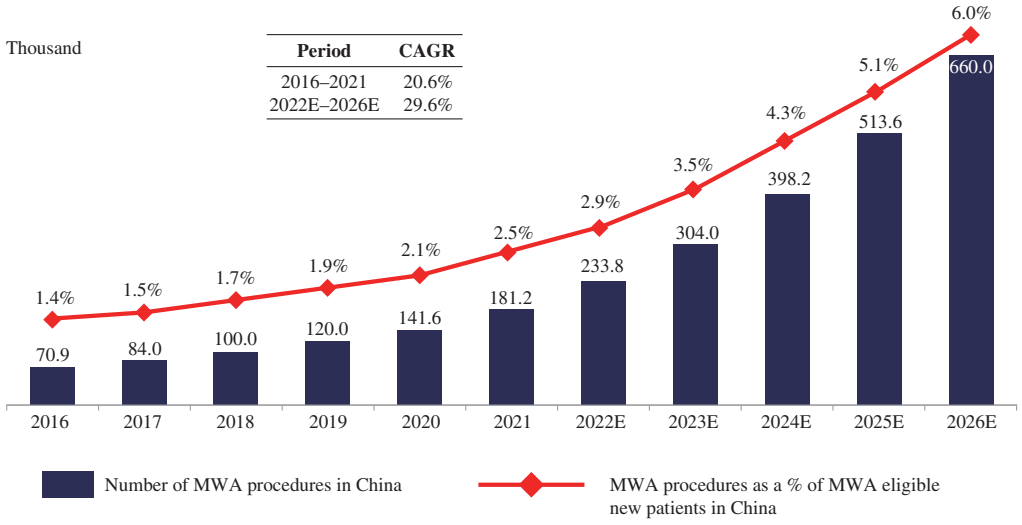
(vi) tumour near the diaphragm, gastrointestinal tract, gallbladder, pancreas, hilar liver and major bile ducts or blood vessels.

Note: BPC: Blood platelets count which is a test that measures the number of platelets in a person's blood.

BCLC: Barcelona clinic liver cancer (BCLC) staging uses a set of criteria to guide the management of patients with hepatocellular carcinoma (HCC). The classification system sorts patients into four categories.

Due to the rising number of tumour patients, expanding indications of MWA therapy, together with the increasing number of hospitals able to perform MWA procedures, the number of MWA procedures in China increased from 70,900 in 2016 to 181,200 in 2021 with a CAGR of 20.6%, and is expected to grow at a CAGR of 29.6% from 2022 to 2026. Patients generally choose the method of treatment based on doctors' recommendations. In China, MWA is still in the stage of rapid development and product promotion. Hospitals in many regions have not applied the MWA technology, and doctors in those regions have not received relevant education and training to grasp the practical skill and technique on the operation of MWA. Therefore, more time is needed for market cultivation, promotion through academic conferences, and surgical training for clinicians in order to popularise MWA procedures. Also, the patients diagnosed for tumour may delay in their treatment especially when the tumours are diagnosed benign (i.e. non-cancerous). Along with the rising recognition of MWA by more doctors, the penetration rate of MWA is expected to increase. The penetration rate of MWA procedures, measured by the number of MWA procedures as a percentage of the number of new patients eligible for MWA procedures, increased from 1.4% in 2016 to 2.5% in 2021, and is expected to further increase to 6.0% in 2026.

Number of MWA Procedures and Penetration Rate in China, 2016–2026E



Source: Expert interviews, Frost & Sullivan analysis

Note: The number of MWA eligible new patients in China refers to the number of patients newly diagnosed for such diseases in that year who opt for treatment and are eligible for MWA therapy.

Historical price trends of raw materials for MWA needles

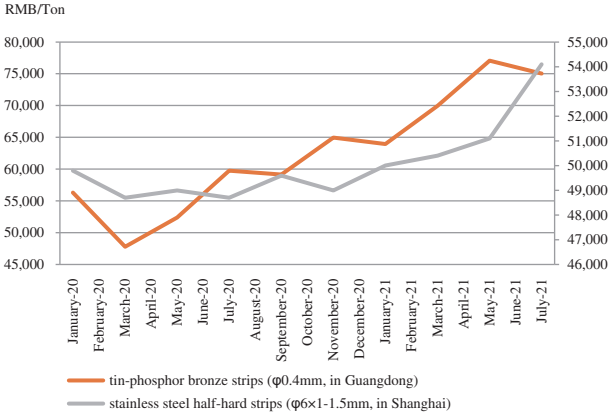
A MWA needle is mainly composed of the needle tube which is made of stainless steel tube and the tip (針尖) which is made of tin phosphor bronze.

Global economy is greatly affected by the impact of COVID-19. Major countries in the world have adopted quantitative easing policies, which has led to more serious over-issues in the global currency market. The prices of commodities such as stainless steel and tin phosphor bronze have shown an upward trend since the beginning of 2021.

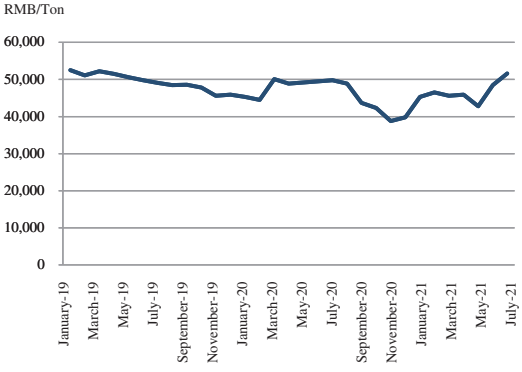
Polytetrafluoroethylene is used to coat the tip and shaft of the MWA needle. Its price is affected by both demand and supply. With changes in demand on downstream market such as construction, medical care and automobiles, the price of chemical materials such as polytetrafluoroethylene would fluctuate accordingly.

The cost of those raw materials of MWA needles constitutes only a small fraction of their selling price.

Price History of Tin Phosphor Bronze Strip and 304 Stainless Steel Strip, January 2020–July 2021



Price History of Polytetrafluoroethylene (Disperse Resin), January 2019–July 2021



Source: Global Metal Mesh, Steel House, China Petroleum and Chemical Industry Association (CPCIA), Frost & Sullivan analysis

Market size of MWA industry in China

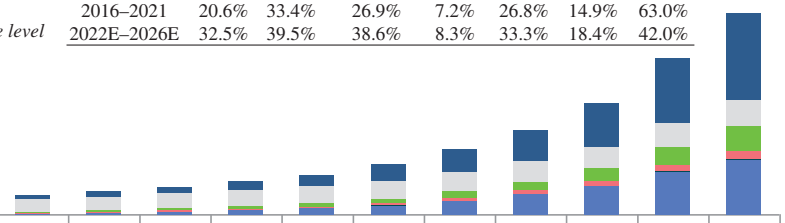
From 2016–2021, the sales revenue of MWA market in China has increased from RMB903.2 million to RMB2,308.5 million, with a CAGR of 20.6%. With the increasing adoption of minimally invasive operation, the promotion of MWA therapy in different hospitals and the expansion of applicable diseases of MWA therapy, MWA market in China will maintain an upward trend in the future. It is estimated that MWA market in China will reach RMB9,171.0 million in 2026, with a CAGR of 32.5% since 2022. The sales revenue of MWA market for thyroid nodule and liver cancer reached RMB761.8 million and RMB827.9 million respectively in 2021 and is expected to increase to RMB3,943.6 million and RMB1,208.8 million respectively in 2026.

Market Size of MWA Industry in China by Segment, 2016–2026E

RMB Million

At hospital-charge price level

	CAGR	Total	Thyroid Nodule	Pulmonary Nodule	Liver Cancer	Lung Cancer	Breast Lump	Others
2016–2021		20.6%	33.4%	26.9%	7.2%	26.8%	14.9%	63.0%
2022E–2026E		32.5%	39.5%	38.6%	8.3%	33.3%	18.4%	42.0%



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Total	903.2	1,070.3	1,273.7	1,528.4	1,803.5	2,308.5	2,978.0	3,871.4	5,071.5	7,137.0	9,171.0
Thyroid Nodule	180.6	235.5	305.7	397.4	505.0	761.8	1,042.3	1,432.4	1,977.9	2,926.2	3,943.6
Liver Cancer	585.9	636.8	687.8	738.7	764.2	827.9	878.8	942.5	993.5	1,139.4	1,208.8
Pulmonary Nodule	63.2	74.9	101.9	122.3	162.3	207.8	297.8	387.1	557.9	785.1	1,100.5
Lung Cancer	28.9	36.4	45.9	58.1	72.1	94.6	122.1	162.6	213.0	299.8	385.2
Breast Lump	10.2	11.5	13.4	15.3	16.6	20.4	25.5	30.6	35.7	44.5	50.0
Others	34.4	75.2	119.0	196.6	283.3	396.0	611.5	916.0	1,293.6	1,942.2	2,482.9

Source: Expert interviews, Frost & Sullivan analysis

Note: Others include thyroid cancer, breast cancer, varicose veins, prostate cancer and etc., contributing to 17.15% of the overall MWA market in 2021.

Indications of MWA therapy

MWA therapy can be applied to a wide range of diseases. Common indications of MWA therapy include thyroid nodule and cancer, breast lump, liver cancer, pulmonary nodule and lung cancer.

Thyroid Nodule and Cancer: Thyroid nodule is a discrete lesion within the thyroid gland, radiologically distinct from surrounding parenchyma. Thyroid nodules is one of the most common diseases in clinical practice. The incidence rate of thyroid nodule in China increased from 13.8% in 2016 to 20.3% in 2021. New cases of thyroid nodule patients reached 286.4 million in 2021 and is expected to increase to 454.5 million in 2026, which would lead to concerns for exacerbation of diseases. Since MWA has gained increasing recognition by clinical physicians in treatment of thyroid nodules, patients with thyroid nodule have a rising trend to adopt MWA treatment. Clinical studies have shown that the probability of major complications caused by MWA in treating thyroid nodule is extremely low.

Thyroid cancer is the most common endocrine system malignant tumour worldwide. Among persons with thyroid nodules, the rate of cancer progression was 5.0%. Affected by changes in living environment and advancement in diagnosis techniques, the number of new thyroid cancer patients in China increased from 238.4 thousand in 2016 to 453.3 thousand in 2021, and is expected to reach 910.1 thousand in 2026.

Liver Cancer: China is the country with the highest incidence of liver cancer in the world, with the rate increased from 0.27‰ in 2016 to 0.30‰ in 2021. New liver cancer patients in China increased from 380.0 thousand in 2016 to 431.1 thousand in 2021, and is expected to grow to 482.9 thousand in 2026. Globally, liver cancer is ranked the third highest mortality rate, after gastric cancer and esophageal cancer. Currently, MWA has become a preferred treatment for liver cancer because of its operational convenience and superior heating profile.

Lung Cancer and Pulmonary Nodule: The reason why lung cancer has a low survival rate is because of late diagnosis. Therefore, pulmonary nodule, which could develop to lung cancer, should be treated promptly when diagnosed. The number of new pulmonary nodule patients in China increased from 6.04 million in 2016 to 7.07 million in 2021, and is expected to reach 8.19 million in 2026. With the development of radiography, the number of patients diagnosed with pulmonary nodules is increasing year by year. Due to the possibility of cancerous transformation of pulmonary nodules and the high mortality rate of lung cancer, an increasing number of people start to pay attention to pulmonary nodules.

Among persons with pulmonary nodules, the rate of cancer progression was 5.5%. The incidence of lung cancer in China continued to increase, from 0.59‰ in 2016 to 0.67‰ in 2021. The number of new lung cancer patients in China increased from 813.4 thousand in 2016 to 952.1 thousand in 2021, and is expected to reach 1,102.7 thousand in 2026. Current 5-year survival rate of lung cancer in China is 19.7%.

Breast Lump: Most breast lumps are benign lesion which vary in size and texture. Although breast lumps may cause pain, some are not found until a physical or imaging examination. Affected by factors such as stress and lifestyle, number of new female patients with breast lump in China increased from 3.10 million in 2016 to 3.37 million in 2021, and is expected to reach 3.60 million in 2026. In this regard, we are of the view that our MWA medical devices are applicable to breast lump. MWA therapy for breast lump serves as an alternative to the traditional open surgery which would lead to large scars and breast collapse, and has the advantage of fewer complications, little effect on aesthetics and more accurate treatment effect and bringing less trauma to patients. Most breast lump are benign (non-cancerous) but they could develop into breast cancer if left unattended.

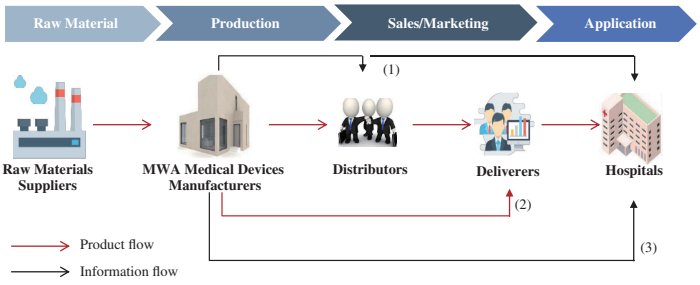
Two-Invoice System

The "two-invoice system" refers to the system that requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributions companies and the other invoice to be issued from pharmaceutical distributions companies to medical institutions.

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, the "two-invoice system" is mainly applicable to the fields of drugs and high value medical consumables in most provinces in China. Qinghai Province and Shaanxi Province have formulated rules and regulations to implement the "two-invoice system", in the field of all medical consumables.

Value chain of MWA market

The value chain of the MWA industry in China consists of supply of raw materials, production, sales and product application. Usually, the MWA medical devices manufacturers conduct their sales through various channels, namely (i) sales to distributors, (ii) sales to hospitals through deliverers, and/or (iii) direct sales to hospitals. For distribution model, distributors are responsible for sales channel development, customer maintenance, on-selling MWA medical devices to hospitals and providing hospitals with services such as preoperative consultation. For delivery model, deliverers usually have extensive network with hospitals and help MWA medical devices manufacturers to sell their products to hospitals. Some hospitals prefer procuring medical products from deliverers which are on their panel list only. For direct sales model, some MWA medical device manufacturers build their own marketing teams. Direct sales from the MWA medical device manufacturers to hospitals can reduce intermediate channels in product sales, reducing costs and increasing gross profit margins.



Source: Frost & Sullivan Analysis

Notes:

(1) Distribution model: distributors on-sell MWA medical devices to hospitals.

(2) Delivery model: deliverers usually have extensive network with hospitals and help MWA medical devices manufacturers to sell their products to hospitals.

(3) Direct sales model: MWA medical devices manufacturers directly sell their products to hospitals.

MWA technology also benefits other stakeholders along the value chain. For example, MWA therapy provides hospitals and doctors with alternative treatment in addition to traditional open surgery and chemotherapy; brings more diversified demand for insurance products to insurance companies; provides patients with treatment of lower cost, faster recovery and less pain and largely reduces the pressure on medical expenditures for the PRC Government by curbing benign tumour from developing into malignant tumour.

GROWTH DRIVERS OF MWA MEDICAL DEVICE MARKET IN CHINA

(1) Growing number of tumour patients promotes the expansion of MWA market

We have seen an increasing trend of new patients with tumours. Given MWA therapy is minimally invasive and has the advantage of fast recovery and fewer complications, the penetration rate of MWA therapy is increasing. Applicable diseases for MWA therapy will continue to expand, therefore the demand for MWA therapy will gradually increase, further facilitating the growth of MWA medical devices market.

(2) Numerous tumour ablation training programmes will enhance the popularisation of MWA therapy

Open surgery, chemotherapy and radiation therapy are relatively expensive, posing heavy burden on national medical insurance. Comparatively, ablation therapy has satisfactory clinical outcome with relatively lower fees, relieving the burden partially.

Led by National Health Commission and other relevant associations, MWA training programmes are organised in different hospitals to promote the popularisation of MWA therapys.

(3) Policies support innovation and development of medical device industry

In recent years, NMPA has adopted policy measures to promote innovation and development to optimise the review and approval of medical devices, improve work quality and efficiency and promote industrial innovation and advancement. In November 2018, NMPA published "Special Examination and Approval Procedures for Innovative Medical Products"《創

新醫療器械特別審查程序》to grant priority to eligible innovative medical devices and encourage research and innovation of medical devices. In March 2020, the State Council published "Regulation on Supervision and Administration of Medical Devices" (《醫療器械監督管理條例》) to strengthen the supervision of development, production, management and application of medical devices in the PRC, and optimise the examination and review procedures for approval. In March 2020, NMPA and the Standardisation Administration of the PRC issued the "Opinions on Further Promoting the High-quality Development of Standardisation of Medical Devices" (關於進一步促進醫療器械標準化工作高質量發展的意見), stating that by 2025, an advanced standard system of medical device that is in line with international standards will play the leading role for the nation in the transition from a big manufacturer of medical device to a powerful one. These policies will propel the innovation and R&D of the MWA industry as well as provide a healthy environment for market growth.

(4) Medical insurance coverage of MWA will gradually expand in various regions

Due to differences in the level of economic development, medical insurance policies and tumour prevalence across different regions, there are large differences in the cost, insurance coverage and reimbursement ratios of MWA therapy in China. Currently, MWA therapy has been included in medical insurance coverage in some regions, such as Shanghai, Fujian and Guangdong. In addition, the high cost of traditional surgery causes heavy burden to Chinese medical insurance companies. The cost of MWA surgery, in contrast, is relatively low, which led it become a favourable treatment by the PRC Government as well as Chinese medical insurance companies. In the foreseeable future, it is expected that an increasing number of regions in China will include MWA in their medical insurance.

FUTURE TRENDS OF MWA MEDICAL DEVICE MARKET IN CHINA

(1) *Multi-Disciplinary Treatment:* Open surgery, radiotherapy and chemotherapy all have their limitations in the treatment of malignant tumours, such as large incision, long recovery time, high cost and more complications. Multi-disciplinary treatment refers to a combination of two or more treatment methods, such as open surgery and ablation therapy. Studies have found that its outcome is better than a single surgery or ablation alone. In the future, multi-disciplinary treatment will have more and more applications in the treatment of tumours. MWA, as a widely used therapy with satisfactory outcome, is favoured in the multi-disciplinary treatment.

(2) *MWA Intelligence Application:* MWA therapy requires a doctor's operating proficiency and instrument mastery, as well as precise positioning during the operation. Therefore, the success rate depends on the doctor's operating experience. With the development of MWA intelligence, doctors can use robots and optical surgical navigation technology to accurately locate tumour lesion, improve surgical accuracy and reduce the dependence on personal experience. For example, certain companies are developing MWA operation robots, wireless remote-control MWA devices, and etc. Intelligence applications such as MWA robot systems are key research directions in the future. AI surgical robots can (i) improve surgical efficiency and reduce surgical risks through precise navigation and treatment; (ii) perform various tumour treatments and inspection operations; and (iii) provide digital platform for preoperative management and postoperative rehabilitation. The penetration rate of robot-assisted MWA procedures is estimated to reach 2.0% in 2026, and is expected to increase to 18.7% in 2030.

(3) *Market Penetration:* Training programmes organised by Chinese Medical Association (CMA) and Chinese Medical Doctor Association (CMDA) only allow doctors in the relevant tumour diagnosis department of Grade II hospitals or above to participate. Some tertiary hospitals organise such training programmes as well. With the continuous development and widespread promotion of MWA technology, some lower-tier hospitals started to organise MWA training programmes as well. Through these training activities, MWA therapy will gradually become more popular in China and the application of MWA devices in lower-tier medical institutions will become more common.

ENTRY BARRIERS OF MWA MEDICAL DEVICE MARKET IN THE PRC

MWA medical devices market in China has high entry barriers due to its high standard in R&D and technical innovation, substantial investment cost and long commercialisation process. The demand for effective branding and resourceful sales channels also creates barriers for new entrants in the market.

(1) *R&D and technical barriers:* R&D professionals and mature core technology build a high entry barrier for MWA medical devices market in China. The R&D process of MWA medical devices often requires the cooperation between enterprises, universities, research institutions and hospitals. Currently, MWA medical device enterprises have relatively mature technology and have specialised technological advantages. It is a complicated, difficult and time-consuming process for new entrants to break through the technical barriers or to develop new competitive technologies.

(2) *Long commercialisation process:* The commercialisation of Class II and Class III medical devices is a long and investment-intensive process. Since medical devices are closely related to people's safety such as MWA medical devices, and the Chinese Government has developed strict regulations in product registration, production licensing, and the filing of medical devices, which make the commercialisation process more time-consuming.

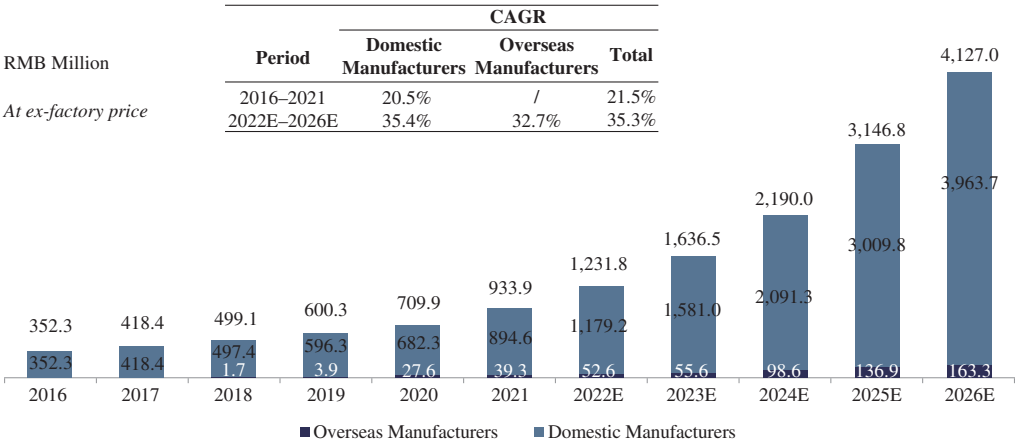
(3) *Branding and sales channel barriers:* Hospitals are more likely to purchase devices from a MWA medical device manufacturer that has developed good reputation in the industry, which makes the branding of the manufacturers crucial. Existing MWA medical device manufacturers sell products to Grade II and Grade III hospitals in China through direct sales and re-selling model, and their products have accumulated a good reputation. As for new entrants, in addition to competitive technology, they also need more resourceful sales channels to penetrate into and expand the market.

COMPETITIVE LANDSCAPE OF MWA MEDICAL DEVICES MARKET

MWA needles are one category of high-value medical consumables which are sold at high prices. In addition, the direct sales model of MWA medical devices industry in China is more profitable for manufacturers.

The market players of MWA medical devices industry in China include both local companies and overseas companies. The following chart sets forth the historical and forecast industry revenue split between domestic and overseas market players. Compared with domestic manufacturers, the foreign manufacturers, Medtronic and Johnson & Johnson, entered the market late. Medtronic launched its MWA products in 2018 and Johnson & Johnson entered the market in 2020. In addition, the prices of their MWA needles are higher than the prices of domestic products.

Market Size of MWA Market, China, 2016–2026E



Source: Expert interviews, Frost & Sullivan analysis

MWA medical devices industry in China is featured with high market concentration with top 4 manufacturers accounting for about 90.6% in 2021 in terms of sales revenue of MWA medical devices and our Group ranks the third in the MWA medical device market in the PRC in terms of sales revenue in 2021. The following table sets forth the ranking of top 4 MWA players in China and their respective market shares in terms of sales revenue of MWA medical devices:

Top Players in China's MWA Market, 2021

Ranking	Domestic Companies	Nature of the Company	Sales revenue of MWA medical devices (RMB Million)	Market share by sales revenue of MWA medical devices (%)
1	Company A	PRC	344.9	36.9%
2	Company B	PRC	213.2	22.8%
3	Our Group	PRC	157.2	16.8%
4	Company C	PRC	131.2	14.0%
Ranking	**Overseas Companies**	**Nature of the Company**	**Sales revenue of MWA medical devices (RMB Million)**	**Market share by sales revenue of MWA medical devices (%)**
6	Company D	Foreign	26.8	2.9%

Source: Frost & Sullivan Analysis

Note: Company A is a non-listed company headquartered in Nanjing with RMB86 million registered capital, which was established in 2000, Company A is a leading manufacturer of medical devices in China, which covers microwave, high frequency and laser ablation systems with approximately 600 employees. The products are positioned at mid to high-end which are sold to domestic and overseas markets.

Company B is a non-listed entity headquartered in Nanjing with RMB50,000 registered capital, which was established in 1988. Company B offers products including disposable water-cooled MWA needles and MWA therapeutic apparatus and has established in-depth cooperation with more than 100 hospitals in China in the field of MWA. Company B has approximately 80 employees.

Company C is headquartered in Nanjing and was established in 1994 and has focused on the R&D, production, and sales of microwave medical devices with approximately 400 employees. Company C is a wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange with market capitalisation of over RMB14 billion.

Company D was established in 1949, headquartered in Minneapolis, Minnesota in the U.S., and is a global medical technology company dedicated to providing lifelong treatment solutions for patients with chronic diseases. Company D was listed on the NYSE with market capitalisation of approximately US$120 billion. Company D has approximately 90,000 employees globally. Main products cover arrhythmia, heart failure, vascular disease, heart valve replacement, external cardiac support, minimally invasive cardiac surgery, malignant and non-malignant pain, diabetes, gastrointestinal diseases and other diseases.

At present, MWA therapy is developing rapidly especially in the field of treatment of thyroid nodules. It has the advantages of short operation time, small incision, quick recovery, no effect on appearance, and low complication rate. Fine MWA needles of our Group, with length of needle ranging from 8 cm to 10 cm and diameter ranging from 1.4 mm to 1.6 mm, are usually used by hospitals for MWA treatments of thyroid nodules and breast lumps. Among MWA manufacturers in China, our Group ranks the first in terms of sales revenue of MWA needles for the treatment of thyroid nodules and breast lumps in 2021 with a market share of 39.9%. The following table sets forth the ranking of top 4 players in China's MWA market for MWA needles for the treatment of thyroid nodules and breast lumps and their respective market shares in terms of sales revenue of MWA needles:

Top 4 Players in China's MWA Market for MWA needles for the treatment of thyroid nodules and breast lumps, 2021

Ranking	Name	Sales revenue of MWA needles for the treatment of thyroid nodules and breast lumps (RMB million)	Market share by sales revenue (%)
1	Our Group	101.8	39.9%
2	Company A	90.9	35.6%
3	Company C	35.9	14.1%
4	Company B	24.3	9.5%

Source: Frost & Sullivan Analysis

We primarily conduct our business in the PRC, and during the Track Record Period, all of our revenue was generated from the PRC. Accordingly, PRC laws and regulations are most relevant to our business.

Our business is subject to a variety of laws and regulations and extensive government supervision in the PRC. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business and operations.

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICES

The classification, registration and filing of medical devices

Regulations on the Supervision and Administration of Medical Devices

The Regulations on the Supervision and Administration of Medical Devices (2021 Revision) (《醫療器械監督管理條例(2021修訂)》) (the "**2021 Medical Device Regulations**") was revised and adopted at the 119th Executive Meeting of the State Council on 21 December 2020 and came into effect on 1 June 2021. The major amendments in the 2021 Medical Device Regulations include: (1) implementing the registrant-or-submitter accountability system to highlight the entity responsibilities of enterprises; (2) improving the system for medical device innovation; (3) optimising the approval process; (4) optimising the filing process; (5) improving post marketing regulatory requirements; and (6) reinforcing penalty and punishment.

The 2021 Medical Device Regulations stipulates that registrants and filing entities of medical devices refer to enterprises or R&D institutions that have obtained medical device registration certificates or filed applications for medical devices, and they are legally responsible for the safety and efficacy of their medical devices during the R&D, manufacturing, sales and use of the medical devices. The registrant-or-submitter accountability system also defines the obligations of registrants or filing entities and requires that registrants or filing entities should establish and effectively maintain a quality management system, conduct post-marketing research and risk control, adverse event monitoring and re-evaluation, establish and implement a system to trace and recall products and other obligations. The 2021 Medical Device Regulations clarifies the rights and obligations of the registrants or filing entities as well as other market entities, and specifies the obligations of entrusted manufacturers, e-commerce platform operators, user entities and other entities.

For the medical device innovation system, the 2021 Medical Device Regulations include medical device innovation as a development focus and improves medical device innovation systems.

With regard to the review and approval procedures of medical devices, the review and approval materials are simplified, default licensing is adopted for registration renewal and clinical trials, and the review and approval period for production and operation licences is shortened. For filing procedures, the filing items are reduced and the informative filing shall be implemented. The 2021 Medical Device Regulations stipulates that the product testing report shall comply with the requirements of the drug administration under the State Council. Such reports could be the self-testing report of the registration applicant or filing entities of the medical devices, or the testing report issued by the entrusted qualified medical device testing institutions. Enterprises with the corresponding testing capabilities may complete the registration by submitting self-testing reports, so as to greatly shorten the testing period and accelerate the registration of medical devices.

For regulatory requirements, the 2021 Medical Device Regulations further develops a professional inspector system, improve supervising by introducing regulatory measures such as tracing unique identification marks of products, extending review process and punishment of dishonest behaviours, and further clarifies the division of responsibilities between the drug supervision and management departments and competent health authorities to strengthen supervision and inspection on the use of medical devices.

The 2021 Medical Device Regulations impose heavier penalties on unlawful behaviours. Such penalties include revoking a wrongdoer's licence and prohibiting it from engaging in relevant activities for a certain period of time, subject to the severity of its violation. In terms of serious violations related to product quality and safety, a penalty of up to 30 times of the value of the products may be imposed. For persons in charge of the entities committing serious violation, all income that they receive from the entities during the occurrence of the illegal behaviours may be confiscated, a penalty of up to three times of the illegal income may be imposed, and they may also be prohibited from engaging in relevant activities for five years or more.

With regard to the above regulations, our PRC Legal Advisers are of the view that the encouragement of innovation in multiple systems under the 2021 Medical Device Regulations are conducive to the development of innovative medical devices, and the adjustment of the procedures for review, approval and filing are conducive to accelerating the registration and marketing of the relevant pipeline products, enhancing compliance, and creating an orderly development environment for companies.

Classification of medical devices

Pursuant to the 2021 Medical Device Regulations, Medical devices shall be classified into three categories according to their risk levels. Class I medical devices means the medical devices with low risks, whose safety and effectiveness can be ensured through routine administration. Class II medical devices means the medical devices with moderate risks, which shall be strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices means the medical devices with relatively high risks, which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness. Class I medical devices shall be subject to product recordation administration, and Class II and Class III medical devices shall be subject to product registration administration.

Registration and filings of medical devices

In order to regulate the registration and filing of medical devices and ensure the safety, effectiveness and quality control of medical devices, the State Administration for Market Regulation has formulated the Measures for Medical Devices Registration and Filing* (《醫療器械註冊與備案管理辦法》) in accordance with the 2021 Medical Device Regulations, which was published on 26 August 2021 and took effect since 1 October 2021. According to the 2021 Medical Device Regulations and the Measures for Medical Devices Registration and Filing, for the filings of the domestic Class I medical devices, the parties undergoing the filings of medical devices shall submit the filing materials to the competent drug supervision and administration departments at the districted city level. In case of any amendment to matters stated in the filings, such amendment shall be filed with the original filing department. The Class II and Class III medical devices shall be subject to the product registration administration. Domestic Class II medical devices shall be examined by the provincial branches of the NMPA and domestic Class III medical devices shall be examined by the NMPA, and a Medical Device Registration Certificate (醫療器械註冊證) for such medical device shall be issued upon approval. In case of any substantial change of the designs, raw materials, production technologies, scopes of application and application methods, etc., of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for changing registration. The Medical Device Registration Certificate is valid for five years and the registrant shall apply to the drug supervision and administration departments for renewal at least six months prior to its expiration date. Pursuant to the 2021 Medical Device Regulation, the application shall be rejected under any of the following circumstances: (i) the registrants fail to file an application for renewal within the prescribed time limit; (ii) the mandatory standards for medical devices have been revised and the relevant medical devices cannot meet the new requirements; or (iii) the registrants fail to complete the matters provided in the medical device registration certificate for medical devices under conditional approval within the prescribed time limit. Except for the conditions mentioned above, the drug regulatory authority receiving the application for renewal shall make a decision of approving the renewal prior to the expiration date of the medical device

registration certificate. If the drug regulatory authority doesn't make a decision within this time limit, it shall be deemed as the drug regulatory authority has approved the application.

According to the 2021 Medical Device Regulations and the Measures for Medical Devices Registration and Filing, medical device product registration and filings shall be subject to clinical evaluation. However, medical devices may be exempt from clinical evaluation under either of the following circumstances:

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

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

The medical device catalogue of clinical trial exemption shall be formulated, amended and promulgated by the NMPA, such as the Notice of the Newly Revised Catalogue of Medical Devices Exempted from Clinical Trials (《關於公佈新修訂免於進行臨床試驗醫療器械目錄的通告》) promulgated by the NMPA on 28 September 2018 and the Notice of New and Revised Catalogue of Medical Devices Exempted from Clinical Trials (《關於公佈新增和修訂的免於進行臨床試驗醫療器械的通告》) promulgated by the NMPA on 13 December 2019. Medical device products that are not included in the exemption catalogue shall be analysed and evaluated through the data obtained from the clinical trials or clinical application of the same categories of medical devices. On 16 September 2021, the NMPA issued the 2021 Exemption Catalogue with an effective date on 1 October 2021, which replaced the aforementioned Catalogue of Medical Devices Exempted from Clinical Trials and its amendments. As for certain high risk Class III medical devices, the NMPA's approvals are required before clinical trials can be carried out. Under such requirement, the NMPA promulgated the Notice of Publication of the List of Class III Medical Devices Requiring Clinical Trial Approval (《關於發佈需進行臨床試驗審批的第三類醫療器械目錄的通告》) on 25 August 2014, which was amended and came into effect on 14 September 2020. Where the safety and effectiveness of such medical devices can be proved, the applicant may specify in the course of registration application and submit relevant proofing materials.

Besides, compared with the expired Administrative Measures for Medical Device Registration (2014) (《醫療器械註冊管理辦法》(2014)), the Measures for Medical Devices Registration and Filing has been revised in several aspects, including but not limited to: (i) implementing the registrant-or-filer system such that medical device registrants and filers shall be accountable to strengthen the quality management of the entire lifecycle of medical devices, and be legally responsible for the safety, effectiveness and quality controllability of medical devices in the entire process of research, production, operation and use; (ii) elaborating the description of the sole identification system to promote the step-by-step implementation of the system by clearly stipulating that the National Medical Products Administration shall establish and pursue the step-by-step implementation of the unique medical device identification system, under which applicants and filers shall be required to submit the unique identification details according to the relevant regulations to ensure the truthfulness, accuracy, and traceability of data; (iii) adding special registration procedures, including three special medical device registration procedures, namely innovative product registration procedures, priority registration procedures and emergency registration procedures; (iv) simplifying and optimising registration approval procedures, including clarifying that the applicant submits registration application materials to the medical product administration authorities through online registration applications and other channels; adjusting the requirements for medical device inspection reports (which can be either self-inspection reports by applicants or filers, or testing reports produced by qualified medical device testing institutions upon appointment); and specifically creating the "Working Timeframe" chapter to uniformly stipulate the approval timeframe.

We have obtained the Class II and Class III medical device registration certificates, for our existing MWA products in China, which are within the validity term. As advised by our PRC Legal Advisers, our products do not belong to any circumstances for exempting from clinical trials, we have passed the clinical trials as required for our Class II and Class III medical devices for the registration. As confirmed by our PRC Legal Advisers, the taking effect and implementation of the Measures for Medical Devices Registration and Filing will not have any material impact on our business operations.

The NMPA published the MWA Equipment Guidelines on 25 November 2021, which is a guidance document for registration applicants and technical reviewers, but does not include administrative matters involved in review and approval, nor is it enforced as a regulation. The MWA Equipment Guidelines should be used under the premise of complying with relevant laws and regulations. Pursuant to the MWA Equipment Guidelines, among other things, (i) the MWA equipment shall be managed as the Class III medical device. MWA needle shall be managed with reference to the MWA apparatus as Class III medical device when registered separately; and (ii) the applicant of Class III registration certificate for its MWA equipment should limit or modify the scope of application of its MWA equipment based on clinical data and relevant clinical diagnosis and treatment specifications. Definite applicable organs or tissues should be given in the scope of application, instead of other expressions without clear applicable organs or tissues.

Our PRC Legal Advisers interviewed the Jiangsu MPA on 7 January 2022 for the MWA Equipment Guidelines and the Jiangsu MPA are of the view that: (i) the MWA Equipment Guidelines do not specify a specific implementation date for the aforementioned matters; (ii) the NMPA has not issued specific implementation documents as of the date of the interview; (iii) Nanjing Changcheng can legally manufacture and sell MWA needles before the expiration of its Class II registration certificate; and (iv) after the validity period of the Class II registration certificate expires, it is still unclear whether it is necessary to re-apply for the Class III registration certificate for different applicable organs or tissues. Our PRC Legal Advisers are of the view that the Jiangsu MPA is the competent authority to opine on the abovementioned matters in relation to the MWA Equipment Guidelines.

We had obtained the Class III medical device registration certificate for MWA therapeutic apparatus specifically indicated for liver cancer and thyroid nodule (which are our major products). Our two Class II medical device registration certificates for our MWA needles are valid until 25 March 2023 and 13 January 2025, respectively. When the validity period of Class II medical device registration certificates for MWA needles expire and separate registrations are required, we will strictly comply with the MWA Equipment Guidelines and other applicable laws and regulations to apply for new certificates.

Regulations and Administrative Measures on the Production of Medical Devices

In order to strengthen the supervision and administration of medical device production, regulate the production of medical devices, and ensure the safety and utility of medical devices, the State Administration for Market Regulation has formulated the Measures for the Supervision and Administration of Medical Device Production (《醫療器械生產監督管理辦法》) (the "**2022 Supervisory and Administrative Measures for Production**") in accordance with the 2021 Medical Device Regulations, which were promulgated on 10 March 2022 and came into effect on 1 May 2022. The 2022 Supervisory and Administrative Measures for Production stipulates the following conditions which a manufacturer of medical devices shall satisfy:

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

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

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

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

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

The enterprises engaging in the production of Class I medical devices shall make filings for such Class I medical devices with the local branches at the districted city level of the NMPA and submit proofing materials of qualification to engage in the production of such medical devices. The enterprises engaging in the production of Class II and Class III medical devices shall apply for Manufacture Licence for Medical Devices (醫療器械生產許可證) to the provincial branches of the NMPA, and submit proofing materials of qualification to engage in the production of such medical devices and registration certificates for such medical devices produced. The Manufacture Licence for Medical Devices for a medical device is valid for five years.

Compared with the expired Measures for the Supervision and Administration of Medical Device Production which were revised in 2017 (the "**2017 Supervisory and Administrative Measures for Production**"), amendments have been made to the 2022 Supervisory and Administrative Measures for Production for Production in several aspects, including but not limited to: (i) simplifying materials to be submitted for the application for production license, and adjusting the review time limit of medical device production license application from 30 working days to 20 working days; (ii) where a Medical Device Production License is required to be extended upon its expiration, changing the timing required for making any extension application from 6 months prior to expiration to a period ranging from 90 working days to 30 working days prior to expiration, emphasising that any extension application made after such timeframe would not be accepted; (iii) cancelling the filing requirements for commissioned production and incorporating the requirements of commissioned production into the quality management system for unified regulation; (iv) specifying that the legal representative and principal person-in-charge of the party responsible for the registration or recordation of medical devices shall be fully responsible for the quality and safety of the medical devices produced by the party; (v) specifying that the party responsible for the registration or recordation of and the entrusted manufacturer of the medical devices shall, as required by the state for the implementation of unique identification of medical devices, assign codes, and upload, maintain and update data to ensure that the information is true, accurate, complete and traceable.

We have obtained the Manufacture Licence for Class II and Class III Medical Devices (第二類和第三類醫療器械生產許可證) for our existing MWA products in China, which are within the validity term. As confirmed by our PRC Legal Advisers, the taking effect and implementation of the 2022 Supervisory and Administrative Measures for Production will not have a material impact on our business operations.

Measures on Production Quality Management of Medical Devices

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

Commissioned Production of Medical Devices

Pursuant to the 2021 Medical Device Regulations, a medical device registrant or filer may commission the enterprises that comply with the provisions of this regulation and meet corresponding conditions to produce medical devices. In case of commissioned production of medical devices, a medical device registrant or filer shall be responsible for the quality of the medical devices produced by the commissioned production enterprises, and strengthen the administration of the production by the commissioned production enterprises to ensure the compliance with the regulatory requirement. Commission agreements shall be concluded by the medical device registrant or filer with the commissioned production enterprises. According to the Commission Guidelines issued by the NMPA on 22 March 2022, when a medical device registrant or filer commissions an enterprise with the corresponding conditions to manufacture medical devices, it shall sign a "quality agreement for commissioned production of medical devices" with the commissioned manufacturer to clarify the rights, obligations and responsibilities to be assumed in the whole process of production. Parties applying the Commission Guidelines shall choose to apply all or part of the Commission Guidelines for the formulation of quality agreements through consultation, in light of the actual situation of commissioned production; if necessary, relevant requirements other than the Commission Guidelines may also be added. The Commission Guidelines apply to the medical devices that have been filed or registered. The formulation of the "quality agreement for commissioned production" of the medical device samples at the research and development stage, may refer to the Commission Guidelines. Since May 2022, Hunan Baide, as the registrant of medical devices, has commissioned a third party manufacturer which has obtained the Permit for Medical Device Production* (醫療器械生產許可證) to produce relevant models of MWA needles. We entered into a contract and a quality agreement for commissioned production in accordance with the 2021 Medical Device Regulations and the Commission Guidelines which stipulated the rights, obligations and responsibilities of both parties in the whole production process. As advised by the PRC Legal Advisers, our commissioned production was legal and valid under the relevant laws and regulations of the PRC. Therefore, our Directors are of the view that the Commission Guidelines will not have any material and adverse impact on our business operation.

Medical devices trials

On 24 March 2022, the NMPA and the National Health Commission of the PRC jointly issued the new Good Clinical Practice for Medical Devices Trials (《醫療器械臨床試驗質量管理規範》) (the "**2022 Good Clinical Practice**") which became effective on 1 May 2022, as an amendment to the expired Good Clinical Practice for Medical Devices Trials (the "**2016 Good Clinical Practice**"). The 2022 Good Clinical Practice includes full procedures of clinical trial of medical devices, including, among others, the protocol design, conduct, monitoring, verification, inspection, and data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. For conducting clinical trials of medical devices, an applicant shall organise to formulate scientific and reasonable clinical trial protocols based on the purpose of the clinical trial, with comprehensive consideration of the risks, technical characteristics, application scope and expected use of the medical devices tested. The applicant shall be responsible for (i) organising to develop and revise the researcher's manual, clinical trial protocols, informed consent form, case report form, relevant standard operating procedures and other relevant documents, and (ii) organising necessary training for the clinical trials. The applicant shall select the clinical trial institutions and its researchers from the qualified medical device clinical trial institutions according to the characteristics of the medical devices to be used in the clinical study. An applicant for clinical trials of medical devices shall be responsible for initiating, applying, organising and monitoring such clinical trials, and shall be responsible for the authenticity and reliability of the clinical trials.

The 2022 Good Clinical Practice highlights the main responsibility of the clinical trial sponsor, requiring that the quality management system of the sponsor should cover the whole process of the clinical trials and the sponsor shall, according to the purpose of the clinical trial, comprehensively consider the risks, technical characteristics, application scope and expected use of the medical devices tested, and organise the formulation of scientific and reasonable clinical trial plans. The 2022 Good Clinical Practice also simplifies the relevant requirements and

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

Pursuant to the 2021 Medical Device Regulations, clinical evaluation shall be conducted before the registration or record-filing of medical devices. However, medical devices may be exempt from clinical evaluation under any of the following circumstances: (i) they have clear and definite working mechanisms, finalised designs and mature manufacturing techniques, the marketed medical devices of the same category have been put into clinical application for years with no record of severe adverse event, and their general purposes remain unchanged; (ii) the safety and utility of such medical devices can be proved through non-clinical evaluation. During the process of clinical evaluation for medical devices, their safety and effectiveness may be proved by carrying out clinical trials or analysing and evaluating the clinical literature and data of medical devices of the same category on the basis of the product characteristics, clinical risks, existing clinical data and other circumstances. If the existing clinical literature and data are insufficient to confirm the safety and effectiveness of the medical devices, clinical trials shall be conducted.

Laws and regulations relating to medical devices operation

Measures for the Supervision and Administration of Medical Devices Operation

In order to strengthen the supervision and management of medical devices operation, regulate medical device operation activities, and ensure the safety and effectiveness of medical devices, the State Administration for Market Regulation has formulated the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) ("**2022 Supervisory and Administrative Measures for Operations**") in accordance with the 2021 Medical Device Regulations, which were promulgated on 10 March 2022 and came into effect on 1 May 2022. According to the 2022 Supervisory and Administrative Measures for Operations, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class II medical devices shall file with the competent municipal level drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of Class II medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for a Business Operation Licence of Medical Devices (醫療器械經營許可證) to the competent municipal level drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices. The competent drug supervision and administration department which receives operation permit application shall grant the Business Operation Licence of Medical Devices if the enterprise meets the prescribed requirements. A Business Operation Licence of Medical Devices is valid for five years and may be renewed pursuant to the relevant regulations. An enterprise engaging in medical devices operation shall not operate any medical device that has not been legally registered or filed for record, without qualification certificate, out-dated, invalid or disqualified.

Compared with the expired Measures for the Supervision and Administration of Medical Device Operation which were revised in 2017, (the "**2017 Supervisory and Administrative Measures for Operations**"), amendments have been made to the 2022 Supervisory and Administrative Measures for Operations in several aspects, including but not limited to: (i) simplifying materials to be submitted for the application for business licenses and filing; (ii) where a Business Operation Licence of Medical Devices is required to be extended upon its expiration, changing the timing required for making any extension application from 6 months prior to expiration to a period ranging from 90 working days to 30 working days prior to expiration, emphasising that any extension application made after such timeframe would not be accepted, and specifying the method of calculating the duration of the Business Operation Licence of Medical Devices; (iii) clarifying that medical device business enterprises should establish and implement a product traceability system to ensure product traceability, and shall

enforce the unique medical device identification system in accordance with relevant national regulations; and (iv) adjusting the punishments for illegal acts by strengthening the penal severity (for instance, the maximum fine to be imposed is increased from RMB30,000 to RMB200,000, if enterprises engaged in the business of Class III medical devices change their business premises, warehouse addresses, or scope of operation without approval).

We have obtained the Business Operation Licence for Class III Medical Devices (第三類醫療器械經營許可證) and the Record-filing Certificate for Operation of Class II Medical Devices (第二類醫療器械經營備案憑證) for our existing products in China, which are within the validity term. We will ensure that our operations in the future will remain in compliance with the 2022 Supervisory and Administrative Measures for Operations. As confirmed by our PRC Legal Advisers, the taking effect and implementation of the 2022 Supervisory and Administrative Measures for Operations will not have a material impact on our business operations.

Tender processes for medical devices

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

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

According to the Administrative Norms on Centralised Procurement of High Value Medical Consumables (《高值醫用耗材集中採購工作規範(試行)》) issued on 17 December 2012, the online centralised procurement (the "**Centralised 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 Centralised Procurement platform established by each province (region and municipality). The administrative authorities in charge of the Centralised Procurement in each province (region and municipality) shall be responsible for formulating and preparing a Centralised Procurement list of high value medical devices within its administrative region. High value medical consumables listed on the Centralised 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.

Pursuant to the Reply of the National Healthcare Security Administration to Recommendation No.7843 of the Forth Session of the 13th National People's Congress (《國家醫療保障局對十三屆全國人大四次會議第7843號建議的答覆》) issued by National Healthcare Security Administration on 9 August 2021, Since its establishment, the National Healthcare Security Administration has actively promoted the work of medical insurance informatisation. In order to accelerate the formation of a top-down national medical insurance informatisation integration pattern, we are making every effort to promote the deployment of a unified, efficient, compatible, convenient and safe national medical insurance information platform application work, speed up the establishment of a unified national medical insurance information platform, and realise the informatisation of medical insurance management. The national platform includes 14 business subsystems in four major categories, including medical insurance intelligent supervision subsystem, drug and medical consumable recruitment management subsystem, macro decision-making big data application subsystem, etc. Through big data actuarial analysis

technology, it helps to improve the scientific decision-making of medical insurance policies and the refined management of funds, and comprehensively supports the improvement of the national medical insurance standardisation, intelligence and information level. At present, the national medical insurance information platform has been put into use, and has been applied online in Guangdong, Qinghai, Hebei, Hainan, Guizhou, Gansu, Xinjiang, Chongqing, Hunan, Tianjin, Jilin and other provinces. The overall operation is stable and efficient.

Two-invoice system

According to the Notice of Publishing Opinions on Implementing Two-invoice System in Drug Procurement Among Public Medical Institutions (For Trial Implementation) (《印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》) which was issued on 26 December 2016, the "two-invoice system" refers to the system that requires one invoice to be issued from pharmaceutical manufacturers to circulating enterprise and the other invoice to be issued from circulating enterprise to medical institutions. The wholly-owned or holding commercial company (only one commercial company is permitted in the whole country) or the domestic general agent for overseas drugs (only one domestic agent is permitted in the whole country) established by a pharmaceutical manufacturer or a group enterprise integrating science, industry and trade may be regarded as a manufacturer. The allocation of drugs between a pharmaceutical distribution group enterprise and its wholly-owned (holding) subsidiaries or among its wholly-owned (holding) subsidiaries may not be regarded as a process for which an invoice should be issued, but one invoice is allowed to be issued at most.

According to the Notice on Consolidating the Results in Eliminating the Mechanism of Replenishing Medical Costs with Drug Selling Profits and Further Deepening the Comprehensive Reform of Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》) which was issued on 5 March 2018, a classified and centralised mechanism shall be implemented for the procurement of high value medical consumables and the "two-invoice system" shall be carried out for the procurement and sale of high value medical consumables.

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

Currently, some provinces in the PRC have formulated relevant rules and regulations to implement the "two-invoice system" in the field of high value medical consumables, for instance, the Notice on the Sharing of Transparent Procurement Results of Medical Devices (Medical Consumables) across the Province (《關於開展醫療器械(醫用耗材)陽光採購結果全省共享工作的通知》) promulgated by the Fujian Provincial Medical Security Management Committee Office (福建省醫療保障管理委員會辦公室) in July 2018, and the Opinions on Implementation of the "Two Invoice System" in Medical Consumables Procurement by Public Medical Institutions in Anhui Province (for Trial Implementation) (《安徽省公立醫療機構醫用耗材採購"兩票制"實施意見(試行)》) issued by five local government departments of Anhui Province including Food and Drug Administration of Anhui Province (安徽省食品藥品監督管理局) in November 2017. According to the Notice of the General Office of the State Council on Promulgation of the Reform Plan for the Control of High-value Medical Consumables (《國務院辦公廳關於印發〈治理高值醫用耗材改革方案〉的通知》), high value medical consumables refer to medical consumables used directly on human bodies which have strict safety requirements, high clinical demand, higher price and heavy burden on the public's financial affordability. The Ministry of Health, the Office of the State Council to Rectify Unhealthy Trends in the Industry, the National Development and Reform Commission, the Ministry of Supervision, the State Administration for Industry and Commerce, and the State Food and Drug Administration promulgated the Administrative Norms on Centralised Procurement of High Value Medical Consumables Notice (《高值醫用耗材集中採購工作規範(試行)》的通知) on 17 December 2012, which is attached with a reference list of high value medical consumables. As (i) the MWA products manufactured by us are not included in the reference list; and (ii) we have

not received any notice from the competent authority stating that our MWA products should be classified as high value medical consumables as at the Latest Practicable Date, our PRC Legal Advisers are of the view that the products sold by us through distributors in these geographic regions did not violate the "two-invoice system".

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, in addition, Qinghai Province and Shaanxi Province have formulated rules and regulations to implement the "two-invoice system" for all medical consumables under the Notice on the Implementation of the "Two Invoice System" for Drugs and Medical Consumables (《關於藥品和醫用耗材推行"兩票制"有關事項的通知》) promulgated by the Health Commission of Qinghai Province in June 2017 and the Notice on Further Promoting the "Two Invoice System" on Medicines and Medical Consumables (《關於進一步推進藥品和醫用耗材"兩票制"的通知》) issued by eight local government departments of Shaanxi Province including Deepen Medical and Healthcare System Reform Leading Group Office of Shaanxi Province (陝西省深化醫療衛生體制改革領導小組辦公室) in July 2018. It is submitted that our MWA products manufactured by us are not sold to end hospital customers in Qinghai and Shaanxi Province during the Track Record Period.

Based on the above, our PRC Legal Advisers are of the view that our Group's sales complied with the "two-invoice system" during the Track Record Period.

The Unique Medical Device Identification (UDI) system

Pursuant to the Medical Device Unique Identification System Rules (《醫療器械唯一標識系統規則》) (State Drug Administration Announcement No.66 of 2019), the State Drug Administration on the First Batch of Implementation of the Unique Identification of Medical Devices on Matters Related to the Notice (《國家藥監局關於做好第一批實施醫療器械唯一標識工作有關事項的通告》) (State Drug Administration Notice No.72 of 2019) and the In-depth Pilot to do a Good Job of the First Batch of Implementation of the Unique Identification of Medical Devices Work Notice (《關於深入推進試點做好第一批實施醫療器械唯一標識工作的公告》) (State Drug Administration, the National Health and Health Commission, the National Health Insurance Bureau Notice No.106 of 2020), medical devices involving active implants, passive implants and other high-risk Class III medical devices are included in the first batch of medical device unique logo implementation varieties. On 1 January 2021, the production of medical devices included in the first batch of medical device unique identification implementation varieties should have a medical device unique identification, and the smallest sales unit, higher level packaging product identification and related data uploaded to the medical device unique identification database.

Pursuant to the aforementioned provisions, the first batch of enterprises and products included in the pilot unique identification of medical devices are required to implement the rules related to the unique identification of medical devices from 1 January 2021. The medical device manufacturers not included in the first batch of the pilot unique identification should be recorded for each production and business activities.

The Company is not among the first batch of companies participating in the UDI pilot as specified in the Notice of the Comprehensive Department of the State Drug Administration on the Pilot Training of the Unique Identification System for Medical Devices (《國家藥監局綜合司關於開展醫療器械唯一標識系統試點工作培訓的通知》).

Pursuant to the Announcement on the Second Batch of Implementation of the Unique Identification of Medical Devices (《關於做好第二批實施醫療器械唯一標識工作的公告》) (State Drug Administration, the National Health and Health Commission, the National Health Insurance Bureau Notice No.114 of 2021), on the basis of the 69 varieties in 9 categories specified by the In-depth Pilot to do a Good Job of the First Batch of Implementation of the Unique Identification of Medical Devices Work Notice, the remaining Class III medical devices (including in vitro diagnostic reagents) are included in the second batch of medical device unique logo implementation varieties. Support and encourage other medical device varieties to implement unique identification. Before the medical devices produces are put on the market, the registrant shall upload the smallest sales unit, higher level packaging product identification and

related data to the medical device unique identification database from 1 June 2022 to ensure that the data are true, accurate, complete and traceable. As confirmed by our Directors, as at the Latest Practicable Date, the Company's products have implemented the unique identification of medical devices according to the requirements specified above.

Regulations relating to advertisements of medical devices

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

Medical device recalls

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

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

NATIONAL MEDICAL INSURANCE PROGRAMME

Pursuant to the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發〈城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見〉的通知》) promulgated on 30 June 1999, part of the fees of diagnostic and treatment devices and diagnostic tests would be paid through the basic medical insurance scheme. Detailed reimbursement coverage and rate are subject to provincial local policies. Pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Programme (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on 14 December 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Programme and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) forwarded by the General Office of the State Council on 16 January 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter.

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

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

The General Office of the State Council further released the Guidance On Further Deepening the Reform of the Payment Method of Basic Medical Insurance (《關於進一步深化基本醫療保險支付方式改革的指導意見》) in June 2017. The main objectives are to implement a diversified reimbursement mechanism including diagnosis related groups, per-capita caps, and per-bed-day caps. Local administration of healthcare security will introduce a total budget control for their jurisdictions and decide the amount of reimbursement to public hospitals based on hospitals' performance and the spending targets of individual basic medical insurance funds.

According to 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》), the State plans to establish a basic medical insurance access system for high-value medical consumables and implement catalogue management of high-value medical consumables, and to improve dynamic catalogue adjustment and timely supplement necessary new technological products. Also, the State plans to make policies on payment by medical insurance through, among others, scientifically formulating the standards for payment by medical insurance for high-value medical consumables and establishing a dynamic adjustment mechanism.

Pursuant to the Notice of Catalogue of Medical Consumables for Basic Medical Insurance, Work Injury Insurance and Maternity Insurance in Guangdong Province (《廣東省基本醫療保險、工傷保險和生育保險醫用耗材目錄》) (the "**Medical Consumables Catalogue**") issued by the Guangdong Provincial Department of Human Resources and Social Security and Guangdong Provincial Healthcare Security Administration on 26 March 2021, the MWA (needles, knives) is explicitly included in the Medical Consumables Catalogue.

Commercial insurance

The State Council and the PRC Communist Party jointly issued the Plan for Healthy China 2030 (《"健康中國2030"規劃綱要》) in October 2016. According to the Plan, the country will establish a multi-level medical security system built around basic medical insurance, with other forms of insurance supplementing the basic medical insurance, including serious illness insurance for urban and rural residents, commercial health insurance and medical assistance. Furthermore, the Plan encourages enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance.

LAWS AND REGULATIONS ON ANTI-UNFAIR COMPETITION

Since early 1990s, the legislative authorities at different levels in China have promulgated certain laws and regulations in respect of commercial bribery. According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) ("**Anti-Unfair Competition Law**"), which was passed by the Standing Committee of the NPC (the "**SCNPC**") on 2 September 1993, became effective as at 1 December 1993 and was most recently amended on 23 April 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of

the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

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

PRODUCTION SAFETY AND LIABILITY

Production Safety Law of the PRC

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) last amended on 10 June 2021 and coming into effect on 1 September 2021, an enterprise shall (i) provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

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

According to the Interim Measures for the Supervision and Administration of "Three Simultaneities" for Safety Facilities of Construction Projects (《建設項目安全設施"三同時"監督管理辦法》) promulgated by the State Administration of Work Safety on 2 April 2015 and came into effect on 1 May 2015, the safety facilities of a construction project must be designed, built and put into production and use simultaneously with the main part of the project. For the design of the safety devices of a construction project, the business entity shall organise the examination thereof and form a written report for inspection. Before a construction project is put into production or use after completion, the business entity shall organise a completion acceptance of the safety devices of the project and form a written report for inspection. The project may not be put into production or use until its safety devices pass the completion acceptance. Where a construction project falls under any of the following circumstances, the competent authority shall order the business entity concerned to make correction within a certain time limit, and may concurrently impose a fine of not less than RMB5,000 but not more than RMB30,000: (1) having no safety device design; (2) failing to organise an examination of the safety device

design and forming a written examination report; (3) the construction entity fails to follow the safety device design; (4) failing to have the safety devices pass the completion acceptance and forming a written report before the project is put into production or use.

Occupational Disease Prevention Law of the PRC

Pursuant to the Occupational Disease Prevention Law of the PRC (《中華人民共和國職業病防治法》) amended and coming into effect on 29 December 2018, employers in the PRC shall create the working environment and conditions that conform to the national norms for occupational health and requirements for public health and take measures to ensure that the employees receive occupational health protection. The employers shall establish and improve the responsibility systems for prevention and control of occupational diseases, in order to enhance management and raise the level in this field, and bear responsibility for the occupational diseases hazards produced in the unit.

If the facilities for the prevention and control of occupational diseases of a construction project are not designed, constructed, and put into production and use at the same time as the main body of the project according to the relevant provisions, the health administrative department shall give it a warning and order it to take corrective action within a prescribed time limit; and if it fails to do so, impose a fine of not less than RMB100,000 but not more than RMB500,000 on it; and if the circumstances are serious, order it to cease operations causing occupational hazards, or request the relevant people's government to order cessation of construction or a shutdown according to the powers granted by the State Council.

Product Quality Law of the PRC

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

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

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

Medical liability and consumer protection

According to the Law on the Promotion of Basic Medical and Health Care of the PRC (《中華人民共和國基本醫療衛生與健康促進法》) issued by SCNPC on 28 December 2019 and

became effective on 1 June 2020, medical institutions are encouraged to participate in medical liability insurance or establish medical risk funds. Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated on 28 May 2020 and coming into effect on 1 January 2021, where any harm to a patient is caused by the defect of any medical device, the patient may require a compensation from the manufacturer or require a compensation from the medical institution. If the patient require a compensation from the medical institution, the medical institution that has paid the compensation shall be entitled to be reimbursed by the manufacturer.

The PRC Law on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), which was promulgated on 31 October 1993, last amended on 25 October 2013 and came into effect on 15 March 2014, aims to protect consumers' rights. All business operators must comply with such law when they manufacture or sell goods and/or provide services to customers. Consumers whose legitimate rights and interests are infringed upon purchasing and using commodities and/or in receiving services may demand compensation from the sellers. Consumers or other victims suffering from personal injuries or property damage resulting from defects of commodities may demand compensation from either the sellers or the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensation, be able to recover the compensation from the manufacturers. If the liability is on the sellers, the manufacturers shall, after paying the compensation, be able to recover the compensation from the sellers. Where a business operator violates the PRC Law, it may be subject to a fine, an order to cease production or a revocation of licences. Business operators that infringe the legitimate rights and interests of consumers shall be investigated for criminal liability in accordance with the law.

ENVIRONMENTAL PROTECTION

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

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002, became effective on 1 September 2003 and last amended on 29 December 2018, and the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated on and implemented since 29 November 1998 and then amended on 16 July 2017 and came into effect on 1 October 2017, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Under the Interim Measures for the Completion Inspections of Environment Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated on 20 November 2017, unless otherwise provided by laws and regulations, enterprises with construction projects, which are required to make an assessment reports or statements, shall undertake self-inspections of the environmental protection facilities upon the completion of the construction. A construction project may be formally put into production or use only if its corresponding environmental protection facilities have passed the acceptance examination.

Pursuant to Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), promulgated on 30 October

1995, last amended on 29 April 2020 and became effective on 1 September 2020, the construction of projects which discharge solid waste and the construction of project for storage, use and treatment of solid waste shall be carried out upon the appraisal regarding their effects on environment and in compliance with the relevant state regulations concerning the management of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment documents of the construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of environmental pollution caused by solid wastes have been inspected and accepted by the competent department of environmental protection that examined and accepted the environmental impact assessment documents.

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

Pursuant to the Law of the PRC on Prevention and Treatment of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated on 5 September 1987 and last amended on 26 October 2018 and came into effect on the same date, entities undertaking construction projects which have an impact on atmospheric environment shall conduct the environmental impact assessment and disclose the environmental impact assessment documents. The pollutants discharged into the air shall comply with relevant discharge standards and be within the limits under the volume control target requirements of key atmospheric pollutants. The competent department of environmental protection under the State Council or the people's governments of provinces, autonomous regions and municipalities formulate the atmospheric environmental quality standards.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright Law of the PRC

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was promulgated on 7 September 1990 and last amended on 11 November 2020 and became effective on 1 June 2021, copyrights include personal rights such as the right of publication and that of authorship as well as property rights such as the right of production and that of distribution. Works which can be protected under Copyright Law include: written works; oral works; musical, dramatic, quyi, choreographic and acrobatic art works; works of fine art and architecture; photographic works; audiovisual works; drawings of engineering designs and product designs, maps, sketches and other graphic works as well as model works; computer software, etc.

Trademark Law of the PRC and its Implementing Rules

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

Patent Law of the PRC and its Implementing Rules

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on 12 March 1984 and further amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020, of which latest version came into effect on 1 June 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on 15 June 2001, and last amended on 9 January 2010 and came into effect on 1 February 2010, the term "invention-creations" refers to inventions, utility models and designs. The duration of a patent right for inventions shall be 20 years, the duration of a patent right for utility models shall be 10 years and the duration of a patent right for designs shall be 15 years, counted from the filing date. In the event that a dispute arises due to a patent being exploited without the prior authorisation of the patentee, that is to say an infringement upon the patent right of the patentee.

According to the Interim Measures for the Implementation of relevant Examination Business Handling of the Amended Patent Law (《關於施行修改後專利法的相關審查業務處理暫行辦法》), promulgated by the CNIPA on 24 May 2021 and came into effect on 1 June 2021, the term of protection of the patent right for designs prior to the filing date of 31 May 2021 (inclusive) shall be ten years commencing on the filing date.

Domain names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and came into effect on 1 November 2017, the establishment of any domain name root server and institution for operating domain name root servers, domain name registry and domain name registrar within the territory of China shall be subject to the approval of the Ministry of Industry and Information Technology or provincial, autonomous regional and municipal communications administration authorities. The registration of domain name shall follow the principle of "first to file and first to register".

REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

Company Law of the People's Republic of China

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

Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Version)

Pursuant to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List 2021**") promulgated on 27 December 2021 and effective on 1 January 2022, limitations were stipulated for foreign investments in different industries in the PRC. Foreign investments shall be classified into two categories, namely the Catalog of Encouraged Industries for Foreign Investment and the Special Management Measures (Negative List) for the Access of Foreign Investment. The Special Management Measures (Negative List) for the Access of Foreign Investment is further classified into Catalog of Industries Limited for Foreign Investment and the Catalog of Industries Prohibited for Foreign Investment. Industries that do not fall within the Special Management Measures (Negative List) for the Access of Foreign Investment are industries permitted for foreign investment.

Foreign Investment Law of the People's Republic of China

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

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

Measures on Reporting of Foreign Investment Information

On 30 December 2019, the MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which took effective on 1 January 2020 and replaced the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors carrying out investment activities in the PRC or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) pursuant to the Measures on Reporting of Foreign Investment Information.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Labour Law of PRC

The Labour Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995, and was amended on 27 August 2009 and 29 December 2018, provides that labourers have the right to be employed on an equal basis, choose occupations, obtain remunerations for labour, take rests, have holidays and leaves,

receive labour safety and sanitation protection, get training in professional skills, enjoy social insurance and welfare treatment, and submit applications for settlement of labour disputes, and other labour rights stipulated by law. An employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labour safety and health facilities must comply with relevant national standards. Workers engaged in special operations shall have received specialised training and obtained the pertinent qualifications.

Labour Contract Law of PRC and its Implementation Regulations

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

Regulations on Supervision over the Social Security and Housing Funds

The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and came into effect on 1 July 2011, and was amended on 29 December 2018 regulates that all employees are required to participate in basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, which must be contributed by both the employers and the employees. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times of the overdue amount.

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), which was came into effect on 22 January 1999 and amended on 24 March 2019, the Regulations on Work Injury Insurance (《工傷保險條例》) implemented on 1 January 2004 and amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated on 22 January 1999 and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) implemented on 1 January 1995, enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on 3 April 1999 and came into effect on the same date, and was amended on 24 March 2002 and 24 March 2019, stipulates that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee. Companies who fail to process such registrations or open housing provident fund accounts for their employees, shall be ordered by the housing provident fund administration centre to complete such procedures within a designated period. Otherwise, those who violate such procedures within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach the regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration centre shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

REGULATIONS ON TAXATION

Enterprise income tax

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

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

Value-added tax

The Provisional Regulations on Value-added Tax (《增值税暫行條例》), which was promulgated on 13 December 1993, came into effect on 1 January 1994, and last amended on 19 November 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》), which was promulgated on 25 December 1993 and came into effect on the same date, and was amended on 15 December 2008 and 28 October 2011, came into effect on 1 November 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods, a tax rate of 6% shall be engaging in sale of services and intangible assets whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》) issued on 4 April 2018 and became effective on 1 May 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值税改革有關政策的公告》) issued on 20 March 2019 and became effective on 1 April 2019, the value added tax rate was respectively reduced to 13% and 9%, with respect to the VAT taxable sales or imported goods of a VAT general taxpayer.

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

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

Dividend appropriations

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

According to the Notice on the Several Issues relating to Implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》) promulgated by the STA on 20 February 2009 and came into effect on the same date, if a Chinese resident company pays dividends to a fiscal resident of the other contracting party to a tax agreement and the fiscal resident of the other contracting party (or dividend recipient) is the beneficial owner of the dividends, the dividends obtained by the fiscal resident of the other contracting party may enjoy the treatment under the tax agreement. And the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

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

REGULATIONS ON FOREIGN EXCHANGE CONTROL

The Regulations on the Control of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which were promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and amended on 14 January 1997 and 5 August 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of

foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Circular 37, the Circular on Issues relating to Foreign Exchange Administration for Financing and Round-trip Investments by Domestic Residents through Overseas Special-purpose Companies ([2014] No. 37) (《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(匯發[2014] 37號)》) promulgated by SAFE on 4 July 2014 with immediate effect, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes its assets or equity interest into a special purpose vehicle for the purpose of investment and financing and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner.

According to Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**") which became effective on 1 June 2015 and last amended and became effective on 30 December 2019, banks are required to review and carry out foreign exchange registration under offshore direct investment directly. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), promulgated on 30 March 2015 and amended on 30 December 2019, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, Circular 19 and the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**"), which became effective on 9 June 2016, continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for security investment or guarantee products issued by banks), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

On 23 October 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**Circular 28**") which was implemented on the same date. Under Circular 28, besides foreign-invested enterprises engaged in investment business, non-investment foreign invested enterprises are also permitted to make domestic equity investments with their capital funds under the condition that the Negative List 2020 are not violated and the relevant domestic investment projects are true and compliant.

According to the Circular on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on 10 April 2020, eligible enterprises are allowed to make

domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without the need to provide the evidential materials concerning authenticity of such capital for banks in advance, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checks in accordance with the relevant requirements.

LAWS AND REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

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

Recent Development on Rules Relating to Overseas Listing

On 24 December 2021, the CSRC released the Administrative Provisions of the State Council Regarding the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the "**Administrative Provisions**") and the Measures for the Overseas Issuance of Securities and Listing Record-Filings by Domestic Enterprises (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "**Filing Measures**") to regulate overseas securities issuance and listing activities by domestic companies either in direct or indirect form.

The Administrative Provisions applies to overseas issuance by domestic companies of equity shares, depository receipts, convertible corporate bonds, or other equity-like securities, and overseas listing of the securities for trading. Both direct and indirect overseas issuance and listing by domestic companies would be regulated, of which the former refers to issuance and listing in an overseas market made by a joint-stock company incorporated domestically, and the latter refers to issuance and listing in an overseas market made in the name of an offshore entity, while based on the underlying equity, assets, earnings or other similar rights of a domestic company which operates its main business domestically. According to the Filing Measures, if an issuer meets the following conditions, the issuance and listing shall be determined as an indirect overseas issuance and listing by a domestic company: (i) the total assets, net assets, revenues or profits of the domestic entity/entities of the issuer in the most recent accounting year account for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) most of the senior management in charge of business operation and management of the issuer are Chinese citizens or have domicile in the PRC, and its main places of business are located in the PRC or main business activities are conducted in the PRC.

Under the Administrative Provisions and the Filing Measures, a filing-based regulatory system would be implemented covering both direct and indirect overseas issuance and listing. For an issuance and listing in an overseas market, the issuer shall submit to the CSRC filing documents within three working days after such application is submitted. The CSRC would, within 20 working days if filing documents are complete and in compliance with the stipulated

requirements, issue a filing notice thereof and publish the filing results on the CSRC website. A second filing shall be submitted after the listing is completed by the issuer.

Meanwhile, the Administrative Provisions also stipulated that in the following circumstances, domestic enterprises shall not be listed overseas: (1) it is clearly prohibited from listing for financing by national laws and regulations and relevant provisions; (2) overseas issuance or listing will threaten or jeopardise national security as reviewed and determined by the relevant competent authorities of the State Council in accordance with the laws; (3) there exist major disputes over the ownership of equity, major assets, core technology and other aspects; (4) the domestic enterprises and their controlling shareholders, de facto controllers have committed corruption, bribery, misappropriation of property, misappropriation of property or criminal offences that disrupted the socialist market economic order within the last three years, or are being investigated by judicial authorities because of suspected crime, or being investigated for material violations or incompliance with laws and regulations; (5) directors, supervisors and senior management have been subject to administrative punishment with serious circumstances within the last three years, or are being investigated by judicial authorities because of suspected crime, or being investigated for material violations or incompliance with laws and regulations; (6) other circumstances determined by the State Council. If a domestic company falls into the circumstances where overseas issuance and listing is prohibited prior to the listing, the CSRC and the competent authorities under the State Council shall impose a postponement or termination of the intended overseas issuance and listing. The CSRC may cancel the corresponding filing if the intended overseas issuance and listing has been filed.

If domestic companies fail to fulfill the above-mentioned filing procedures or issuance and listing in an overseas market against the prohibited circumstances, they would be warned and fined between RMB1 million and RMB10 million and even ordered to suspend relevant business or halt operation for rectification, revoke relevant business permits or operational license in severe cases. The controlling shareholders, actual controllers, directors, supervisors, and senior management of such domestic companies would be warned and fined between RMB0.5 million and RMB5 million independently or concurrently. The securities companies and law firms failing to strictly exercise due diligence and supervise the domestic companies for compliance of relevant rules would be warned and fined between RMB0.5 million and RMB5 million. The liable personnel would be imposed warnings and fines between RMB0.2 million and RMB2 million. Also, if there is any material fact concealed or any major content falsified in the filing documents, a fine between RMB1 million and RMB10 million would be imposed on domestic companies if the securities have not already been offered, and a fine between ten percent and one time of the fund raised would be imposed if the securities have already been offered. The controlling shareholders, actual controllers, directors, supervisors, and senior management of such domestic companies would be warned and fined between RMB0.5 million and RMB5 million independently or concurrently. The securities companies or security service providers who fail to act with due diligence, make misrepresentation, misleading statement or material omission in the documents produced and issued domestically, or in the documents produced and issued overseas which led to disruption of the domestic market order and infringement on the lawful rights and interests of domestic investors, would be, amongst others, fined up to 10 times of the service fees or RMB5 million if there are no service fees or the service fees are less than RMB0.5 million and even banned to provide service to overseas issuance and listing in the PRC.

If the Administrative Provisions and the Filing Measures are fully implemented in their current forms before the listing of the Company, we may be required to file with the CSRC in accordance with the Filing Measures. As at the Latest Practicable Date, the Drafts relating to The Administrative Provisions and Filing Measures have not been formally adopted and uncertainties exist regarding the final form of these regulations and their interpretation and implementation after promulgation.

OUR HISTORY AND DEVELOPMENT

Overview

The history of our Group traces back to June 2012 when Baide Suzhou was established by Ms. Wu and two other Independent Third Parties and commenced its business in distribution of general medical devices initially in Guangdong, the PRC. Since its establishment, Baide Suzhou had several rounds of capital injection where its registered share capital increased from its initial share capital of RMB1.02 million to RMB40.985 million as at the Latest Practicable Date. In May 2017, Baide Suzhou acquired 51% equity interest of Nanjing Changcheng and expanded our Group's business into development and provision of MWA medical devices in the PRC. In March 2019, Baide Suzhou acquired the remaining 49% equity interest in Nanjing Changcheng, and Nanjing Changcheng became a wholly-owned subsidiary of Baide Suzhou ever since.

Over the years, our Group has developed a solid and strategically managed network with hospitals and medical devices distributors and gradually expanded our market share in the distribution and sales of MWA medical devices. Under the leadership, contribution and dedication of our Group's management over the years, our Group has eventually become one of the leading MWA medical devices developers and providers in the PRC. According to Frost & Sullivan, we are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices.

Our business milestones

The following table sets out the key milestones in the history or our business development:

Year	Event
2012	Baide Suzhou was established in Guangzhou, the PRC on 5 June 2012 and commenced its business in Guangzhou, the PRC in distribution of general medical devices
2017	Baide Suzhou acquired 51% equity interest in Nanjing Changcheng; Nanjing Changcheng became a 51% owned subsidiary of Baide Suzhou, and as a result, our Group expanded our business in development and provision of MWA medical devices in the PRC
2018	Baide Suzhou was accredited as one of the innovative medical device technology enterprises in the PRC (中國醫療器械技術創新企業) under the list of the most influential enterprises in the medical industry in 2017 (2017年度中國醫藥行業最具影響力榜單) issued by Pharmaceutical Industry Chamber of Commerce, All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會) in June 2018
2018	Nanjing Changcheng obtained the Medical Device Registration Certificate of the PRC (MWA therapeutic apparatus)* (中華人民共和國醫療器械註冊證(微波治療儀)) from NMPA
2018	Nanjing Changcheng obtained the Medical Device Registration Certificate of the PRC (MWA needle)* (中華人民共和國醫療器械註冊證(微波熱凝消融針)) issued by Jiangsu MPA

Year	Event
2019	Baide Suzhou was accredited as one of the top 50 growing enterprises in the medical industry in the PRC (中國醫藥行業成長50強), one of the top 50 medical device sellers in the PRC (中國醫療器械銷售50強) and one of the innovative medical device technology enterprises in the PRC (中國醫療器械技術創新企業) under the list of the most influential enterprises in the medical industry in 2018 (2018年度中國醫藥行業最具影響力榜單) issued by Pharmaceutical Industry Chamber of Commerce, All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會) in June 2019
2019	Baide Suzhou acquired the remaining 49% equity interest in Nanjing Changcheng and Nanjing Changcheng became a wholly-owned subsidiary of Baide Suzhou
2019	Our Group commenced research and development on tumour precise thermal ablation based on NIR-II nanoprobe made from rare earth materials with Xiamen Institute of Rare Earth Materials, Haixi Institutes, Chinese Academy of Sciences (中國科學院海西研究院廈門稀土材料研究所) in December 2019
2020	Nanjing Changcheng was elected as one of the High and New Technology Enterprises (高新技術企業) by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance and Jiangsu Provincial Administration of Taxation of the STA (江蘇省科學技術廳、江蘇省財政廳及國家税務總局江蘇省税務局)
2021	Baide Suzhou was awarded with the First Prize of Technology Progression Award in Guangdong Province (廣東省科技進步獎一等獎) issued by People's Government of Guangdong Province in cooperation with Zhuhai People's Hospital, Jinan University and Institute of Automation of Chinese Academy of Sciences* (中國科學院自動化研究所) in relation to the establishment and promotion of tumour precision interventional treatment system and intelligence diagnosis system
2021	Baide Suzhou was awarded with First Prize of Science and Technology Award (科技獎一等獎) issued by China Anti-cancer Association
2021	Nanjing Changcheng registered its proprietary MWA medical devices specifically indicated for thyroid nodules as Class III medical devices
2021	Baide Suzhou was elected as one of the High and New Technology Enterprises (高新技術企業) by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance and Jiangsu Provincial Administration of Taxation of the STA (江蘇省科學技術廳、江蘇省財政廳及國家税務總局江蘇省税務局)
2022	Nanjing Changcheng obtained the renewed Medical Device Registration Certificate of the PRC (MWA therapeutic apparatus)* (中華人民共和國醫療器械註冊證(微波治療儀)) from NMPA

OUR PRINCIPAL OPERATING ENTITIES

The following table contains brief information of our Company and principal operating subsidiaries as at the Latest Practicable Date:

Name	Date of incorporation or establishment/ Date of commencement of business (if different)	Place of incorporation or establishment	Principal activities
Our Company	22 January 2021	Cayman Islands	Investment holding
Baide Suzhou	5 June 2012	PRC	Sales of MWA and other medical devices and investment holding
Nanjing Changcheng	28 January 2016	PRC	R&D, manufacture and sales of MWA and other medical devices
Guizhou Baiyuan	21 September 2017	PRC	Sales of other medical devices
Henan Ruide	6 July 2018	PRC	Sales of MWA needles

Establishment and shareholding changes of our Company and principal operating subsidiaries before the Reorganisation

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 January 2021 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary Shares of HK$0.01 each. On 30 June 2021, the authorised share capital of our Company was increased from HK$380,000 of 38,000,000 ordinary Shares to HK$392,695 divided into (i) 38,000,000 ordinary Shares; and (ii) 1,269,500 Preference Shares. Our Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 18 February 2021. Upon completion of the Reorganisation, it became the holding company of our Group with the business conducted through the operating subsidiaries of our Group. Please refer to "Reorganisation" in this section for further details.

Baide Suzhou

Establishment of Baide Suzhou

Baide Suzhou was established as a limited liability company in the PRC on 5 June 2012 with an initial registered capital of RMB1,020,000 which was fully paid in cash on 28 May 2012. The principal business of Baide Suzhou upon establishment was distribution of general medical devices. The present principal business of Baide Suzhou is sales of MWA and other medical devices and investment holding. The registered capital of Baide Suzhou upon

establishment was owned as to RMB346,800, RMB336,600 and RMB336,600 by a Baide Suzhou initial shareholder ("**Baide Suzhou Initial Shareholder A**"), another Baide Suzhou initial shareholder ("**Baide Suzhou Initial Shareholder B**") and Ms. Wu respectively, representing 34%, 33% and 33% of the equity interest in Baide Suzhou.

Equity interest transfer in 2013

On 6 June 2013, Ms. Wu entered into an equity transfer agreement with Baide Suzhou Initial Shareholder A, pursuant to which Ms. Wu acquired 34% of the equity interest in Baide Suzhou from Baide Suzhou Initial Shareholder A at a consideration of RMB346,800. Such transfer was registered on 13 June 2013. The consideration was determined with reference to the registered capital in Baide Suzhou at the time of transfer. The registered capital in Baide Suzhou after the above equity interest transfer was owned as to RMB683,400 and RMB336,600 by Ms. Wu and Baide Suzhou Initial Shareholder B respectively, representing 67% and 33% of the equity interest in Baide Suzhou.

Increase in registered capital in 2014

On 18 April 2014, Baide Suzhou had its registered capital increased from RMB1,020,000 to RMB5,000,000 and the additional capital contributions of RMB2,666,600 and RMB1,313,400 were subscribed by Ms. Wu and Baide Suzhou Initial Shareholder B respectively in proportion to their respective shareholding. The registered capital in Baide Suzhou after the increase in registered capital was owned as to RMB3,350,000 and RMB1,650,000 by Ms. Wu and Baide Suzhou Initial Shareholder B respectively, representing 67% and 33% of the equity interest in Baide Suzhou.

Equity interest transfer in 2016

On 23 December 2015, Ms. Wu entered into an equity transfer agreement with Baide Suzhou Initial Shareholder B, pursuant to which Ms. Wu acquired 7.62% equity interest in Baide Suzhou from Baide Suzhou Initial Shareholder B at a consideration of RMB381,000. Such transfer was registered on 4 January 2016. The consideration was determined with reference to the registered capital in Baide Suzhou at the time of transfer. The registered capital in Baide Suzhou after the above equity interest transfer was owned as to RMB3,731,000 and RMB1,269,000 by Ms. Wu and Baide Suzhou Initial Shareholder B respectively, representing 74.62% and 25.38% of the equity interest in Baide Suzhou.

Subsequent equity interest transfer in 2016

On 1 June 2016, Ms. Wu and Baide Suzhou Initial Shareholder B entered into an equity transfer agreement with Mr. Zhou Zhibin (周志斌), pursuant to which by Mr. Zhou Zhibin acquired 9.62% and 3.38% equity interest in Baide Suzhou from Ms. Wu and Baide Suzhou Initial Shareholder B respectively at a consideration of RMB928,330 and RMB326,170 respectively. Such transfer was registered on 22 June 2016. The consideration was determined with reference to the registered capital in Baide Suzhou at the time of transfer and prospect of Baide Suzhou. The registered capital in Baide Suzhou after the above equity interest transfers was owned as to RMB3,250,000, RMB1,100,000 and RMB650,000 by Ms. Wu, Baide Suzhou Initial Shareholder B and Mr. Zhou Zhibin respectively, representing 65%, 22% and 13% of the equity interest in Baide Suzhou.

Increase in registered capital and subscription of registered capital in 2016

On 18 July 2016, Baide Suzhou had its registered capital increased from RMB5,000,000 to RMB10,000,000. The additional capital contributions of RMB2,750,000, RMB1,050,000 and RMB550,000 were subscribed by Ms. Wu, Baide Suzhou Initial Shareholder B and Mr. Zhou Zhibin respectively, and the additional capital contributions of RMB500,000, RMB100,000 and RMB50,000 were subscribed by Ms. Wu PRC Entity 7, Mr. Zhou Youming (周友明) and Ms. An Baoli (安寶利). The registered capital in Baide Suzhou after the increase in registered capital and subscription of registered capital was owned as to RMB6,000,000, RMB2,150,000, RMB1,200,000, RMB500,000, RMB100,000 and RMB50,000 by Ms. Wu, Baide Suzhou Initial Shareholder B, Mr. Zhou Zhibin, Ms. Wu PRC Entity 7, Mr. Zhou Youming and Ms. An Baoli respectively, representing 60%, 21.5%, 12%, 5%, 1% and 0.5% of the equity interest in Baide Suzhou.

Further equity interest transfer in 2016

On 27 July 2016, Ms. Wu PRC Entity 7 entered into an equity transfer agreement with Ms. Wu, pursuant to which Ms. Wu acquired 5% equity interest in Baide Suzhou from Ms. Wu PRC Entity 7 at nil consideration as the relevant registered capital had not been paid up at the material time. Such transfer was registered on 28 July 2016. The structure of the registered capital in Baide Suzhou after the above equity interest transfer was owned as to RMB6,500,000, RMB2,150,000, RMB1,200,000, RMB100,000 and RMB50,000 by Ms. Wu, Baide Suzhou Initial Shareholder B, Mr. Zhou Zhibin, Mr. Zhou Youming and Ms. An Baoli respectively, representing 65%, 21.5%, 12%, 1% and 0.5% of the equity interest in Baide Suzhou.

Increase in registered capital in 2017

On 15 February 2017, Baide Suzhou had its registered capital increased from RMB10,000,000 to RMB11,000,000. The additional capital contributions of RMB550,000, RMB265,000, RMB160,000, RMB10,000, RMB10,000 and RMB5,000 were subscribed by Ms. Wu PRC Entity 7, Ms. Wu, Baide Suzhou Initial Shareholder B, Mr. Zhou Zhibin, Mr. Zhou Youming and Ms. An Baoli respectively. The structure of the registered capital in Baide Suzhou after the increase in registered capital was owned as to RMB6,765,000, RMB2,310,000, RMB1,210,000, RMB550,000, RMB110,000 and RMB55,000 by Ms. Wu, Baide Suzhou Initial Shareholder B, Mr. Zhou Zhibin, Ms. Wu PRC Entity 7, Mr. Zhou Youming and Ms. An Baoli respectively, representing 61.5%, 21%, 11%, 5%, 1% and 0.5% of the equity interest in Baide Suzhou.

Equity interest transfer in 2017

On 18 April 2017, Ms. Wu entered into an equity transfer agreement with Baide Suzhou Initial Shareholder B, Mr. Zhou Zhibin, Mr. Zhou Youming and Ms. An Baoli, pursuant to which Ms. Wu acquired 16.5%, 11%, 1% and 0.5% of the equity interest in Baide Suzhou from Baide Suzhou Initial Shareholder B*(Note)*, Mr. Zhou Zhibin, Mr. Zhou Youming and Ms. An Baoli at the

Note: During the period from 18 April 2017 to 4 March 2019, Ms. Wu, in aggregate, acquired from Baide Suzhou Initial Shareholder B 22% direct and indirect equity interest in Baide Suzhou through the acquisition of the equity interest in Baide Suzhou and the equity interest in Ms. Wu PRC Entity 7 which was owned as to 80% by Ms. Wu and 20% by Baide Suzhou Initial Shareholder B as at 18 April 2017 (the "**Acquisition**"). The consideration for the Acquisition has been fully settled by Ms. Wu by a combination of (i) waiving the debt owing by Baide Suzhou Initial Shareholder B to Ms. Wu as at 20 April 2017; and (ii) cash payment of RMB3,000,000 to Baide Suzhou Initial Shareholder B.

consideration of RMB1,911,195, RMB1,274,130, RMB115,830 and RMB57,915, respectively. Such transfer was registered on 4 May 2017. The consideration was determined with reference to the registered capital in Baide Suzhou at the time of transfer and the business of Baide Suzhou. The registered capital in Baide Suzhou after the above equity interest transfers was owned as to RMB9,955,000, RMB550,000 and RMB495,000 by Ms. Wu, Ms. Wu PRC Entity 7 and Baide Suzhou Initial Shareholder B respectively, representing 90.5%, 5% and 4.5% of the equity interest in Baide Suzhou.

Equity interest transfer in 2018

On 15 January 2018, Ms. Wu entered into an equity transfer agreement with Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6, pursuant to which (a) Ms. Wu PRC Entity 4 acquired 10% equity interest in Baide Suzhou from Ms. Wu at the consideration of RMB1,210,000; such transfer was registered on 25 January 2018; and (b) Ms. Wu PRC Entity 6 acquired 10% equity interest in Baide Suzhou from Ms. Wu at the consideration of RMB1,210,000; such transfer was registered on 25 January 2018. The consideration of the above equity transfers were determined with reference to the registered capital in Baide Suzhou at the time of transfers and prospect of Baide Suzhou. The structure of the registered capital in Baide Suzhou after the above equity interest transfers was owned as to RMB7,755,000, RMB1,100,000, RMB1,100,000, RMB550,000 and RMB495,000 by Ms. Wu, Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 6, Ms. Wu PRC Entity 7 and Baide Suzhou Initial Shareholder B respectively, representing 70.5%, 10%, 10%, 5% and 4.5% of the equity interest in Baide Suzhou. Ms. Rao Li is a friend of Ms. Wu. Ms. Rao Li invested in Baide Suzhou through Ms. Wu PRC Entity 6 as she was optimistic about the prospect of our Group. Ms. Qiu has worked for our Group since 2013. She invested in Baide Suzhou through Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 on invitation by Ms. Wu as Ms. Qiu was optimistic about the prospect of our Group and Ms. Wu wished to provide an incentive for Ms. Qiu to continue her contribution to us.

Subsequent equity interest transfer in 2018

On 10 May 2018, Ms. Wu entered into an equity transfer agreement with Ms. Wu PRC Entity 7, pursuant to which Ms. Wu PRC Entity 7 acquired 1.25% equity interest in Baide Suzhou from Ms. Wu at the consideration of RMB178,750. Such transfer was registered on 11 May 2018.

On 10 May 2018, Ms. Wu and Baide Suzhou Initial Shareholder B entered into an equity transfer agreement with Independent PRC Entity A, pursuant to which (a) Independent PRC Entity A acquired 3.5% equity interest in Baide Suzhou from Ms. Wu at the consideration of RMB500,500; and (b) Independent PRC Entity A acquired 4.5% equity interest in Baide Suzhou from Baide Suzhou Initial Shareholder B at the consideration of RMB643,500. Such transfers were registered on 11 May 2018.

The consideration of the above equity transfers was determined having considered the registered capital in Baide Suzhou at the time of transfer and prospect of Baide Suzhou.

The structure of the registered capital in Baide Suzhou after the above equity interest transfers was owned as to RMB7,232,500, RMB1,100,000, RMB1,100,000, RMB880,000, RMB687,500 by Ms. Wu, Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 6, Independent PRC Entity A, Ms. Wu PRC Entity 7 respectively, representing 65.75%, 10%, 10%, 8% and 6.25% of the equity interest in Baide Suzhou.

Further equity interest transfer in 2018

On 21 June 2018, Ms. Wu entered into an equity transfer agreement with Ms. Wu PRC Entity 5, pursuant to which Ms. Wu PRC Entity 5 acquired 15% equity interest in Baide Suzhou from Ms. Wu at the consideration of RMB2,222,550. Such transfer was registered on 13 July 2018 and the consideration was determined with reference to the registered capital in Baide Suzhou at the time of transfer and prospect of Baide Suzhou. Ms. Xu has worked for our Group since 2013. She invested in Baide Suzhou through Ms. Wu PRC Entity 5 on invitation by Ms. Wu as Ms. Xu was optimistic about the prospect of our Group and Ms. Wu wished to provide an incentive for Ms. Xu to continue her contribution to us.

On 21 June 2018, Ms. Wu entered into an equity transfer agreement with Shareholder PRC Entity 5, pursuant to which Shareholder PRC Entity 5 acquired 5% equity interest in Baide Suzhou from Ms. Wu at the consideration of RMB740,850. Such transfer was registered on 13 July 2018 and the consideration was determined with reference to the registered capital in Baide Suzhou at the time of transfer and prospect of Baide Suzhou.

The structure of the registered capital in Baide Suzhou after the above equity interest transfers was owned as to RMB5,032,500, RMB1,650,000, RMB1,100,000, RMB1,100,000, RMB880,000, RMB687,500, RMB550,000 by Ms. Wu, Ms. Wu PRC Entity 5, Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 6, Independent PRC Entity A, Ms. Wu PRC Entity 7 and Shareholder PRC Entity 5 respectively, representing 45.75%, 15%, 10%, 10%, 8%, 6.25% and 5% of the equity interest in Baide Suzhou.

Equity interest transfer in 2019

On 13 March 2019, Independent PRC Entity A entered into an equity transfer agreement with Ms. Wu, pursuant to which Ms. Wu acquired 8% of the equity interest in Baide Suzhou from Independent PRC Entity A at the consideration of RMB1,144,000. Such transfer was registered on 17 April 2019 and the consideration was determined with reference to the registered capital in Baide Suzhou at the time of transfer and prospect of Baide Suzhou. The structure of the registered capital in Baide Suzhou after the above equity interest transfer was owned as to RMB5,912,500, RMB1,650,000, RMB1,100,000, RMB1,100,000, RMB687,500 and RMB550,000 by Ms. Wu, Ms. Wu PRC Entity 5, Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 6, Ms. Wu PRC Entity 7 and Shareholder PRC Entity 5 respectively, representing 53.75%, 15%, 10%, 10%, 6.25% and 5% of the equity interest in Baide Suzhou.

Subsequent equity interest transfer in 2019

On 25 June 2019, Ms. Wu PRC Entity 7 entered into an equity transfer agreement with Ms. Wu PRC Entity 5, pursuant to which Ms. Wu PRC Entity 5 acquired 6.25% equity interest in Baide Suzhou from Ms. Wu PRC Entity 7 at the consideration of RMB893,750. Such transfer was registered on 25 September 2019. The consideration of the above transfer was determined with reference to the registered capital of Baide Suzhou at the time of transfer and prospect of Baide Suzhou. The structure of the registered capital in Baide Suzhou after the above equity interest transfer was owned as to RMB5,912,500, RMB2,337,500, RMB1,100,000, RMB1,100,000 and RMB550,000 by Ms. Wu, Ms. Wu PRC Entity 5, Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 6, and Shareholder PRC Entity 5 respectively, representing 53.75%, 21.25%, 10%, 10% and 5% of the equity interest in Baide Suzhou.

Nanjing Changcheng

Establishment of Nanjing Changcheng

Before the establishment of Nanjing Changcheng in January 2016, its MWA medical device manufacturing business was undertaken by Nanjing Changcheng Information Company Limited* (南京長城信息系統有限公司) ("**Nanjing Changcheng Information System**") which had successfully registered two registration certificates for medical devices, including one for MWA therapeutic apparatus and one for MWA needles (the "**Two Registration Certificates**") in February 2009 and August 2010 respectively. In addition to MWA medical device manufacturing business, Nanjing Changcheng Information System was also engaged in other businesses, such as the manufacturing and sales of medical information system and medical x-ray diagnostic devices.

Before the acquisition of the 51% equity interest in Nanjing Changcheng by our Group in May 2017, our Group was interested to expand its business into the MWA medical devices industry in view of the growth potentials in the industry in the PRC and began to identify suitable acquisition target. In 2015, we became acquainted with Mr. Shu Zhiqiang (舒志強), the controller of Nanjing Changcheng Information System and through our communications, Nanjing Changcheng Information System was interested to cooperate with us in its MWA medical devices manufacturing business to leverage on our Group's experience in the distribution of medical devices to promote the sales of their products.

In light of the above, Nanjing Changcheng was established by Nanjing Changcheng Information System, an Independent Third Party, as a limited liability company in the PRC on 28 January 2016 with an initial registered capital of RMB2,000,000 for the separation of its MWA medical device manufacturing business (the "**Separation**"). At the time of establishment of Nanjing Changcheng on 28 January 2016 and the Separation, Nanjing Changcheng Information System was owned as to 55.5% by Mr. Shu Zhiqiang and 44.5% by Mr. Shu Yang (舒揚) and Mr. Shu Zhiqiang was the executive director of Nanjing Changcheng Information System. Upon the Separation, the holder of the Two Registration Certificates was changed from Nanjing Changcheng Information System to Nanjing Changcheng in August 2016 accordingly. The principal business of Nanjing Changcheng is R&D, manufacture and sales of MWA and other medical devices.

To the best knowledge of our Directors, after the Separation, Nanjing Changcheng Information System was no longer engaged in MWA medical device manufacturing business whether by itself or through other subsidiaries.

Mr. Shu Zhiqiang is the father of Mr. Shu Yang. He is currently the general manager and executive director of Nanjing Changcheng Information System, the chairman of Nanjing Jasons Medical Equipment Company Limited* (南京杰雄醫療裝備有限公司) and the chairman and the general manager of Nanjing Jiesen Medical Technology Company Limited* (南京杰森醫療科技有限公司), both of which are subsidiaries of Nanjing Changcheng Information System.

Mr. Shu Yang is currently an associate professor in the Department of International Trade of School of Economics & Trade of Hunan University.

Except for (i) the equity interest subscription and acquisition by Baide Suzhou as disclosed in this section below and (ii) Mr. Yuan Jianwei, the production department manager of Nanjing Changcheng, Mr. Xu Jin, the quality assurance department manager of Nanjing Changcheng and Mr. Xu Wei, the merchandising department manager of Nanjing Changcheng who were hired by Nanjing Jasons Medical Equipment Company Limited* (南京杰雄醫療裝備有限公司), which was a subsidiary of Nanjing Changcheng Information System at the relevant time, to the best knowledge of our Directors, there are no other relationships (whether past or present), including but not limited to, family, trust, employment, business or financing relationship, between (i) each of Nanjing Changcheng Information System, Mr. Shu Zhiqiang and Mr. Shu Yang; and (ii) our Company or its subsidiaries, their shareholders, directors or senior management, or any of their respective associates.

Equity interest transfer in 2016

As Mr. Shu Zhiqiang and Mr. Shu Yang decided to hold the equity interest in Nanjing Changcheng directly by themselves rather than through Nanjing Changcheng Information System, on 18 June 2016, Mr. Shu Zhiqiang and Mr. Shu Yang entered into an equity transfer agreement with Nanjing Changcheng Information System, pursuant to which Mr. Shu Zhiqiang and Mr. Shu Yang acquired 55.5% and 44.5% equity interest in Nanjing Changcheng from Nanjing Changcheng Information System at considerations of RMB1,110,000 and RMB890,000 respectively. Such transfers were registered on 12 September 2016. The considerations were determined with reference to the registered capital in Nanjing Changcheng at the time of transfer.

The structure of the registered capital in Nanjing Changcheng after the above equity interest transfers was owned as to RMB1,110,000 and RMB890,000 by Mr. Shu Zhiqiang and Mr. Shu Yang respectively, representing 55.5% and 44.5% of the equity interest in Nanjing Changcheng.

Equity interest transfer and increase in registered capital in 2017

On 9 April 2017, Mr. Shu Zhiqiang entered into an equity transfer agreement with Mr. Shu Yang, pursuant to which Mr. Shu Zhiqiang acquired 44.5% equity interest in Nanjing Changcheng from Mr. Shu Yang at a consideration of RMB890,000. Such transfer was registered on 18 May 2017. The consideration was determined with reference to the registered capital in Nanjing Changcheng at the time of transfer.

On 18 May 2017, Nanjing Changcheng had its registered capital increased from RMB2,000,000 to RMB5,000,000 and the additional capital contributions of RMB450,000 and RMB2,550,000 were subscribed by Mr. Shu Zhiqiang and Baide Suzhou, respectively. To leverage on our Group's experience in the distribution of medical devices and having taken into account the business performance and the accumulated losses incurred by Nanjing Changcheng before the capital injection by Baide Suzhou, the capital contribution to Nanjing Changcheng was mutually agreed by Mr. Shu Zhiqiang and Baide Shuzhou at a nominal value.

The structure of the registered capital in Nanjing Changcheng after the above equity interest transfer and increase in registered capital was owned as to RMB2,550,000 and RMB2,450,000 by Baide Suzhou and Mr. Shu Zhiqiang respectively, representing 51% and 49% of the equity interest in Nanjing Changcheng and Nanjing Changcheng became a 51%-owned subsidiary of Baide Suzhou.

To the best knowledge of the Directors, at the time of acquisition of 51% equity interest in Nanjing Changcheng by our Group in 2017, (i) Nanjing Changcheng was the holder of one Class III medical device registration certificate for its MWA therapeutic apparatus and one Class II medical device registration certificate for its MWA needles; (ii) Nanjing Changcheng had not yet established its own R&D team since the Separation; (iii) save for the two registration certificates and the permit for medical device production in Nanjing Plant 1 and plant and equipment, Nanjing Changcheng had no other core assets; and (iv) Nanjing Changcheng had no pipeline products.

While our Group recognised the growth potentials of MWA medical devices in the PRC, the R&D and application for Class III medical device registration certificate in the PRC is a time-consuming process which involves product registration testing, clinical trial, and registration with a time span of 48 to 60 months. We decided to acquire Nanjing Changcheng because the registration certificates for medical devices and the permit for medical device production were readily available in Nanjing Changcheng. Our Group was keen to seize the market opportunities by acquiring Nanjing Changcheng directly so that we could enter into the MWA market immediately.

Equity interest transfer in 2019

On 1 March 2019, Mr. Shu Zhiqiang entered into an equity transfer agreement with Baide Suzhou, pursuant to which Baide Suzhou acquired 49% equity interest in Nanjing Changcheng from Mr. Shu Zhiqiang at a consideration of RMB58,800,000. Such transfer was registered on 21 March 2019. The consideration was determined with reference to the historical financial performance and prospect of Nanjing Changcheng. Nanjing Changcheng has been wholly-owned by Baide Suzhou since the above equity interest transfer.

After Mr. Shu Zhiqiang and Mr. Shu Yang disposed their interest in Nanjing Changcheng, each of them has no relationship with our Group and its respective associates.

Guizhou Baiyuan

Guizhou Baiyuan was established as a limited liability company in the PRC on 21 September 2017 with an initial registered capital of RMB1,000,000. The principal business of Guizhou Baiyuan is sales of other medical devices. The registered capital of Guizhou Baiyuan is wholly-owned by Baide Suzhou.

Henan Ruide

Henan Ruide was established as a limited liability company in the PRC on 6 July 2018 with an initial registered capital of RMB1,000,000. The principal business of Henan Ruide is sales of MWA needles. The registered capital of Henan Ruide is wholly-owned by Baide Suzhou.

DEREGISTRATION OF SUBSIDIARY

Guangzhou Baipin

Guangzhou Baipin was established as a limited liability company in the PRC on 26 June 2017 with an initial registered capital of RMB5,000,000. The registered capital of Guangzhou Baipin was directly owned as to 70% by Baide Suzhou and 30% by Ms. Wu immediately prior to its deregistration. Guangzhou Baipin was originally established for setting up medical laboratories. Since Guangzhou Baipin had not commenced operation since the date of establishment, the management of our Group therefore decided to deregister Guangzhou Baipin. Guangzhou Baipin was deregistered on 28 September 2018.

As confirmed by our Directors, Guangzhou Baipin was solvent immediately before deregistration. The deregistration of Guangzhou Baipin had no material adverse impact on our financial performance and business operation, and Guangzhou Baipin had not been involved in any material claim, complaint, investigation or litigation prior to its deregistration. To the best of our Directors' understanding, our Directors confirm that there was no material non-compliance of Guangzhou Baipin prior to its deregistration, and the deregistration was lawful, valid and in compliance with the relevant PRC legal requirements.

THE PRE-IPO INVESTMENTS

Our Group underwent several rounds of pre-IPO investments with the Series A Investors, the Series B Investors and the Series C Investors as described below.

The Series A Investors

During the year ended 31 December 2018, the Series A Investors entered into the Series A Investment Agreements with Baide Suzhou (as amended and supplemented by the Series A Supplemental Investment Agreements dated 3 December 2020) for subscribing zero coupon convertible loans up to an aggregate amount of RMB10,755,000 convertible into the shares of Baide Suzhou, representing approximately 26.24% of the equity interest of Baide Suzhou immediately after the exercise of the conversion option on or before 31 December 2020. Any investment funds which were not converted on or before 31 December 2020 would be repaid by Baide Suzhou to the Series A Investors. Pursuant to the Series A Supplemental Investment Agreements, each of the Series A Investors exercised his/her/its conversion option in full by the subscription of the increased portion of the registered capital of Baide Suzhou through his/her/its directly or indirectly owned investment entity or investment entity owned together with other Series A Investors. There were three other Independent Third Parties investors who signed similar investment agreements with Baide Suzhou to subscribe for zero coupon convertible loans during the year ended 31 December 2018, which were redeemed in full during FY2019 and FY2020.

Baide PRC Entity 3 was established in the PRC with limited liability on 4 December 2020 and was beneficially owned by the Series A Investors upon establishment for investment in Baide Suzhou. Ms. Wu and her wholly-owned entity established Baide PRC Entity 2 on 4 December 2020. On 7 December 2020, (i) Baide Suzhou had its registered capital increased from RMB11,000,000 to RMB40,985,000; (ii) pursuant to the exercise of the conversion option, Baide PRC Entity 3 subscribed for the increased portion of the registered capital in Baide Suzhou of RMB10,754,000 which was the amount of converted investment fund after deducting the bank charges, representing approximately 26.24% of the equity interest in Baide Suzhou; and (iii) Baide PRC Entity 2 subscribed for the increased portion of the registered capital in Baide Suzhou of RMB19,231,000, representing approximately 46.92% of the equity interest in Baide Suzhou.

The Series A Investors are private investors and were introduced to Ms. Wu, one of our Controlling Shareholders and an executive Director through social acquaintances of Ms. Wu. Each of the Series A Investors is an Independent Third Party.

Each of the Series A Investors confirmed that they have not entered into other agreement, arrangement or undertaking with the Controlling Shareholders, any member of our Group, its Shareholders, Directors or senior management or their respective associates in relation to his/her/its investment in our Group and they are not related to the Controlling Shareholders and their respective associates.

Details of the Series A Investment Agreements (as supplemented by the Series A Supplemental Investment Agreements) are set out as follow:

	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
Name of the investor:	Wu Qiaowen (吳巧文) ("**Investor A**")	Gao Jianhui (高建輝) ("**Investor B**")	Pang Guanghui (龐光輝) ("**Investor C**")	Xu Hangfeng (許航峰) ("**Investor G**")	Liu Si (劉思) ("**Investor J**")	Zhang Jianlong (張建龍) ("**Investor K**")	Investor PRC Entity 6	Investor PRC Entity 7
Date of the Series A Investment Agreements:	16 June 2018	16 June 2018	10 July 2018	22 June 2018	4 June 2018	27 August 2018	22 June 2018	13 August 2018
Date of the Series A Supplemental Investment Agreements:	3 December 2020	3 December 2020	3 December 2020	3 December 2020	3 December 2020	3 December 2020	3 December 2020	3 December 2020
Amount of investment fund converted and used for subscription of equity interest of Baide Suzhou (in RMB):	2,000,000	635,000	3,000,000	1,000,000	1,130,000	985,000	205,000	1,800,000
Effective equity interest in Baide Suzhou converted:	4.88%	1.55%	7.32%	2.44%	2.76%	2.4%	0.5%	4.39%
Settlement date of the subscription:	8 December 2020	8 December 2020	8 December 2020	8 December 2020	8 December 2020	9 December 2020	8 December 2020	9 December 2020
Use of proceeds:	As working capital and business development of Baide Suzhou. The funds received had been fully utilised as at the Latest Practicable Date.							
Strategic benefits that the Series A Investors would bring to our Group:	Our Directors believe that the investment made by the Series A Investors, as Shareholders, can contribute capital and strengthen the capital base of our Group, diversify our Group's investor profile and serve as an endorsement of our Group's performance, strength and prospects.							

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Name of BVI holding company owned by each Series A Investor:	Investor BVI Entity 1	Investor BVI Entity 1	Investor BVI Entity 2	Investor BVI Entity 5	Investor BVI Entity 7	Investor BVI Entity 8	Investor BVI Entity 10	Investor BVI Entity 4
Shareholding in BVI holding company owned by each Series A Investor:	62.40%	37.60%	100%	61.01%	100%	100%	100%	100%
Balance of investment fund converted after deducting the investment cost for the Shares repurchased under the Repurchase of Shares (if any) (in RMB)[(Note)]:	1,200,000	381,000	1,800,000	600,000	678,000	985,000	205,000	1,080,000
	Note: For details of the Repurchase of Shares, please refer to "History, Reorganisation and Corporate Structure – Reorganisation".							
Effective shareholding in our Company held by each Series A Investor following completion of the Capitalisation Issue and Global Offering attributable to the Series A Investment:	2.44%	0.78%	3.66%	1.22%	1.38%	2.00%	0.42%	2.20%
	Note: Without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and exercise of any options granted under the Pre-IPO Share Option Scheme.							
Investment cost per Share paid by each Series A Investor attributable to the Series A Investment (assuming that the Capitalisation Issue has taken place):	RMB0.03 equivalent to HK$0.03	RMB0.03 equivalent to HK$0.03	RMB0.03 equivalent to HK$0.03	RMB0.03 equivalent to HK$0.03	RMB0.03 equivalent to HK$0.03	RMB0.03 equivalent to HK$0.03	RMB0.03 equivalent to HK$0.03	RMB0.03 equivalent to HK$0.03
Discount over the mid-point of the indicative Offer Price range:	98.1%	98.1%	98.1%	98.1%	98.1%	98.1%	98.1%	98.1%
Background:	Investor A engages in education, equipment business.	Investor B engages in education equipment business.	Investor C was engaged in a police officer academy before retirement.	Investor G has over 10 years of experience in software development and currently engages in high end manufacturing business.	Investor J engages in trading business.	Investor K engages in electric motor and servo motor business.	Investor PRC Entity 6 engages in business consultancy. Its 50% partner, Investor N, engages in new energy business. Its 50% partner, Investor O, engages in business consultancy business.	Investor PRC Entity 7 engages in business consultancy. Its 80% partner, Investor E, engages in business consultancy. Its 20% partner, Investor F, engages in business consultancy.
Source of funds:	Self-owned capital							
Basis of determining the consideration:	Based on the net asset value of Baide Suzhou, the historical financial performance of Baide Suzhou, the prospect and business development potential of Baide Suzhou and the feasibility of our Group's future business plan.							
Special rights:	None							
Lock-up period:	The Shares held by the Investor BVI Entities owned by the Series A Investors and their ultimate beneficial owners are subject to a lock-up period of twelve months after the Listing Date.							
Public float:	Given that (i) the shareholding interest of each of the Series A Investors, their ultimate beneficial owners (if any) and their Investor BVI Entities in our Company upon Listing is less than 10% and each of them is not a substantial shareholder; (ii) each of the Series A Investors, their ultimate beneficial owners (if any) and their Investor BVI Entities is solely a passive investor in our Group; and (iii) each of the Series A Investors, their ultimate beneficial owners (if any) and their Investor BVI Entities is an Independent Third Party (save for the pre-IPO investments), the Shares held by the Investor BVI Entities owned by the Series A Investors and their ultimate beneficial owners (if any) will be counted as part of the public float of our Company upon completion of the Listing for the purposes of Rule 8.08 of the Listing Rules.							

Note: It represents the proportionate investment cost for the remaining Shares in which the relevant investor was interested after the Repurchase of Shares (i.e. 60% of the amount of the investment fund converted). For details of the Repurchase of Shares, please refer to "Reorganisation" in this section.

The Series B Investors

During the year ended 31 December 2018 and FY2019, each of the Series B Investors (save for Investor Q) entered into the Series B Investment Agreements with Ms. Wu (as amended and supplemented by the Series B Supplemental Investment Agreements), pursuant to which each of the Series B Investors (save for Investor Q) provided an investment fund to Ms. Wu with a conversion option to convert the investment fund up to an aggregate amount of RMB13,466,500 into the shares of Baide Suzhou, representing approximately 11.71% of the equity interest of Baide Suzhou immediately after the conversion of the investment fund. Pursuant to the Series B Supplemental Investment Agreements, each of the Series B Investors (save for Investor Q) exercised his/her/its conversion option to convert certain amount of the investment fund into equity interest in Baide Suzhou by transfer of the equity interest in Baide Suzhou from Ms. Wu and Ms. Wu PRC Entity 4 to Baide PRC Entity 4.

Baide PRC Entity 4 was established in the PRC with limited liability on 10 December 2020 and was ultimately and beneficially owned by the Series B Investors upon establishment for the investment in Baide Suzhou. On 15 December 2020, Baide PRC Entity 4 acquired 10.71% and 1% equity interest in Baide Suzhou from Ms. Wu and Ms. Wu PRC Entity 4 at a consideration of RMB12,316,500 and RMB1,150,000 respectively which were settled by the converted part of the investment funds.

On 29 January 2021, Investor Q entered into the Investor Q Equity Transfer Agreements with each of Ms. Wu PRC Entity 1, Investor PRC Entity 1 and Investor PRC Entity 2, pursuant to which Investor Q acquired 1% equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 at the consideration of RMB698,100, RMB317,200 and RMB134,700 respectively on 7 February 2021. For details, please refer to "Reorganisation" in this section.

The Series B Investors are private investors and were introduced to Ms. Wu, one of our Controlling Shareholders and an executive Director, through social acquaintances of Ms. Wu.

Save for Investor I being the supervisor of Customer B, a distributor of our Group, each of the Series B Investors confirmed that they have not entered into other agreement, arrangement or undertaking with the Controlling Shareholders, any member of our Group, its Shareholders, Directors or senior management or their respective associates in relation to his/her/its investment in our Group and they are not related to the Controlling Shareholders and their respective associates.

Details of the Series B Investment Agreements (as amend and supplemented by the Series B Supplemental Investment Agreements, if applicable) are set out as follow:

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Name of the investors:	Gao Jianhui (高建輝) ("**Investor B**")	Pang Guanghui (龐光輝) ("**Investor C**")	Chen Xiang (陳翔) ("**Investor D**")	Mei Baofu (梅寶富) ("**Investor H**")	Ou Shouling (歐壽玲) ("**Investor I**")	Deng Peigen (鄧培根) ("**Investor P**")	Wai Chung (韋聰) ("**Investor Q**")
Date of the Series B Investment Agreements:	13 December 2018	21 December 2018	2 March 2019	7 December 2018	8 April 2019	2 January 2019	29 January 2021
Date of the Series B Supplemental Investment Agreements:	10 December 2020	10 December 2020	10 December 2020	10 December 2020	10 December 2020	10 December 2020	N/A
Amount of investment fund converted or paid for direct or indirect equity interest in Baide Suzhou or Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 (in RMB):	1,598,500	356,500	5,520,000	1,794,000	3,680,000	517,500	1,115,000
Effective equity interest in Baide Suzhou converted:	1.39%	0.31%	4.8%	1.56%	3.2%	0.45%	N/A
Equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 acquired:	N/A	N/A	N/A	N/A	N/A	N/A	1%
Conversion or settlement date:	10 December 2020	10 December 2020	10 December 2020	10 December 2020	10 December 2020	10 December 2020	7 February 2021
Use of proceeds:	N/A as the agreements were entered into with Ms. Wu or her related entities.						
Strategic benefits that the Series B Investors would bring to our Group:	Our Directors believe that the investment made by the Series B Investors can diversify our Group's investor profile and serve as an endorsement of our Group's performance, strength and prospects. In particular, Investor Q's extensive network, financial background and extensive experience in investment in the health and medical sectors could benefit our Group.						
Name of BVI holding company owned by each Series B Investor:	Investor BVI Entity 1	Investor BVI Entity 2	Investor BVI Entity 3	Investor BVI Entity 5	Investor BVI Entity 6	Investor BVI Entity 11	Investor BVI Entity 12
Shareholding in each BVI holding company owned by each Series B Investor:	37.60%	100%	100%	38.99%	100%	100%	100%
Balance of investment fund converted or paid after deducting the investment cost for the Shares repurchased (if any) under the Repurchase of Shares *(in RMB)*[(Note)]:	959,100	213,900	3,312,000	1,076,400	3,680,000	517,500	1,115,000
Effective shareholding in our Company held by each Series B Investor following completion of the Capitalisation Issue and Global Offering attributable to the Series B Investment:	0.70%	0.16%	2.40%	0.78%	2.67%	0.38%	0.84%
	Note: Without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and exercise of any options granted under the Pre-IPO Share Option Scheme.						
Investment cost per Share paid by each Series B Investor attributable to the Series B Investment (assuming that the Capitalisation Issue has taken place):	RMB0.09 equivalent to HK$0.10	RMB0.09 equivalent to HK$0.10	RMB0.09 equivalent to HK$0.10	RMB0.09 equivalent to HK$0.10	RMB0.09 equivalent to HK$0.10	RMB0.09 equivalent to HK$0.10	RMB0.08 equivalent to HK$0.09

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Discount over the mid-point of the indicative Offer Price range:	93.6%	93.6%	93.6%	93.6%	93.6%	93.6%	94.2%
Background:	Investor B engages in education equipment business.	Investor C was engaged in a police officer academy before retirement.	Investor D engages in wedding planning business.	Investor H engages in investment management industry.	Investor I works in liquor retail business.	Investor P engages in real estate business.	Investor Q is the responsible officer of a company licensed to carry out type 4 and type 9 regulated activities under the SFO and he focuses on early stage investment in the medical technology area.
Source of funds:	Self-owned capital						
Basis of determining the consideration:	Based on the agreed value of Baide Suzhou of RMB115,000,000 (the "**Agreed Value of Baide Suzhou**"), with reference to the appraised value of Baide Suzhou of RMB80,201,300 as at 30 November 2020 and the increased portion of the registered capital of Baide Suzhou of RMB29,985,000 on 7 December 2020, the historical financial performance of Baide Suzhou and the business prospect of Baide Suzhou.						
Special rights:	None						
Lock-up period:	The Shares held by the Investor BVI Entities owned by the Series B Investors are subject to a lock-up period of twelve months after the Listing Date.						
Public float:	Given that (i) the shareholding interest of each of the Series B Investors and their Investor BVI Entities in our Company upon Listing is less than 10% and each of them is not a substantial shareholder; (ii) each of the Series B Investors and their Investor BVI Entities is solely a passive investor in our Group; and (iii) each of the Series B Investors and their Investor BVI Entities is an Independent Third Party (save for the pre-IPO investments), the Shares held by the Investor BVI Entities owned by the Series B Investors will be counted as part of the public float of our Company upon completion of the Listing for the purposes of Rule 8.08 of the Listing Rules.						

Note: It represents the proportionate investment cost for the remaining Shares in which the relevant investor is interested after the Repurchase of Shares (i.e. 60% of the amount of the investment fund). For details of the Repurchase of Shares, please refer to "Reorganisation" in this section.

The Series C Investors

On 30 June 2021, the Series C Investors entered into the Series C Investment Agreement with the Company, Tycoon Choice, Baide HK, the PRC Subsidiaries, Ms. Wu, Ms. Wu BVI Entity, pursuant to which the Series C Investors subscribed for an aggregate of 1,269,500 Preference Shares at an aggregate subscription consideration of RMB94,400,000. All of the issued and outstanding Preference Shares shall be automatically converted into such number of ordinary Shares no later than the date immediately before the date on which the Listing of the Shares commence on a recognised stock exchange pursuant to a Qualified IPO.

Details of the Series C Investment Agreement are set out as follow:

	(1)	(2)	(3)	(4)	(5)
Name of the Series C Investors:	BOCI Investment Limited ("**BOCI Investment**")	Courage Elite Limited ("**Courage Elite**")	China Venture Capital (Hong Kong) Co., Limited ("**CVC**")	IPE Group Limited ("**IPE**")	Weitian Limited ("**Weitian**")
Parties to the Series C Investment Agreement:	the Series C Investors, the Company, Tycoon Choice, Baide HK, the PRC Subsidiaries, Ms. Wu, and Ms. Wu BVI Entity				
Date of the Series C Investment Agreement:	30 June 2021				
Number of Preference Shares subscribed:	833,782	174,825	87,413	87,413	86,067
Series C Investment consideration:	The HK$ equivalent of RMB62,000,000	The HK$ equivalent of RMB13,000,000	The HK$ equivalent of RMB6,500,000	The HK$ equivalent of RMB6,500,000	The HK$ equivalent of RMB6,400,000
Settlement date of the Series C Investment consideration:	5 July 2021	5 July 2021	7 July 2021	7 July 2021	8 July 2021
Conversion price:	The initial conversion price for each Preference Share shall be RMB74.36 (subject to adjustments for any recapitalisation including a split, subdivision, combination, consolidation, Stock dividend, reclassification or the like) (the "**Conversion Price**").				
Conversion:	Pursuant to the Series C Shareholders Agreement, each Preference Share shall be convertible, at the option of the Series C Investors, at any time after the date of issuance of such Preference Share, into such number of fully-paid ordinary Shares as is determined by dividing the original issue price of such Preference Share (i.e. RMB74.36) by the applicable conversion price. Pursuant to the Series C Shareholders Agreement, all of the issued and outstanding Preference Shares shall automatically be converted into such number of Shares using the then effective Conversion Price applicable to the Preference Shares no later than the date immediately before the date on which the Listing of the Shares commence on a recognised stock exchange pursuant to a Qualified IPO. As at the Latest Practicable Date, none of the Preference Shares had been converted into ordinary Shares.				
Use of proceeds:	The proceeds shall be used for (1) the expansion of the production and manufacturing capacities of our Company, research and development of new products, expansion of sales channel and marketing, clinical testing and products registrations; (2) the repurchases of certain ordinary Shares of our Company; and (3) all the fees and expenses in relation to the Listing, each as approved by our Board (if applicable). As at the Latest Practicable Date, approximately HK$113.3 million, representing 100% of the proceeds had been utilised by our Group, of which approximately HK$41.2 million of the funds received had been utilised for the purpose of working capital of our Group and payment of the related fees and expenses in relation to the Listing and approximately HK$72.1 million of the funds received had been used for repurchase of certain ordinary Shares of our Company.				

	(1)	(2)	(3)	(4)	(5)
Strategic benefits that each investor would bring to our Group:	Our Directors are of the view that our Company can benefit from the additional capital that will be generated from the Series C Investment and take advantage of the knowledge and experience of each of the Series C Investors. Our Directors also believe that they will bring strategic benefits to our Group by providing (i) strategic advice for development and expansion of our Group; and (ii) business connections to our Group based on their network in different industries.				
Shareholding held by each Series C Investor in our Company immediately following completion of the Capitalisation Issue and the Global Offering:	Approximately 7.03%	Approximately 1.47%	Approximately 0.74%	Approximately 0.74%	Approximately 0.73%
	Note: Without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and exercise of any options granted under the Pre-IPO Share Option Scheme.				
Investment cost per Share paid by each Series C Investor (assuming that the Capitalisation Issue has taken place):	RMB0.55 equivalent to HK$0.62	RMB0.55 equivalent to HK$0.62	RMB0.55 equivalent to HK$0.62	RMB0.55 equivalent to HK$0.62	RMB0.55 equivalent to HK$0.62
Discount over the mid-point of the indicative Offer Price range:	60.3%	60.3%	60.3%	60.3%	60.3%
Source of funds:	Revenue from daily operation and self-owned capital	Self-owned capital	Self-owned capital	Revenue from operation and self-owned capital	Self-owned capital
Relationship with our Group (other than being a Shareholder):	Independent Third Parties				
Basis of determining the Series C Investment consideration:	The Series C Investment consideration was determined with reference to a post-valuation of our Company of RMB838,000,000, the guaranteed profit of our Company of RMB91,700,000 for the FY2021 and RMB126,000,000 for FY2022 and the special rights under the Series C Investment Agreement, the historical financial performance of our Group and the future prospect of our Group.				

(1)	(2)	(3)	(4)	(5)

Special rights:

Under the Series C Investment Agreement, the Series C Investors were granted a number of special rights, including but not limited to (i) repurchase right; (ii) anti-dilution right; (iii) the right of inspection including the right to access, examine and copy books or account of our Company; (iv) the right to discuss the business, operations and conditions of our Group; (v) the right to appoint independent auditor to examine accounts of the member of our Group; (vi) drag-along right; (vii) pre-emption right of Shareholders on new shares; (viii) right of first refusal; and (ix) right of co-sale, all of which are set forth in the Series C Shareholders Agreement.

BOCI Investment was given the priority over others in respect of the appointment as the joint sponsor, joint global coordinator, joint book runner or lead manager and other investment banking roles for the Listing. BOCI Investment shall be entitled to nominate 1 person (the "**Investor's Appointed Director**") to be a member of the Board. Ms. Liu Jiayi was appointed as the Investor's Appointed Director on 5 July 2021. BOCI Investment shall also be entitled to nominate the Investor's Appointed Director to each committee of the Board and the board of directors of each of our companies of our Group.

According to the terms of the Series C Investment Agreement, the repurchase right granted to the Series C Investors under the Series C Investment Agreement has been suspended upon the date of the first submission of the listing application form by or on behalf of our Company with the Stock Exchange in relation to the Global Offering, and will only be resumed if the Listing does not take place. All the above special rights shall terminate on the last date as explicitly required by applicable laws and/or the Listing Rules, or upon Listing, whichever is earlier. As the repurchase right was suspended upon the date of the first submission of the listing application form and will terminate upon the Listing, the Joint Sponsors are of the view that the repurchase right complies with the Guidance Letter HKEX-GL29-12, Guidance Letter HKEX-GL43-12 and Guidance Letter HKEX-GL44-12.

Profit guarantee and net profit adjustments:

Pursuant to the Series C Investment Agreement, our Group has warranted and guaranteed to BOCI Investment that the audited consolidated net profit (excluding non-recurrent revenue, profit or loss) of our Company for the financial year ending 31 December 2021 shall be not less than RMB91,700,000 and for the financial year ending 31 December 2022 shall be not less than RMB126,000,000.

In the event the actual audited consolidated net profit (excluding non-recurrent revenue, profit or loss) (the "**Actual Net Profit**") of our Company for the financial year ending 31 December 2021 and 31 December 2022 is less than the guaranteed profit, our Company shall compensate BOCI Investment for any shortfall as calculated according to the following formulae:

Shortfall for the relevant financial year = subscription consideration x (1- (Actual Net Profit for the relevant financial year/the guaranteed net profit for the relevant financial year)).

The above right of BOCI Investment shall terminate on the last date as explicitly required by applicable laws and/or the Listing Rules, or upon Listing, whichever is earlier.

	(1)	(2)	(3)	(4)	(5)
Lock-up period:	The Shares held by each of the Series C Investors are subject to a lock-up period of six months after the Listing Date.				
Public float:	Given that (i) the shareholding of each of the Series C Investors in our Company upon Listing is less than 10% and is not a substantial shareholder; (ii) each of the Series C Investors is solely a passive investor in our Group; and (iii) each of the Series C Investors and their ultimate beneficial owners is an Independent Third Party (save for the Pre-IPO Investments), the Shares held by each of the Series C Investors will be counted as part of the public float of our Company upon completion of the Listing for the purposes of Rule 8.08 of the Listing Rules.				

Background of the Series C Investors

BOCI Investment is a company incorporated in Hong Kong with limited liability. It is wholly owned by BOC International Holdings Limited, which in turn is wholly owned by Bank of China Limited which is dual listed on the Shanghai Stock Exchange (stock code: 601988) and the Stock Exchange (stock code: 3988). BOC International Holdings Limited and its subsidiaries provide clients with a full range of investment banking products and services in both mainland China and overseas capital markets, including share issuance, merger and acquisition, bond issuance, fixed-income, private banking, private equity, global commodities, asset management, equity derivatives, and leveraged and structured financing.

Courage Elite is a company incorporated in Hong Kong with limited liability and is wholly-owned by Dr. Li Yuen Mei Emmy (李琬微), a medical practitioner. Courage Elite is an investment holding company that holds equity investment in medical and other related sectors.

CVC is a company incorporated in Hong Kong with limited liability. CVC is wholly-owned by China Venture Capital Technology Consulting Co., Limited, its issued share capital is in turn owned as to (a) 49.56% by China Baoan Group Holdings Co., Ltd.* 中國寶安集團控股有限公司, which is in turn wholly owned by China Baoan Group Co., Ltd.* 中國寶安集團股份有限公司, the shares of which are listed on the Shenzhen Stock Exchange (SZSE: 000009); (b) 19.25% by Baota Finance Holdings Group Co., Ltd.* 寶塔金融控股集團有限公司, which is beneficially owned as to 43.80% by Sun Hengchao* 孫珩超, 19.26% by Luo Yungang* 羅運剛, 12.84% by Ji Jing* 紀靜, 18.46% by He Donghan* 何東翰 and 5.64% by Sun Shulan* 孫淑蘭; (c) 6% by Yancheng Huizhiqiao Enterprise Management Consulting Service Center (Limited Partnership)* 鹽城慧之橋企業管理諮詢服務中心(有限合夥) which is beneficially owned as to 30.87% by Zhang Jianhua* 張建華, 21.78% by Wan Jianmin* 萬建民, 21.68% by Cui Jian* 崔健, 18.43% by Hu Yongping* 胡永平, 5.07% by Ma Zhengqi* 馬正齊 and 2.17% by Zhang Ronghua* 張榮華; (d) 6% by Ningbo Deqi Investment Co., Ltd.* 寧波德旗投資有限公司 which is in turn owned as to 75% by Sun Weilong* 孫偉龍 and 25% by Fu Yaping* 傅亞萍; (e) 5% by China Siyuan Foundation For Poverty Alleviation* 中華思源工程扶貧基金會; and (f) the remaining shareholders and their respective ultimate beneficial owners are Independent Third Parties who are interested in less than 5% of the issued share capital of CVC. CVC is an investor with a

focus in overseas securities investment projects and initial public offering projects in the PRC and Hong Kong.

IPE is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange (Stock code: 929). IPE is principally engaged in the manufacture and sales of precision metal components. IPE has an investment focus in medical sectors and intelligent manufacturing in the PRC and Hong Kong.

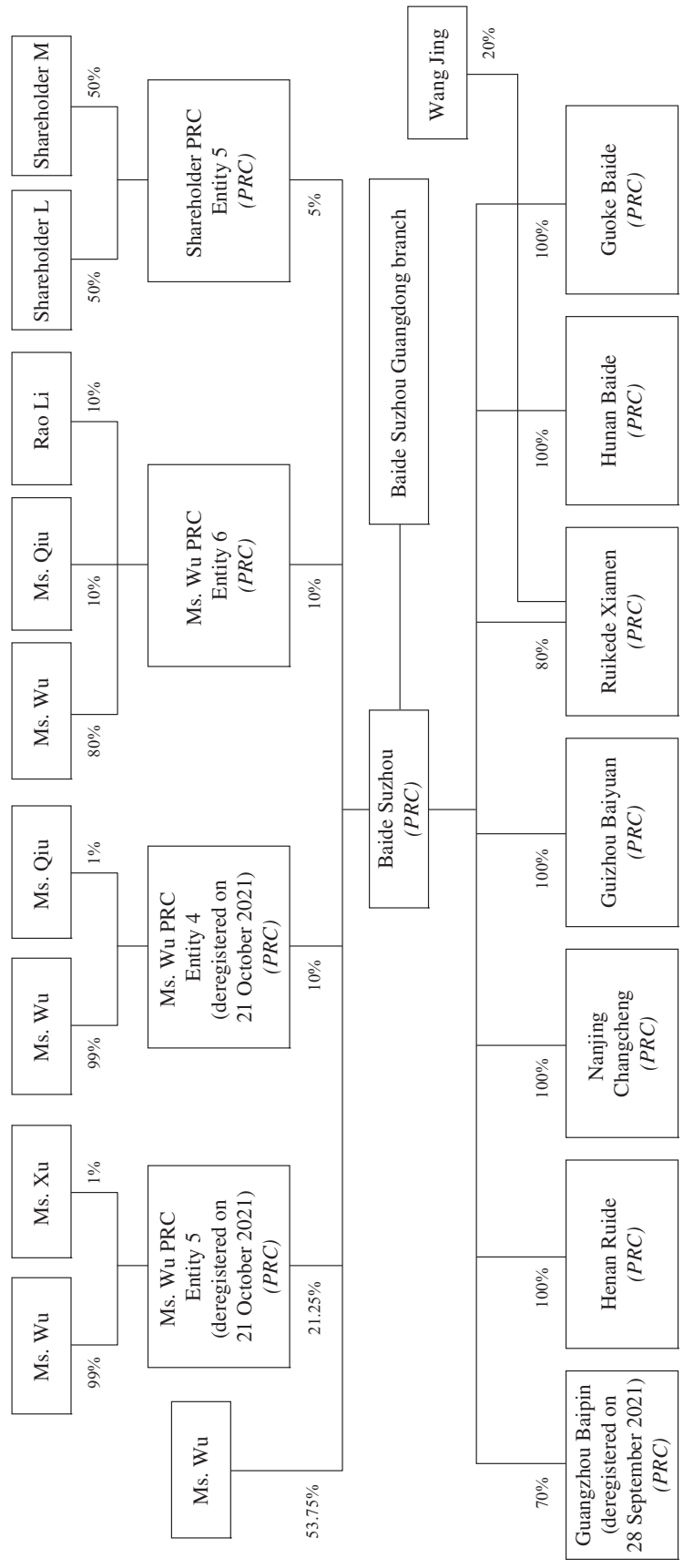
Weitian is a company incorporated in the British Virgin Islands with limited liability and its issued share capital is owned as to 80% by Billion Team Investment Limited and 20% by Mr. Ng Chi Lung. Billion Team Investment Limited is a company incorporated in Hong Kong with limited liability and its issued share capital is owned as to 50% by Yeung Ying Yin, 4% by Yu Wai Hung, 8% by Cheung Kwok Kay Michael, 8% by Chan Ka Lai Ricky, 10% by Chan Chee Lok Kenneth, 4% by Lo Koon Wah, 4% by Suen Wa Hing Hornby and 12% by Yeung Ho Lam. The principal business of Weitian is investment in business and securities. Mr. Ng Chi Lung is a controlling Shareholder of Good Fellow Healthcare Holdings Limited (Stock Code: 8143), which is principally engaged in the operation of hospitals.

Confirmation from the Joint Sponsors

The Joint Sponsors confirm that the above pre-IPO investments as set out in the sub-section headed "The pre-IPO investments" and/or the divestments (including the Repurchase of Shares as set out in the paragraph headed "(11) Repurchase of shares by our Company" in this section) are in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12 issued by the Stock Exchange, after having reviewed the Investment Agreements and the Series C Shareholders Agreement. There has been at least 120 days between the completion of the above pre-IPO investments and/or the divestments (including the Repurchases of Shares by our Company) and the Listing.

REORGANISATION

The following chart sets out the corporate structure of our Group immediately before the pre-IPO investments, the Reorganisation, the Global Offering and the Capitalisation Issue:



In contemplation of the Global Offering and for the purposes of the exercise of the conversion options under the Series A Investment and the Series B Investment and the Repurchase of Shares, our Group has undergone the Reorganisation which involved the following steps:

(1) Establishment of Baide PRC Entity 2 and Baide PRC Entity 3

On 4 December 2020, Baide PRC Entity 2 was established in the PRC as a limited liability company with an initial registered capital of RMB20,000,000, which was owned as to 99.9% by Ms. Wu PRC Entity 3 and 0.1% by Ms. Wu.

On 4 December 2020, Baide PRC Entity 3 was established in the PRC as a limited liability company with an initial registered capital of RMB12,000,000, which was owned as to 53.46% by Investor PRC Entity 3 and 46.54% by Investor PRC Entity 4.

(2) Increase in registered capital and subscription of the increased registered capital of Baide Suzhou

On 7 December 2020, (i) Baide Suzhou had its registered capital increased from RMB11,000,000 to RMB40,985,000; and (ii) Baide PRC Entity 2 and Baide PRC Entity 3 subscribed for the increased portion of the registered capital in Baide Suzhou of RMB19,231,000 and RMB10,754,000, representing approximately 46.92% and 26.24% of the equity interest in Baide Suzhou respectively which was implemented pursuant to the Series A Investment. The structure of the registered capital in Baide Suzhou after the above subscription was owned as to RMB19,231,000, RMB10,754,000, RMB5,912,500, RMB2,337,500, RMB1,100,000, RMB1,100,000 and RMB550,000 by Baide PRC Entity 2, Baide PRC Entity 3, Ms. Wu, Ms. Wu PRC Entity 5, Ms. Wu PRC Entity 6, Ms. Wu PRC Entity 4 and Shareholder PRC Entity 5 respectively, representing approximately 46.92%, 26.24%, 14.43%, 5.71%, 2.68%, 2.68% and 1.34% equity interest in Baide Suzhou.

(3) Establishment of Baide PRC Entity 4 and equity transfer in Baide Suzhou

On 10 December 2020, Baide PRC Entity 4 was established in the PRC as a limited liability company with an initial registered capital of RMB1,000,000, which was wholly owned by Investor PRC Entity 2.

On 10 December 2020, Ms. Wu entered into an equity transfer agreement with Baide PRC Entity 4, pursuant to which Baide PRC Entity 4 acquired 10.71% equity interest in Baide Suzhou from Ms. Wu at a consideration of RMB12,316,500 on 15 December 2020. Such equity transfer was legally and properly completed and settled and implemented pursuant to the Series B Investment. The consideration was determined with reference to the Agreed Value of Baide Suzhou.

On 10 December 2020, Ms. Wu PRC Entity 4 entered into an equity transfer agreement with Baide PRC Entity 4, pursuant to which Baide PRC Entity 4 acquired 1% equity interest in Baide Suzhou from Ms. Wu PRC Entity 4 at a consideration of RMB1,150,000 on 15 December 2020. Such equity transfer was legally and properly completed and settled and implemented pursuant to the Series B Investment. The consideration was determined with reference to the Agreed Value of Baide Suzhou.

The registered capital in Baide Suzhou after the above equity interest transfers was owned as to RMB19,231,000, RMB10,754,000, RMB4,799,400, RMB1,523,000, RMB2,337,500, RMB690,100, RMB1,100,000 and RMB550,000 by Baide PRC Entity 2, Baide PRC Entity 3, Baide PRC Entity 4, Ms. Wu, Ms. Wu PRC Entity 5, Ms. Wu PRC Entity 6, Ms. Wu PRC Entity 4 and Shareholder PRC Entity 5 respectively, representing approximately 46.92%, 26.24%, 11.71%, 3.72%, 5.71%, 2.68%, 1.68% and 1.34% equity interest in Baide Suzhou.

(4) Transfer of the equity interest in Baide PRC Entity 2

On 11 December 2020, Ms. Wu and Ms. Wu PRC Entity 3 entered into an equity transfer agreement with Ms. Wu PRC Entity 1, pursuant to which Ms. Wu PRC Entity 1 acquired the entire equity interest in Baide PRC Entity 2 from Ms. Wu and Ms. Wu PRC Entity 3 at a nominal consideration of RMB10,000 on 14 December 2020. The above transfer was legally and properly completed and settled.

(5) Transfer of equity interest in Baide Suzhou

On 15 December 2020, Ms. Wu entered into an equity transfer agreement with Baide PRC Entity 2, pursuant to which Baide PRC Entity 2 acquired 3.72% equity interest in Baide Suzhou from Ms. Wu at a nominal consideration of RMB10,000 on 15 December 2020. The above transfer was legally and properly completed and settled.

On 15 December 2020, each of Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 5 and Ms. Wu PRC Entity 6 entered into an equity transfer agreement with Baide PRC Entity 2, pursuant to which Baide PRC Entity 2 acquired 1.68%, 5.71% and 2.68% equity interest respectively in Baide Suzhou from each of Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 5 and Ms. Wu PRC Entity 6 at a consideration of RMB1,932,000, RMB6,566,500 and RMB3,082,000 respectively on 15 December 2020. The considerations were determined with reference to the Agreed Value of Baide Suzhou. The above transfer were legally and properly completed and settled. After completion of the aforementioned transfer, Ms. Xu, Ms. Qiu and Ms. Rao Li ceased to have interest in Baide Suzhou through Ms. Wu PRC Entity 4, Ms. Wu PRC Entity 5 and/or Ms. Wu PRC Entity 6 as they wished to take the opportunity of the Reorganisation to realise their investment in Baide Suzhou.

The registered capital in Baide Suzhou after the above equity interest transfers was owned as to RMB24,881,600, RMB10,754,000, RMB4,799,400 and RMB550,000 by Baide PRC Entity 2, Baide PRC Entity 3, Baide PRC Entity 4 and Shareholder PRC Entity 5 respectively, representing approximately 60.71%, 26.24%, 11.71% and 1.34% equity interest in Baide Suzhou.

(6) Subscription of the increased registered capital in Baide PRC Entity 3 and transfer of equity interest in Baide Suzhou

On 13 January 2021, Shareholder PRC Entity 5 subscribed for the increased portion of the registered capital in Baide PRC Entity 3 of RMB614,300, representing 4.87% of the equity interest in Baide PRC Entity 3, which was satisfied by the transfer of 1.34% equity interest in Baide Suzhou from Shareholder PRC Entity 5 to Baide PRC Entity 3 on 13 January 2021. The above transfer was legally and properly completed and settled. After the completion of the above subscription of the increased registered capital in Baide PRC Entity 3, (i) the equity interest in Baide PRC Entity 3 is owned as to 50.86% by Investor PRC Entity 3, 44.27% by Investor PRC Entity 4 and 4.87% by Shareholder PRC Entity 5; and (ii) the equity interest in Baide Suzhou is owned as to 60.71% by Baide PRC Entity 2, 27.58% by Baide PRC Entity 3 and 11.71% by Baide PRC Entity 4.

(7) Transfer of equity interest in Baide PRC Entity 3

On 14 January 2021, Investor PRC Entity 3, Investor PRC Entity 4 and Shareholder PRC Entity 5 entered into an equity transfer agreement with Investor PRC Entity 1, pursuant to which Investor PRC Entity 1 acquired 50.86%, 44.27% and 4.87% equity interest respectively in Baide PRC Entity 3 from each of Investor PRC Entity 3, Investor PRC Entity 4 and Shareholder PRC Entity 5 at a nominal consideration of RMB5,086, RMB4,427 and RMB487 respectively on 19 January 2021. The above transfer was legally and properly completed and settled. Baide PRC Entity 3 is wholly owned by Investor PRC Entity 1 upon completion of the above equity transfer.

(8) Incorporation of our Company, Tycoon Choice and Baide HK and establishment of WFOE and Baide PRC Entity 1

Incorporation of our Company and allotment of Shares to offshore holding companies

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 January 2021 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

On the date of incorporation of our Company, (i) one Share was allotted and issued nil paid to Charlotte Cloete of Conyers Trust Company (Cayman) Limited as subscriber share and was subsequently transferred to Ms. Wu BVI Entity on the same day at nil consideration; and (ii) 6,010,190, 774,032, 755,360, 475,200, 434,739, 396,049, 316,721, 272,874, 237,887, 132,858, 49,569 and 44,520 Shares were allotted and issued nil paid to Ms. Wu BVI Entity, Investor BVI Entity 1, Investor BVI Entity 2, Investor BVI Entity 3, Investor BVI Entity 4, Investor BVI Entity 5, Investor BVI Entity 6, Investor BVI Entity 7, Investor BVI Entity 8, Shareholder BVI Entity 9, Investor BVI Entity 10 and Investor BVI Entity 11 respectively, immediately following which, the shareholding of our Company are as follows:

Shareholders	Number of Shares held by the Shareholders immediately following the above issue of Shares	Approximate shareholding percentage
Ms. Wu BVI Entity	6,010,191*	60.71%
Investor BVI Entity 1	774,032	7.82%
Investor BVI Entity 2	755,360	7.63%
Investor BVI Entity 3	475,200	4.80%
Investor BVI Entity 4	434,739	4.39%
Investor BVI Entity 5	396,049	4.00%
Investor BVI Entity 6	316,721	3.20%
Investor BVI Entity 7	272,874	2.76%
Investor BVI Entity 8	237,887	2.40%
Shareholder BVI Entity 9	132,858	1.34%
Investor BVI Entity 10	49,569	0.50%
Investor BVI Entity 11	44,520	0.45%
Total	9,900,000	100%

* *including the initial subscriber share transferred from Charlotte Cloete*

Our Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 18 February 2021.

All the 9,900,000 Shares allotted and issued above were fully paid on 3 May 2021.

On 30 June 2021, the authorised share capital of our Company was increased to HK$392,695 divided into (i) 38,000,000 ordinary Shares of HK$0.01 each; and (ii) 1,269,500 Preference Shares.

Upon completion of the Reorganisation, it became the holding company of our Group with the business conducted through the operating subsidiaries of our Group.

Incorporation of Tycoon Choice

Tycoon Choice was incorporated in the BVI with limited liability on 8 January 2021 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. On 28 January 2021 (being the date of acquisition of Tycoon Choice as a shelf company), one share of Tycoon Choice was allotted and issued as nil paid to our Company and was subsequently fully paid on 2 July 2021.

Incorporation of Baide HK

Baide HK was incorporated in Hong Kong on 29 January 2021 with limited liability and one share of Baide HK was allotted and issued fully paid to Acota Services Limited, who is the Hong Kong agent assisting the incorporation of Baide HK and is an Independent Third Party at HK$1.00. Such fully paid share was then transferred to Tycoon Choice at the consideration of HK$1.00 on the same date. Ms. Wu was appointed as the director of Baide HK on the date of incorporation of Baide HK.

Establishment of WFOE

WFOE was established in the PRC on 3 March 2021 as a limited liability company with an initial registered capital of RMB5,000,000. WFOE is a direct wholly-owned subsidiary of Baide HK.

Establishment of Baide PRC Entity 1

Baide PRC Entity 1 was established in the PRC on 4 March 2021 as a limited liability company with an initial registered capital of RMB1,010,100. The equity interest of Baide PRC Entity 1 was directly wholly owned by WOFE upon establishment.

(9) Transfer of 1% equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 and subscription of the increased registered capital in Baide PRC Entity 1; and transfer of 99% equity interest in Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4

On 29 January 2021, Investor Q entered into the Investor Q Equity Transfer Agreements with each of Ms. Wu PRC Entity 1, Investor PRC Entity 1 and Investor PRC Entity 2, pursuant to which Investor Q acquired 1% equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 from each of Ms. Wu PRC Entity 1, Investor PRC Entity 1 and Investor PRC Entity 2 at the consideration of RMB698,100, RMB317,200 and RMB134,700 respectively on 7 February 2021. The above transfer were legally and properly completed and settled. Upon completion of the above equity transfers, (i) Baide PRC Entity 2 is owned as to 99% by Ms. Wu PRC Entity 1 and 1% by Investor Q; (ii) Baide PRC Entity 3 is owned as to 99% by Investor PRC Entity 1 and 1% by Investor Q; and (iii) Baide PRC Entity 4 is owned as to 99% by Investor PRC Entity 2 and 1% by Investor Q. Upon completion of the above acquisition, each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 has become a foreign-invested enterprise from a domestic company.

On 10 March 2021, each of Ms. Wu PRC Entity 1, Investor PRC Entity 1 and Investor PRC Entity 2 subscribed for the increased portion of the registered capital in Baide PRC Entity 1 of RMB616.1, RMB272.7 and RMB121.2 respectively, representing 0.61%, 0.27% and 0.12% equity interest in Baide PRC Entity 1, which was satisfied by the transfer of 99% equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC

Entity 4 by Ms. Wu PRC Entity 1, Investor PRC Entity 1 and Investor PRC Entity 2 respectively to Baide PRC Entity 1 on 10 March 2021. After the completion of the above subscriptions of the increased registered capital in Baide PRC Entity 1, (i) the equity interest in Baide PRC Entity 1 is owned as to 99% by WFOE, 0.61% by Ms. Wu PRC Entity 1, 0.27% by Investor PRC Entity 1 and 0.12% by Investor PRC Entity 2; (ii) the equity interest in Baide PRC Entity 2 is owned as to 99% by Baide PRC Entity 1 and 1% by Investor Q; (iii) the equity interest in Baide PRC Entity 3 is owned as to 99% by Baide PRC Entity 1 and 1% by Investor Q; and (iv) Baide PRC Entity 4 is owned as to 99% by Baide PRC Entity 1 and 1% by Investor Q.

(10) Transfer of 1% equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 and subscription of 1% issued share capital of the Company

On 15 March 2021, Investor Q as vendor and Baide HK as purchaser entered into an agreement in relation to the sale and purchase of 1% equity interest in Baide PRC Entity 2 at the total consideration of RMB698,100. On 11 March 2021, Investor Q as vendor and Baide HK as purchaser entered into an agreement in relation to the sale and purchase of 1% equity interest in Baide PRC Entity 3 at the total consideration of RMB317,200. On 15 March 2021, Investor Q as vendor and Baide HK as purchaser entered into an agreement in relation to the sale and purchase of 1% equity interest in Baide PRC Entity 4 at the total consideration of RMB134,700.

On 23 March 2021, Investor BVI Entity 12 entered into the Investor BVI Entity 12 Subscription Agreement with our Company, pursuant to which Investor BVI Entity 12 subscribed for 100,000 Shares, representing 1% of the issued share capital of our Company (the "**Investor BVI Entity 12 Subscription**"), at the subscription price of HK$1,368,500 (the "**Investor BVI Entity 12 Subscription Price**"). The shareholding of our Company immediately following the above subscription of Shares are as follows:

Shareholders	**Number of Shares held by the Shareholders immediately following the Investor BVI Entity 12 Subscription**	**Approximate shareholding percentage**
Ms. Wu BVI Entity	6,010,191	60.10%
Investor BVI Entity 1	774,032	7.74%
Investor BVI Entity 2	755,360	7.55%
Investor BVI Entity 3	475,200	4.75%
Investor BVI Entity 4	434,739	4.35%
Investor BVI Entity 5	396,049	3.96%
Investor BVI Entity 6	316,721	3.17%
Investor BVI Entity 7	272,874	2.73%
Investor BVI Entity 8	237,887	2.38%
Shareholder BVI Entity 9	132,858	1.33%
Investor BVI Entity 10	49,569	0.50%
Investor BVI Entity 11	44,520	0.44%
Investor BVI Entity 12	100,000	1.00%
Total	10,000,000	100%

Upon completion of the above equity transfers in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 on 17 March 2021, Baide HK was obliged to pay Investor Q an amount equivalent to the total consideration of the transfer of 1% equity interest in each of Baide PRC Entity 2, Baide PRC Entity 3 and Baide PRC Entity 4 from Investor Q to Baide HK (the "**Payment Obligations**"), which amounted to RMB1,150,000 (equivalent to approximately HK$1,355,000). On 23 March 2021, the Company, Baide HK, Investor Q and Investor BVI Entity 12 entered into the Consideration Settlement Deed, pursuant to which after a series of assignment and novation of the Payment Obligations, the whole amount of the Investor BVI Entity 12 Subscription Price payable by the Investor BVI Entity 12 to the Company was set off against the whole amount of the Payment Obligations.

After that, there were no longer any outstanding debts or liabilities between (i) our Group on the one part; and (ii) Investor Q and Investor BVI Entity 12 on the other part. The Investor BVI Entity 12 Subscription has been properly and legally completed and settled.

(11) Repurchase of Shares by our Company

On 1 September 2021, our Company as purchaser entered into the Repurchase Agreement with Investor BVI Entity 1, Investor BVI Entity 2, Investor BVI Entity 3, Investor BVI Entity 4, Investor BVI Entity 5 and Investor BVI Entity 7, as vendors in relation to the repurchase of 1,243,303 ordinary Shares by our Company at the total consideration of RMB66,773,584 (the "**Repurchase of Shares**") which was fully settled on 1 September 2021. Investor BVI Entity 1, Investor BVI Entity 2, Investor BVI Entity 3, Investor BVI Entity 4, Investor BVI Entity 5 and Investor BVI Entity 7 took a commercial decision to realise part of their investment gain as the repurchase price was substantially higher than their investment costs.

Repurchase of Shares was paid in cash and an aggregate of 1,243,303 ordinary Shares repurchased under the Repurchase of Shares were cancelled on 1 September 2021. The Repurchase of Shares and the cancellation of the 1,243,303 ordinary Shares were approved by the then Shareholders of our Company.

As confirmed by the legal adviser of our Company as to Cayman Islands law, the Repurchase of Shares was conducted in compliance with the Cayman Companies Act and the articles of association of our Company.

The shareholding of our Company immediately following the completion of the Repurchase of Shares are as follows:

Shareholders	Number of shares held by the Shareholders after completion of the Repurchase of Shares *(Note)*	Types of Shares	Approximate shareholding percentage
Ms. Wu BVI Entity	6,010,191	Ordinary Shares	59.95%
Investor BVI Entity 1	464,419	Ordinary Shares	4.63%
Investor BVI Entity 2	453,216	Ordinary Shares	4.52%
Investor BVI Entity 3	285,120	Ordinary Shares	2.84%
Investor BVI Entity 4	260,843	Ordinary Shares	2.60%
Investor BVI Entity 5	237,629	Ordinary Shares	2.37%
Investor BVI Entity 6	316,721	Ordinary Shares	3.16%
Investor BVI Entity 7	163,724	Ordinary Shares	1.63%
Investor BVI Entity 8	237,887	Ordinary Shares	2.37%
Shareholder BVI Entity 9	132,858	Ordinary Shares	1.33%
Investor BVI Entity 10	49,569	Ordinary Shares	0.50%
Investor BVI Entity 11	44,520	Ordinary Shares	0.44%
Investor BVI Entity 12	100,000	Ordinary Shares	1.00%
BOCI Investment	833,782	Preference Shares	8.32%
Courage Elite	174,825	Preference Shares	1.74%
CVC	87,413	Preference Shares	0.87%
IPE	87,413	Preference Shares	0.87%
Weitian	86,067	Preference Shares	0.86%
Total	10,026,197		100%

Note: All the Preference Shares shall automatically be converted into ordinary Shares no later than the date immediately before the date on which the listing of the Shares commenced on the Main Board of the Stock Exchange. The denominator for calculating the shareholding percentage is the aggregate number of the Preference Shares and ordinary Shares. It is expected that one Preference Share will be converted into one ordinary Share based on the initial conversion price of the Preference Share.

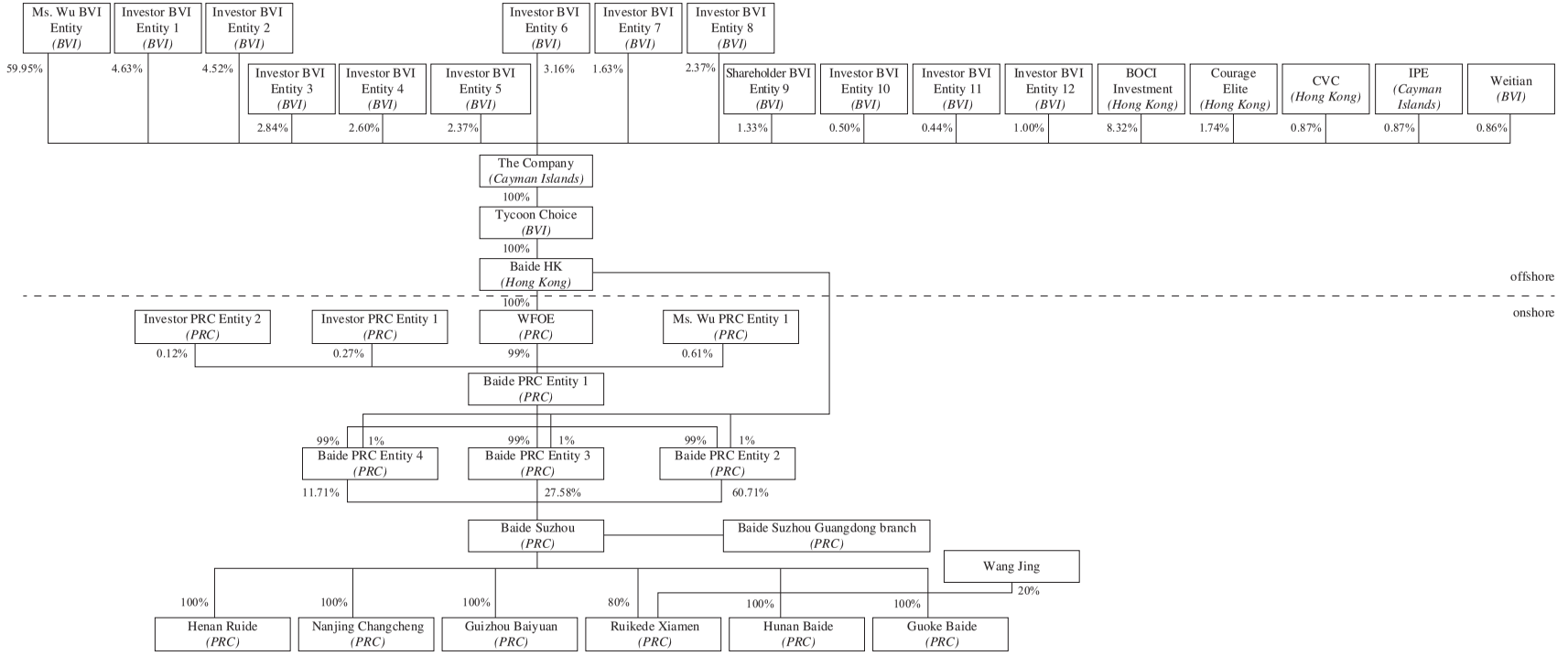
Our PRC Legal Advisers confirmed that all necessary approvals, permits and licences in connection with the Reorganisation that involves the PRC subsidiaries of our Group have been obtained in accordance with the applicable PRC laws and regulations, and each of such Reorganisation steps has been properly and legally completed, and duly registered with the relevant local registration authorities of the PRC.

(12) Increase in authorised share capital of our Company

On 11 September 2022, the authorised share capital of our Company was increased from HK$392,695 divided into 38,000,000 ordinary Shares and 1,269,500 Preference Shares to HK$100,012,695 divided into 10,000,000,000 ordinary Shares and 1,269,500 Preference Shares by the creation of additional 9,962,000,000 Shares.

Upon full conversion of all the Preference Shares, the authorised share capital of our Company will be diminished and reduced to HK$100,000,000 divided into 10,000,000,000 ordinary Shares by the cancellation of all the unissued Preference Shares.

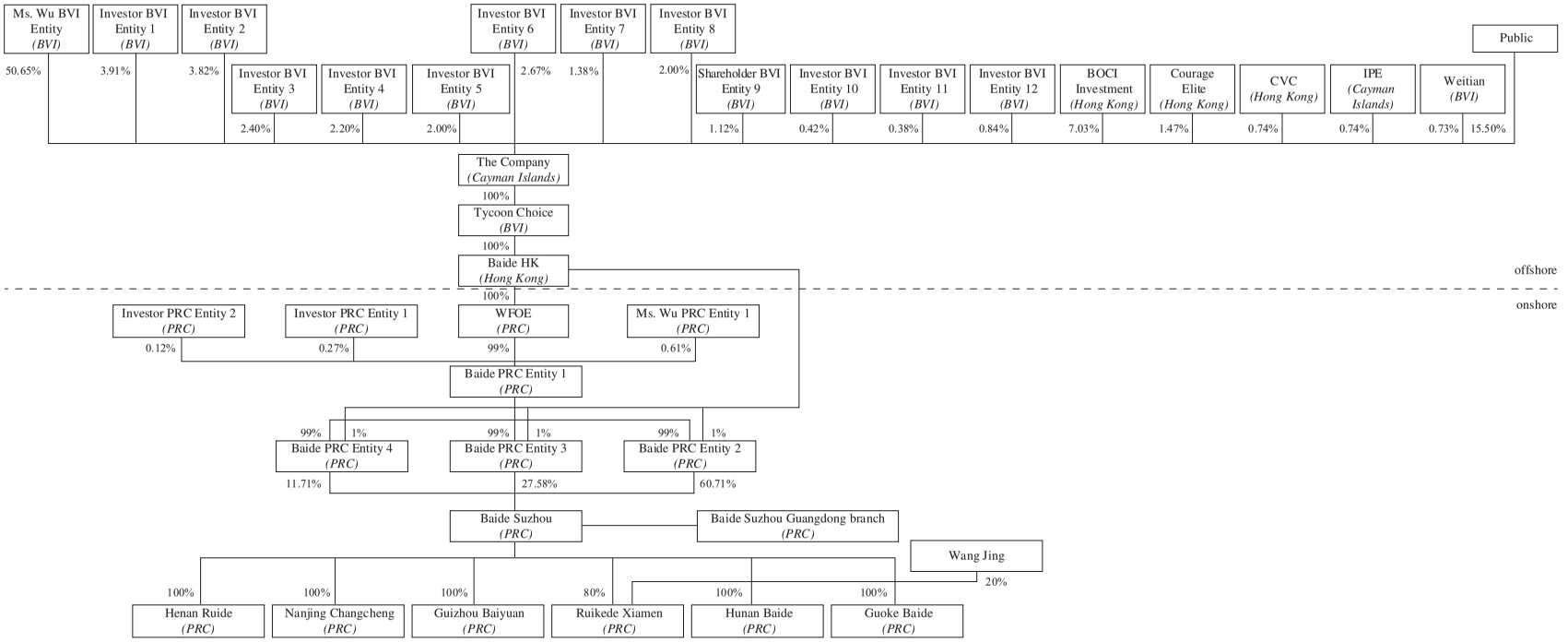
The corporate structure of our Group and our subsidiaries immediately after completion of the pre-IPO investments and the Reorganisation but before completion of the Global Offering and the Capitalisation Issue is as follows:



Capitalisation Issue and Global Offering after completion of the Reorganisation

Subject to the Stock Exchange granting the approval of the Listing and the permission to deal in the Shares on the Main Board of the Stock Exchange, our Company intends to offer 24,800,000 Hong Kong Offer Shares (subject to reallocation), representing 10% of the total number of Offer Shares initially available under the Global Offering; and 223,200,000 International Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the total number of Offer Shares initially available under the Global Offering.

The corporate structure of our Group and the subsidiaries immediately after the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme) will be as follows:



RULES ON THE MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS IN THE PRC

According to the "Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" (《關於外國投資者併購境內企業的規定》) (the "**Circular No. 10**"), jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, CSRC, SAMR and SAFE on 8 August 2006 and effective as at 8 September 2006 and amended by MOFCOM on 22 June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to the examination and approval of the MOFCOM. As advised by our PRC Legal Advisers, as Baide PRC Entity 2 and Baide PRC Entity 3 and Baide PRC Entity 4 are foreign-invested, not a domestic company as defined in Circular No. 10, our restructuring and reorganisation corporate actions were not subject to Article 11 of the Circular No. 10.

SAFE REGISTRATION

According to the Circular of SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**") issued by SAFE on 4 July 2014, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. A "domestic individual resident" refers to a Chinese citizen who holds a Chinese domestic resident, military or armed police ID card, as well as any overseas individual who has no legal identity within the territory of the PRC but habitually resides within the territory of the PRC for reasons of economic interest. Pursuant to the Circular of the SAFE on further Simplifying and Improving the Direct Investment-related in Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No.13**"), promulgated on 13 February 2015 by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interests in the domestic entity were located. Our PRC Legal Advisers confirmed that Ms. Wu, our Controlling Shareholder, who is a PRC resident, has completed the registration on 22 January 2021, according to the SAFE Circular No. 37 and the SAFE Circular No. 13.

BUSINESS OVERVIEW

We are one of the leading microwave ablation (MWA) medical device developers and providers in the PRC for minimally invasive treatment of tumours. Our proprietary MWA medical devices are used for treatment of benign and malignant tumours including thyroid nodules, liver cancer, lung cancer and breast lumps, which have experienced rising incidence rates in China. According to Frost & Sullivan, we ranked first among MWA medical device providers in the treatment for thyroid nodules and breast lumps in the PRC in terms of sales revenue and sales volume of MWA needles in 2021. Further, we were the third largest MWA medical device provider in the PRC in terms of sales revenue in 2021. We are the first company to have our proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices, according to Frost & Sullivan. As at the Latest Practicable Date, we had obtained the Class III medical device registration certificate for our MWA medical devices specifically indicated for liver cancer and thyroid nodule.

According to Frost & Sullivan, MWA is a minimally invasive treatment technique that denaturises and coagulates the protein of tumour cells with extreme heat generated by microwave energy. MWA treatments have been applied to different benign and malignant tumours and they have the advantages of being safe, minimally invasive and easy to operate with a rapid recovery and low complication rate for patients. Some types of benign tumours may transform into malignancy through a process known as cancer progression. According to Frost & Sullivan, the cancer progression rate among persons with pulmonary nodules, thyroid nodules and breast lumps are 5.5%, 5.0% and 7.0%, respectively. MWA treatments can prevent cancer progression by curbing a benign tumour from developing into a malignant tumour. Therefore, early detection and treatment of benign tumours plays an important role in cancer prevention. We believe that patients diagnosed with a tumour, despite being benign, are inclined to seek removal of such tumour to avoid a potential of it becoming malignant.

We operate in a MWA medical device market which remains underserved but is fast-growing and with extensive potential to grow in China. The number of MWA procedures in the PRC increased from 70,900 in 2016 to 181,200 in 2021 and it is expected to reach 660,000 in 2026, representing a CAGR of 29.6% from 2022 to 2026, according to Frost & Sullivan. Moreover, the size of the MWA market in China in terms of hospital-charge price is expected to experience tremendous growth from RMB3.0 billion in 2022 to RMB9.2 billion in 2026, representing a CAGR of 32.5%, according to Frost & Sullivan. As one of the leading MWA medical device providers in China, we believe we are well-positioned to ride on the positive MWA market trends such as rising number of tumour patients, expanding indications for MWA together with the increasing number of hospitals that can perform MWA procedures to further bolster our market position in the MWA market in China.

We primarily target specialty areas with significant synergy with MWA technology and with substantial market growth potential including both (i) benign tumours with a particular focus on thyroid nodules and breast lumps; and (ii) malignant tumours with particular focus on liver cancer and lung cancer.

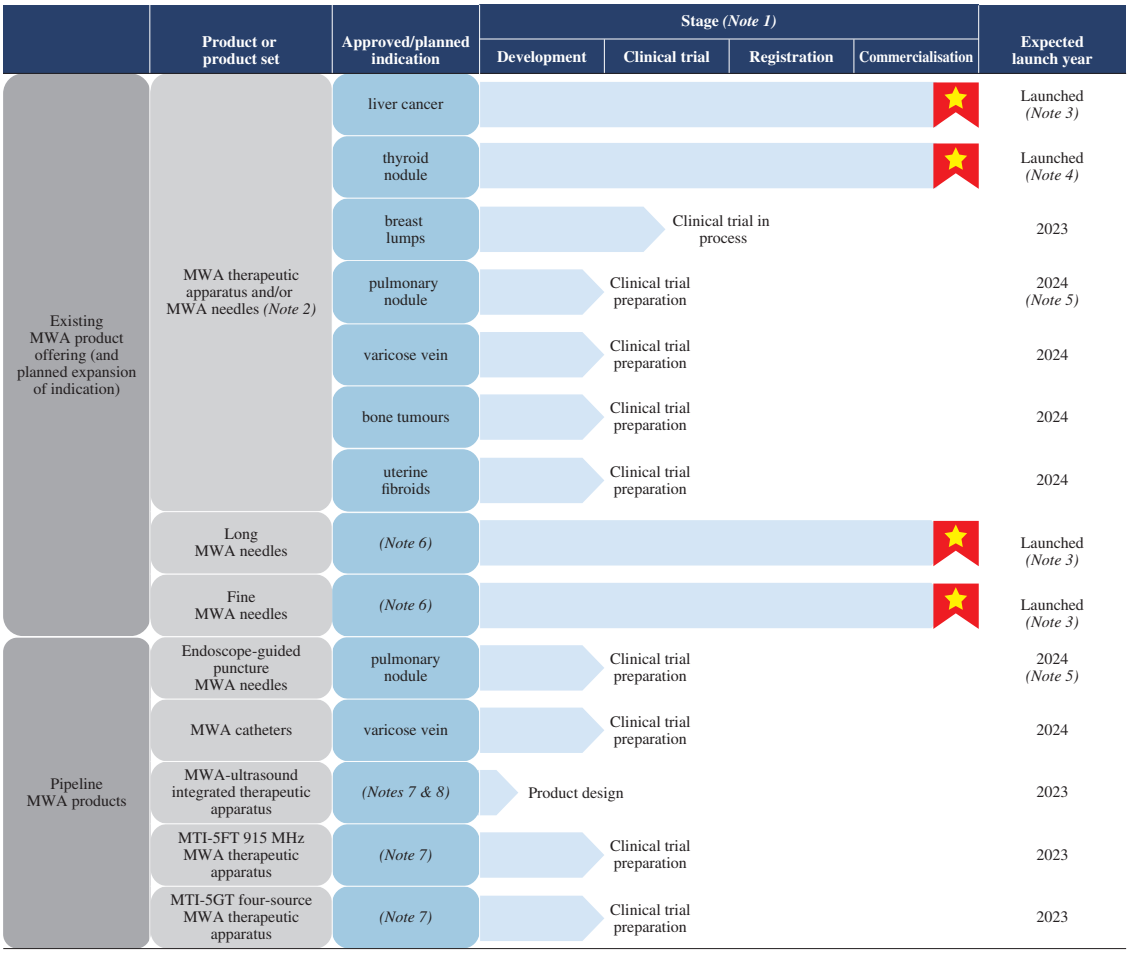
- **Thyroid nodules.** According to Frost & Sullivan, the number of new patients with thyroid nodules in China who are eligible for ablation therapy has continued to increase, from 6.2 million in 2016 to 9.3 million in 2021, at a CAGR of 8.5%, and is expected to increase at a CAGR of 9.7% to 14.8 million in 2026. With the increasing penetration rate of MWA procedures, the sales revenue of MWA market in the treatment of thyroid nodules in China is expected to increase at a CAGR of 39.5% from RMB1.0 billion in 2022 to RMB3.9 billion in 2026.

- **Liver cancer.** Liver cancer is one of the top five cancers with high incidence in China. According to Frost & Sullivan, the number of new patients with liver cancer in China who are eligible for ablation therapy has continued to increase, from 90,200 in 2016 to 102,400 in 2021, at a CAGR of 2.6%, and is expected to increase at a CAGR of 2.3% to 114,700 in 2026. With the increasing penetration rate of MWA procedures, the sales revenue of MWA market in liver cancer treatment in China is expected to increase at a CAGR of 8.3% from RMB878.8 million in 2022 to RMB1.2 billion in 2026.

- **Lung cancer.** Lung cancer is the most common cancer in China. For metastatic lung cancer patients, most of them are not amendable for surgery and ablation therapy is a better treatment plan. According to Frost & Sullivan, the number of new patients with lung cancer in China who are eligible for ablation therapy has continued to increase, from 77,300 in 2016 to 90,400 in 2021, at a CAGR of 3.2%, and is expected to increase at a CAGR of 3.0% to 104,800 in 2026. With the increasing penetration rate of MWA procedures, the sales revenue of MWA market in lung cancer treatment in China is expected to increase at a CAGR of 33.3% from RMB122.1 million in 2022 to RMB385.2 million in 2026.

- **Breast lumps.** Most breast lumps are benign lesion which vary in size and texture. Although breast lumps may cause pain, some are not found until a physical or imaging examination. Affected by factors such as stress and lifestyle, number of new female patients with breast lump in China increased from 3.10 million in 2016 to 3.37 million in 2021, and is expected to reach 3.60 million in 2026. Most breast lumps are benign (non-cancerous) but they could develop into breast cancer if left unattended. Our MWA medical devices are applicable for the treatment of breast lump. During the Track Record Period, some of our proprietary MWA medical devices have been used for the treatment of breast lump. In view of the MWA Equipment Guidelines published by the NMPA on 25 November 2021, we plan to expand our Class III medical device registration certificate for specific indication. We had commenced clinical trial for our MWA medical devices specifically indicated for breast lump for the registration of Class III medical device registration certificate which is expected to be completed in the fourth quarter of 2023. MWA therapy for breast lump serves as an alternative to the traditional open surgery which would lead to large scars and breast collapse, and has the advantage of fewer complications, little effect on aesthetics and bringing less trauma to patients. The number of new patients with breast lumps in China who are eligible for ablation therapy has continued to increase, from 129,600 in 2016 to 141,000 in 2021, at a CAGR of 1.7%, and is expected to increase at a CAGR of 1.3% to 150,500 in 2026. With the increasing penetration rate of MWA procedures, the sales revenue of MWA market in breast lump treatment is expected to increase at a CAGR of 18.4% from RMB25.5 million in 2022 to RMB50.0 million in 2026.

Our product offering and pipeline products mainly consist of MWA therapeutic apparatus as well as MWA needles that are used in conjunction with the MWA therapeutic apparatus. The following chart summarises the development status of our major types of existing and pipeline MWA products or product sets as at the Latest Practicable Date:



Notes:

1. For the details of each development stage, please refer to "R&D – R&D approach and process" in this section.

2. We have conducted clinical trials for our MWA therapeutic apparatus and MWA needles specifically indicated for liver cancer and thyroid nodule. We plan to conduct clinical trials for the indicated diseases based on our existing MWA therapeutic apparatus and existing MWA needles. Upon successful completion of the clinical trials for the indicated diseases, the indications of our MWA therapeutic apparatus and MWA needles under the Class III medical device registration certificate will be expanded. Our Directors believe that such expansion of specific indications could increase the recognition and competitiveness of our MWA therapeutic apparatus and MWA needles.

3. These MWA medical devices were initially acquired via the acquisition of Nanjing Changcheng in 2017. To the best knowledge of the Directors, these products are first registered as Class II/Class III medical devices in 2009 and 2010. We endeavour to improve the existing products and launch new products after the acquisition of Nanjing Changcheng. The latest products developed and registered by us are MTI-5AT and MTI-5ET therapeutic apparatus, which were both registered as Class III medical devices in February 2020.

4. Our MWA medical devices specifically indicated for thyroid nodules were registered as Class III medical devices in November 2021. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules completed the relevant clinical trials in China and obtained Class III registration certificate for MWA medical devices with such indication, according to Frost & Sullivan.

5. Based on the clinical trial plan for obtaining Class III medical device registration certificates for our Group's proprietary MWA medical devices specifically indicated for pulmonary nodules, the clinical trial would cover both benign pulmonary nodules and malignant pulmonary nodules (i.e. lung cancer).

6. As at the Latest Practicable Date, our Long MWA needles and Fine MWA needles were registered as Class II medical devices. While there is no specific indication for Class II medical devices under the Class II medical device registration certificate, based on the difference in features of the Long MWA needles and Fine MWA needles, they are commonly used in conjunction with our MWA therapeutic apparatus for the MWA treatments of liver cancer and lung cancer, and thyroid nodules and breast lumps, respectively. In view of the MWA Equipment Guidelines published by the NMPA on 25 November 2021, we plan to apply for Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles.

7. We plan to further expand the coverage of our existing Class III medical devices registration certificate by including these therapeutic apparatus in it. Accordingly, these therapeutic apparatus will have the same approved indication(s) as our launched MWA therapeutic apparatus, i.e. liver cancer and thyroid nodules as at the Latest Practicable Date, and are expected to have additional indications as listed above.

8. Our pipeline MWA-ultrasound integrated therapeutic apparatus is equipped with a built-in ultrasound scanner for locating the tumour(s) precisely during a MWA treatment. Except for this pipeline therapeutic apparatus, our MWA medical devices are used in conjunction with the guidance of ultrasound, CT scan or other imaging equipment to detect the location of the tumour(s). The ultrasound, CT scan or other imaging equipments are generally standard medical devices available in the hospitals.

As at the Latest Practicable Date, we had obtained (i) one registration certificate for Class III medical devices and (ii) two registration certificates for Class II medical devices. Through our R&D team jointly led by our co-chief technical officers, Mr. Lu Rongjian and Mr. Sun Hailong and our strong cooperation with our R&D partners, including Nanjing Forestry University and Zhuhai People's Hospital, we have been researching, designing, developing and producing MWA medical devices to meet market demand, and have also developed a robust product pipeline to achieve a more extensive MWA medical device offering. We believe our specialty oriented product portfolio can improve surgical efficiency and clinical outcomes for patients. Going forward, leveraging our established product development in the field of tumour treatment, we expect to expand into AI robotic surgery assistance which provides precision in the MWA or other ablation clinical application.

With our solid and strategically managed network of deliverers and distributors, coupled with our close collaboration with medical associations and doctors through our sales and marketing efforts, we have been educating medical practitioners in China on the benefit of MWA treatments. As a result, more hospitals are opting for MWA for treating their patients with tumours. The number of hospitals in China purchasing our products increased from 258 for FY2019 to 303 for FY2021, among which the number of Grade IIIA and Grade IIIB hospitals increased from 149 to 177. Our products are ultimately sold to hospitals by (i) sales to hospitals, either directly or through deliverers; or (ii) sales to distributors, which then on-sell our products to their designated hospitals with our authorisation. Leveraging on our solid and strategically

managed network of distributors, we benefit from our distributors' established channels and resources to save costs and the time required for launching and selling our products in target markets. In line with market practice, we also engage qualified deliverers, which mainly are state-owned companies in the PRC or subsidiaries of listed companies, through which we can take advantage of their network to sell our products to a large group of hospitals while reducing our administrative cost to liaise with each hospital individually. During the Track Record Period, all of our revenue was derived from China.

Our proprietary MWA medical devices were manufactured in the Nanjing Plant 1, with an aggregate GFA of 3,114 sq.m., before the relocation of our production to the Nanjing Plant 2 in October 2021, which has an aggregate GFA of 2,660 sq.m. As confirmed by our Directors, during the Track Record Period most of our proprietary MWA medical devices were manufactured in the Nanjing Plant 1 and the Nanjing Plant 2 and a small number of MWA medical devices are produced by commissioned production.

Leveraging on our solid and strategically managed sales and distribution network and our growing product portfolio, we have experienced a strong growth in our business and financial results during the Track Record Period. Our revenue increased from RMB85.0 million in FY2019 to RMB118.3 million in FY2020, and further to RMB188.7 million in FY2021 at a CAGR of 49.0% and our revenue increased from RMB59.6 million for 5M2021 to RMB63.8 million for 5M2022. We turned from a net loss of RMB49.7 million for FY2019 to a net profit of RMB46.7 million and RMB74.9 million for FY2020 and FY2021, respectively. For 5M2022, we recorded a net profit of RMB21.1 million, compared with that of RMB22.1 million for 5M2021. Our adjusted profit for the year (non-HKFRS measure) increased from RMB33.6 million in FY2019 to RMB52.0 million in FY2020 and further to RMB83.6 million in FY2021 at a CAGR of 57.7% and our adjusted profit for the period (non-HKFRS measure) increased from RMB26.8 million in 5M2021 to RMB30.4 million in 5M2022, respectively.

COMPETITIVE STRENGTHS

We are one of the leading MWA medical device developers and providers in the PRC for minimally invasive treatment of tumours in a fast-growing and underserved MWA medical device market in China

We are one of the leading MWA medical device developers and providers in the PRC for minimally invasive treatment of tumours. According to Frost & Sullivan, we ranked first among MWA medical device providers in the treatment for thyroid nodules and breast lumps in the PRC in terms of sales revenue and sales volume of MWA needles in 2021. We are the first company to have our proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices, according to Frost & Sullivan.

We operate in a MWA medical device market which remains underserved but is fast-growing and with extensive potential to grow in China. More and more doctors and patients have realised the efficacy and use of MWA technology to treat tumours. Given the increasing number of cancer patients, the promotion of ablation technique in hospitals, and the rising

adoption of minimally invasive operation, the ablation therapy has gradually become one of the most common treatments for tumour. From 2016 to 2021, the market size of China's tumour ablation industry in terms of hospital charge price has increased from RMB1.9 billion to RMB4.1 billion with a CAGR of 16.6%. MWA is the largest sector of tumour ablation therapy market in China, contributed to 57% of the overall ablation market, with a sales revenue of RMB2.3 billion in 2021. With the further popularisation of tumours ablation therapy and the increasing coverage of tumours ablation treatment in medical insurance in different geographic regions, the market size of the tumours ablation industry in China will remain an upward trend and is expected to reach RMB14.7 billion in 2026 with a CAGR of 30.6% from 2022 to 2026. As such, the number of MWA procedures in PRC increased from 70,900 in 2016 to 181,200 in 2021 and it is expected to reach 660,000 in 2026, representing a CAGR of 29.6% from 2022 to 2026. Our MWA medical devices primarily target specialty areas with significant efficacy with MWA technology and with substantial market growth potential including both (i) benign tumours with a particular focus on thyroid nodules and breast lumps; and (ii) malignant tumours with particular focus on liver cancer and lung cancer.

For FY2019, FY2020 and FY2021, our total revenue was RMB85.0 million, RMB118.3 million and RMB188.7 million, respectively, representing a CAGR of 49.0% from FY2019 to FY2021. We turned from a net loss of RMB49.7 million for FY2019 to a net profit of RMB46.7 million and RMB74.9 million for FY2020 and FY2021, respectively. Our revenue and net profit amounted to RMB63.8 million and RMB21.1 million for 5M2022, respectively. Our adjusted profit for the year (non-HKFRS measure) was RMB33.6 million, RMB52.0 million and RMB83.6 million for FY2019, FY2020 and FY2021, respectively, representing a CAGR of 57.7% from FY2019 to FY2021. Our adjusted profit for the period (non-HKFRS measure) increased from RMB26.8 million for 5M2021 to RMB30.4 million for 5M2022. Our total revenue and adjusted net profit (non-HKFRS measure) experienced a continued increase during the Track Record Period. We expect to enjoy a sustained growth, as well as to expand further into the fast growing but underserved market of the MWA medical devices.

We have established a solid and strategically managed sales and distribution network

We have a solid and strategically managed sales and distribution network across China. For 5M2022, our products have been sold directly, through our deliverers and on-sold by our distributors to 259 hospitals across 22 provinces, municipalities and autonomous regions in China. With our network of deliverers and distributors, the number of hospitals in China purchasing our products increased from 258 for FY2019 to 303 for FY2021, among which the number of Grade IIIA and Grade IIIB hospitals increased from 149 to 177. According to Frost & Sullivan, there are a total of 10 hospitals in Guangdong Province that are listed as the top 100 hospitals in the PRC issued by the Hospital Management Institute of Fudan University* (復旦大學醫院管理研究所) in 2020, and we have managed to sell our products to six of them during the Track Record Period. The following table sets forth the number of distributors, deliverers and hospitals (directly or indirectly) to/through which we sold our products in China during the years indicated:

	FY2019	FY2020	FY2021	5M2022
Public hospitals – Grade IIIA	140	156	159	150
Public hospitals – Grade IIIB	9	16	18	12
Other public hospitals	72	61	83	80
Total public hospitals	221	233	260	242
Private hospitals	37	42	43	17
Total hospitals	258	275	303	259
Distributors	116	105	102	72
Deliverers	14	16	16	14

The table below sets out the breakdown of main sales channels through which we sold our products to the hospitals for the years/period indicated:

Number of hospitals	**FY2019**	**FY2020**	**FY2021**	**5M2022**
Direct sales to hospitals	2	5	4	2
Sales through deliverers	21	26	29	32
Sales to distributors	235	244	270	225

Our sales and distribution network allows us to keep in touch with customers nationwide and respond to our clients' expectation in a more effective and timely manner. Leveraging on our distributors' and our deliverers' sales network and their geographical advantage, we can also establish close contact with more hospitals and doctors. With our continuing contact with hospitals and doctors, we are able to obtain direct feedback from product users and promote the efficacy and benefits of MWA technology.

During the Track Record Period, (i) our Group had no overlapping distributor and deliverer at the same time; and (ii) we did not sell and deliver our MWA medical devices to the same hospital customer through deliverer and distributor at the same time.

We have established relationship with market participants which greatly enhances our R&D capabilities

We attach great importance to our R&D efforts. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules registered as Class III medical devices, according to Frost & Sullivan. We had obtained (i) one registration certificate for Class III medical devices and (ii) two registration certificates for Class II medical devices. Also, our products have wide application to different tumours including both (i) benign tumours with a particular focus on thyroid nodules and breast lumps; and (ii) malignant tumours with particular focus on liver cancer and lung cancer. The diversified application of our products is critical for us to solidify our leading position in the market.

Our R&D capabilities are supported by our R&D team which is jointly led by our co-chief technical officers, Mr. Lu Rongjian and Mr. Sun Hailong. As at the Latest Practicable Date, we possessed, as sole owner or co-owner, a total of 27 registered patents in China, and we have made applications for 20 additional patents. For further details, please refer to "Statutory and General Information – B. Further information about our business – 2. Intellectual property rights – (d) Patents" in Appendix IV to this prospectus.

Further, we have reinforced our R&D capabilities by collaborating with CROs and academic institutions including Nanjing Forestry University and Zhuhai People's Hospital, which enables us to research, design, develop and produce MWA medical devices that stay on top of market trend and tap into the expertise of the partnered institutions, through which we have developed robust product pipeline to achieve a more extensive MWA medical device offering. We also gain first-hand knowledge of unmet clinical needs, doctors' preferences and clinical trends through medical conferences, R&D collaborations and training programmes. For details, please refer to "R&D" in this section.

In addition, we are keen to develop different products to address the diversified and ever-changing medical needs. Our R&D capabilities allow us to respond quickly to market demands in fast growing fields. As at the Latest Practicable Date, we had five types of pipeline products undergoing the development stage such as clinical trial preparation, product registration testing or product design. For further details, please refer to "Our businesses – Product pipeline" in this section. Along with our enhanced R&D capabilities, we believe that we are well-positioned to offer a great variety of MWA medical devices to patients in response to different clinical demands.

We are one of the leading players in the MWA medical device industry who add value to stakeholders in the value chain

Our MWA medical devices benefit the stakeholders in the value chain from patients to payers.

MWA is one of the available treatment options of certain types of benign and malignant tumours including liver cancer, thyroid nodules, pulmonary nodules, breast lumps, lung cancer, varicose veins, bone tumours, uterine fibroid, and prostate cancer. The patients eligible for MWA including, for example, in a single tumour case, patients with a tumour no larger than 5cm in diameter, or in a multiple-tumor case, patients with no more than three tumours and each tumour is no larger than 3cm in diameter. However, according to Frost & Sullivan, unlike RFA, MWA is not suitable for tumours close to major blood vessels or vital organs, for example, the patients with liver cancer whose tumour is adjacent to gastrointestinal tract, gallbladder, or pancreas. MWA is also not suitable for hematologic cancers, skin cancer and nasopharyngeal cancer. For further information for the patients eligible for MWA therapy, please refer to "Industry Overview – Overview of MWA market in China – Number of MWA procedures in China" in this prospectus. According to Frost & Sullivan, comparing with other major tumour ablation therapies such as RFA, cryoablation and laser ablation, the heat generation by MWA is stronger than other major tumour ablation therapies, hence, MWA has the advantage in rapid heating, larger ablation volume and short operation time and it can simultaneously treat multiple lesions. In addition, MWA is less likely to cause postoperative complications compared to cryoablation and laser ablation. For further comparison among different major ablation therapies, please refer to "Industry Overview – Overview of tumour ablation therapy market in China" in this prospectus. MWA has the advantage of being safe, minimally invasive and easy to operate with a rapid recovery and low complication rate for patients. MWA treatments can also prevent a benign tumour from developing to a malignant tumour and therefore preventing cancer at early stage. MWA treatment is suitable for patients with poor general health condition, serious diseases in major organs, elderly and other people who cannot tolerate conventional surgery. For treatments of thyroid nodule and breast lump, MWA also has the advantage of little effect on aesthetics and repeatable operation, as compared to traditional removal surgeries. According to Frost & Sullivan, the cancer progression rate among persons with pulmonary nodules, thyroid nodules and breast lumps are 5.5%, 5.0% and 7.0%, respectively.

For hospitals, our MWA medical devices provide them with a surgical alternative to conventional open surgery and chemotherapy for some of the patients who are suitable for undergoing MWA treatment. For details of eligible MWA patient, please refer to "Industry Overview – Overview of MWA market in China" in this prospectus. Patients undergoing MWA treatment also require less observation period and stay period (if any) post operation. Therefore, hospitals providing MWA treatment, thereby reducing the number of open surgery or chemotherapy patients, are able to reallocate resources to other patients and the burden on hospital capacity can be reduced.

For medical practitioners, our MWA medical devices provide them with a surgical alternative to tumour treatment for the patients. MWA treatment requires relatively short operation time and involves relatively low risk as compared to open surgery, which is beneficial to medical practitioners.

According to the Frost & Sullivan Report, conventional tumour treatments such as open surgery, chemotherapy and radiation therapy are relatively expensive, posing heavy burden on private insurance companies and national medical insurance. Comparatively, MWA treatment has satisfactory clinical outcome with relatively low fees. Meanwhile, the MWA treatments can curb benign tumour from developing to malignant tumour. As large malignant tumour generally requires major surgery and incurs higher medical expenses, early MWA treatment of tumours can decrease medical expenses reimbursement by private insurance companies and government medical expenditure by reducing the number of patients having the need to undergo major and

expensive surgery. For example, our MWA medical devices are currently covered by the national medical insurance in Guangdong Province and the reimbursement rate is up to 80% of the total fee for employee insurance and up to 60% of the total fee for rural insurance, which can further decrease the payers medical expenses reimbursement. For further details, please refer to "Regulatory Overview – National medical insurance programme" in this prospectus. It is expected that an increasing number of regions in China will include MWA in their medical insurance, according to Frost & Sullivan.

We have a visionary and experienced management team with proven track record

We have an experienced, dedicated and stable management team, with deep industry knowledge and management expertise that have contributed to our success so far. We are led by a management team who has rich working experience in medical companies. Our founder, Ms. Wu Haimei, has over 20 years of experience in the medical devices industry and is mainly responsible for the overall strategic planning and business development of our Group. Mr. Lu Rongjian, our co-chief technology officer, has been a lecturer in the Faculty of Mechanical and Electronic Engineering of Nanjing Forestry University (南京林業大學) for more than 17 years. He participated, either as a person in charge of the cooperation projects of Nanjing Forestry University (南京林業大學) or our technical consultant in the R&D process or as a co-author of some of the software copyrights registered by our Group in the PRC. Our management team also includes Mr. Hou Wei, who has over 28 years of experience in management and sales in the pharmaceutical industry. For details, please refer to "Directors and Senior Management" in this prospectus. In addition, our senior management team includes members with background in accounting, R&D and merchandising.

Over the years, our management team has established close relationships with our customers and suppliers and accumulated in-depth knowledge of the MWA medical device industry with strong understanding on the industry development and market trends. Whilst our Group was historically focused on distributing general medical devices, in order to expand our Group's business into the MWA industry in the PRC, our Group acquired Nanjing Changcheng so that we could utilise the Two Registration Certificates registered by Nanjing Changcheng to explore our business opportunities in the MWA industry. For details, please refer to "History, Reorganisation and Corporate Structure – Our principal operating entities – Establishment and shareholding changes of our Company and principal operating subsidiaries before the Reorganisation – Nanjing Changcheng" in this prospectus.

Following the acquisition of Nanjing Changcheng, our Group began developing MWA medical devices and has built on the innovative capabilities of Nanjing Changcheng and leveraged different visions and business strategies under the leadership of the management team of our Group in the following manner to capitalise on market opportunities:

(i) our Group has successfully expanded further on the MWA treatment of thyroid nodules which has become one of our focuses during the Track Record Period, thereby allowing our Group to capture business opportunities in one of the fastest growing markets in the MWA industry in the PRC;

(ii) our Group has significantly expanded our sales network for MWA medical devices in the PRC by leveraging on our solid and strategically managed sales and distribution network and business relationships with hospitals and medical devices distributors across the PRC which our Group has developed over years of operation in the medical device industry in the PRC;

(iii) our Group has, through our continuous R&D efforts, diversified and expanded our product mix of MWA medical devices and thus we are able to accommodate to the different clinical needs of our end users; and

(iv) our Group uses an array of marketing strategies and actively participates in medical conferences in the PRC.

We believe that our leadership team, with their strong management talent, and our utilisation of our vast distribution networks and industry experience, will help us sustain our organic growth and future development.

BUSINESS STRATEGIES

Our goal is to become a world-renowned medical device developer and provider that provides high quality, comprehensive and innovative products. We plan to implement the following strategies in the following few years to achieve this goal:

Selectively pursue strategic acquisitions or investment

Our success today is mainly attributable to the successful acquisition of Nanjing Changcheng in 2017. We plan to actively seek suitable opportunities for strategic acquisitions, investment or synergistic business cooperation to grow our business, expand our product portfolio, enhance our sales and distribution network and strengthen our R&D capabilities to further consolidate our market position. We believe there are ample opportunities that could complement our existing product portfolio, sales and distribution network, technology and bring synergy effect to our business growth, including:

- companies that offer laser ablation products and technologies which potentially enable us to laterally expand our product offering particularly to the treatment of prostate cancer and brain cancer. According to Frost & Sullivan, laser ablation has been used in clinical practice for several decades, but it has not been widely used in tumour therapy due to the lack of non-invasive temperature monitoring mechanism and accurate and effective heating method in the early stage. In recent years, with the development of fiber beam and the transformation of laser, laser ablation technology has been rapidly developed in the field of tumour treatment. Laser ablation can treat a number of brain lesions, including epilepsy, radiation necrosis, intractable brain edema, and tumours such as meningioma, ependymoma, primordial neuroectodermal tumours, chordoma, and hemangioblastoma. Compared with other stereotactic procedures, such as RFA,

gamma knife, and focused ultrasound, laser ablation can achieve low-risk invasive damage of soft tissue lesions, with precise and controllable ablation range, small error, and almost no damage to normal structures surrounding the lesions. In the field of brain cancer, prostate cancer and other indications with high sensitivity to treatment accuracy, laser ablation is expected to gain a broader market growth. The incidence rates of cancers including prostate cancer and brain cancer have been increasing in recent years, and it is estimated that the number of new cases of brain cancer and prostate cancer will reach 130,341 and 133,990 respectively by 2026. For tumour treatment in the brain and prostate, precise control of the size and location of the lesion is required. The application of laser ablation is advantageous as the shape and size of the ablation lesions can be adjusted by the combination of multiple optical fibers. Compared with other ablation therapies, laser ablation has the advantages of precise and controllable ablation range, little error, and almost no damage to the structure surrounding the lesion. Therefore, we are of the view that there is a broad market for laser ablation products for prostate cancer and brain cancer;

- companies that offer MWA products and technologies (including microbubble ultrasound cavitation enhanced MWA products and technologies) which potentially enable us to laterally expand and/or upgrade our product offering. Compared with other ablation methods, MWA has shorter operation time, less bleeding risk and less sensitivity to thermal deposition. In order to further reduce the influence of "thermal deposition effect" on ablation, the technology of microbubble ultrasonic cavitation to enhance the effect of MWA has been applied in early clinical studies. Studies have shown that ultrasound cavitation technology can effectively reduce the impact of thermal precipitation. We believe that acquiring or investing in relevant companies would enable us to combine ultrasound cavitation with MWA technology to improve the treatment effect of our MWA products; and

- companies that focus on the development of AI and are in possession of the relevant products and technologies which potentially enable us to develop AI robotic surgery assistance which provides precision in the MWA or other ablation clinical application. We consider that the high technical level and experience required from doctors hinder the popularisation of MWA products. AI surgical robots can (i) improve surgical efficiency and reduce surgical risks through precise navigation and treatment; (ii) perform various tumour treatments and inspection operations; and (iii) provide digital platform for preoperative management and postoperative rehabilitation. Therefore, we believe that the development and deployment of AI technology in the field of MWA will become the key breakthrough for us to improve our market competitiveness.

We evaluate targets based on a number of criteria, including:

(i) potentials to achieve synergies with our existing subsidiaries, including the product pipelines of the target, the product mix after the acquisition and our growth potentials in the market where the target operates;

(ii) the target's current operations and capacity including, among others, the duration of its operating history, the possession of medical registration certificates, its connections with upstream suppliers, its production capacity and its historical financial performance;

(iii) the qualifications and experience of its key personnel such as R&D staff and marketing staff;

(iv) estimated cost and time to integrate the acquired business into our operations;

(v) estimated ongoing operating expenses and capital expenditure requirements;

(vi) potential returns with an expected positive annual net profit within three financial years after the acquisition and business integration and estimated future value; and

(vii) the target's market reputation among the key stakeholders and historical compliance with applicable laws and regulations.

According to Frost & Sullivan, there will be approximately over 90 potential targets available worldwide based on our criteria for strategic acquisition or investment. Our Directors confirm that as at the Latest Practicable Date, we had not identified any specific acquisition target, formed any specific acquisition plan or entered into any agreement with potential target. We believe our operating experience will aid us in identifying potential acquisition opportunities and our proven track record of acquiring Nanjing Changcheng will help us form an informed assessment and evaluation of the targets, as well as integrate the operation of the acquired companies into our existing business successfully.

Broaden and deepen our product portfolio, upgrade our medical licences and expand our R&D team

Our sustainable innovation capability depends on our ability to continuously develop new products. As part of our business strategy, our R&D staff will continue to broaden and deepen our product portfolio, in a bid to strengthen our position in the MWA medical device market. Capitalising on our market position and our deep understanding on the MWA medical device industry, we will further expand our product portfolio through R&D collaborations. We are the first company to have our proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices, according to Frost & Sullivan. We plan to expand the coverage of our Class III

medical device registration certificates for our proprietary MWA medical devices specifically indicated for breast lumps, pulmonary nodules, varicose vein, bone tumours, uterine fibroid, prostate cancer and other diseases.

(i) Breast lumps

We have completed the prototype manufacturing and product registration testing of our MWA medical devices specifically indicated for breast lumps, and is in the course of clinical trial which we expect to complete the clinical trial in the first quarter of 2023. We will conduct NMPA registration right after the clinical trial, and we expect to obtain the Class III medical device registration certificate specifically indicated for breast lumps in the fourth quarter of 2023. As at the Latest Practicable Date, most of the costs of this plan have been financed by our internal resources.

(ii) Pulmonary nodules

We have completed the prototype manufacturing of our MWA medical devices specifically indicated for pulmonary nodules, and is in the course of product registration testing which we expect to complete in the third quarter of 2022. Right after the completion of product registration testing, we will commence the clinical trial by enrolling not less than 140 patients for the clinical trial for the MWA medical device specifically indicated for pulmonary nodules. We expect to complete the clinical trial in the fourth quarter of 2023 and we will proceed to NMPA registration right after the completion of the clinical trial. We expect to obtain the Class III medical device registration certificate specifically indicated for pulmonary nodules in the third quarter of 2024. In this regard, we have engaged Nanjing Huitong for their services on clinical trial and NMPA registration of our MWA medical devices. For further details, please refer to "R&D – R&D collaborations" in this section. We intend to allocate the net proceeds from the Global Offering of RMB12.9 million to finance the estimated outstanding service fees payable to Nanjing Huitong for clinical trials and NMPA registration of this plan.

(iii) Varicose veins

We have completed the prototype manufacturing of our MWA medical devices specifically indicated for varicose veins, and is in the course of product registration testing which we expected to complete in the fourth quarter of 2022. Right after the completion of product registration testing, we will commence the clinical trial by enrolling not less than 130 patients for the clinical trial for the MWA medical device specifically indicated for varicose veins. We expect to complete the clinical trial in the first quarter of 2024 and we will proceed to NMPA registration right after the clinical trial. We expect to obtain the Class III medical device registration certificate specifically indicated for varicose veins in the third quarter of 2024. In this regard, we have engaged Nanjing Huitong for their services on clinical trial and NMPA registration of our MWA medical devices. For further details, please refer to "R&D – R&D collaborations" in this section. We intend to allocate the net proceeds from the Global Offering of RMB10.0 million to finance the estimated

outstanding service fees payable to Nanjing Huitong for clinical trials and NMPA registration of this plan.

(iv) Bone tumours and uterine fibroid

We are in the course of prototype manufacturing for the MWA medical devices specifically indicated for bone tumours and uterine fibroid, respectively, which we expect to complete in the third quarter of 2022. We would then commence the product registration testing which we expect to complete in the first quarter of 2023. Upon completion of prototype manufacturing and product registration testing, we plan to commence the clinical trials by enrolling not less than 140 patients and 150 patients, respectively, for the clinical trial for the MWA medical device specifically indicated for bone tumours and uterine fibroid. We expect to complete the clinical trials in the second quarter of 2024 and we will proceed to NMPA registration right after the clinical trial. We expect to obtain the Class III medical device registration certificate specifically indicated for each of bone tumours and uterine fibroid in the fourth quarter of 2024. In this regard, we have engaged Nanjing Huitong for their services on clinical trial and registration of our MWA medical devices. For further details, please refer to "R&D – R&D collaborations" in this section. We intend to allocate the net proceeds from the Global Offering and our internal resources to finance the estimated outstanding service fees of RMB25.2 million payable to Nanjing Huitong for clinical trials and NMPA registration of these plans.

(v) Prostate cancer and other diseases

We plan to commence prototype manufacturing of MWA medical devices specifically indicated for prostate cancer in the fourth quarter of 2022 and will kick start the rest of registration steps after the completion of prototype manufacturing. We expect to obtain the Class III medical device registration certificate specifically indicated for prostate cancer in the first quarter of 2025. We plan to invest RMB25.5 million in the relevant clinical trials and NMPA registration and we intend to allocate the net proceeds from the Global Offering and our internal resources to finance such plan.

We will also explore the market potentials for other diseases from time to time to increase our recognition and competitive edge.

Clinical trials on specific diseases are the prerequisite for the application of the Class III medical device registration certificate specifically indicated for each of those diseases under the relevant laws and regulations of the PRC. Hence, successful registration of MWA medical devices as Class III medical devices with specific indications is a proof that the medical devices have been clinically tested and accordingly would increase the recognition of such devices. We are developing five types of pipeline products. Please refer to "Our businesses – Product pipeline" in this section. In addition, in 5M2022, we have initiated our plan for the application of FDA registration and CE Marks respectively for our proprietary MWA medical devices.

In addition, we will continue to focus on identifying the technologies that are of great clinical potential to meet the unmet clinical demand and collaborate with our R&D partners to tackle the key clinical issues and launch new products in the underserved and fast growing MWA medical device market in the PRC. Going forward, leveraging our established product development in the field of tumour treatment, we plan to study, research on and develop MWA intelligence, which uses robots and optical surgical navigation technology to accurately locate tumours, improve surgical accuracy and reduce the dependence of doctors' skills and experience. According to Frost & Sullivan, intelligence applications such as MWA robot systems are key research directions in the future. We intend to develop and launch AI robotic surgery assistance, particularly for the treatment of thyroid nodules, breast lumps, bone tumours, pulmonary nodules, prostate tumours and heart hypertrophy. We believe that our pipeline products will complement our existing MWA needles and therapeutic apparatus and will consolidate our position as one of the leading MWA medical device providers in the PRC and pave our way to tap into foreign markets. We intend to invest RMB45.0 million in the R&D of MWA intelligence. We plan to conduct pre-clinical activities on the application of MWA intelligence, which is expected to complete in the first quarter of 2025. Right after the completion of pre-clinical activities of MWA intelligence, we will conduct clinical trial on the application of MWA intelligence for the treatment of thyroid nodules and we expect to complete in second quarter of 2027 and we will proceed to NMPA registration right after the completion of such clinical trial. We expect to obtain the Class III medical device registration certificate for application of MWA intelligence specifically indicated for thyroid nodules in the fourth quarter of 2027. We intend to finance the abovementioned pre-clinical activities, clinical trial and NMPA registration by the net proceeds from the Global Offering and our internal resources.

To cope with our R&D plan above, we also plan to expand our R&D team at different levels including R&D director, team leaders and staff of junior level. In order to strengthen our R&D capability, we have established a R&D committee to oversee key stages of our R&D process, advise on the mid- and long-term R&D strategies and direction for R&D of new products and review the status and progress of the R&D projects for new products. For details, please refer to "R&D – R&D Committee" in this section. As at 31 May 2022, our R&D team consisted of 14 members and has been jointly led by our co-chief technical officers, Mr. Lu Rongjian and Mr. Sun Hailong. For further details of our R&D team and the experience of our co-chief technical officers, please refer to "R&D – R&D team" in this section. We plan to recruit more than 20 R&D staff, most of which are expected to hold a bachelor's degree and have at least three years of experience in R&D of medical devices and some experience in product registration of medical devices. We intend to finance the expansion of our R&D team by the net proceeds from the Global Offering and our internal resources.

As at the Latest Practicable Date, we possessed, as sole owner or co-owner, a total of 27 registered patents, 21 registered software copyrights and another 20 patents under application. In addition to the plan to expand the indication coverage of our Class III medical device, we will continue to expand our knowhow by our R&D effort and application of new patents and software copyrights. Please refer to "Statutory and General

Information – B. Further information about our business – 2. Intellectual property rights" in Appendix IV to this prospectus for further details.

Expand our presence in foreign and emerging markets by setting up overseas offices

We have endeavoured to expand our sales network in China during the Track Record Period. Apart from continuous national expansion, leveraging our established products and our leading market position in the PRC, we intend to tap into suitable overseas markets such as the U.S. and Europe that we believe are with good market growth potential by establishing overseas offices to implement our business development strategy and seek collaboration opportunities with local sales channels. According to Frost & Sullivan, RFA is the largest sector of tumour ablation therapy market in the U.S. and Europe in 2021, followed by MWA which contributed to 21.9% and 27.3% of the overall tumour ablation therapy market in the U.S. and Europe in terms of revenue, respectively. The revenue of MWA market in the U.S. reached approximately US$79.0 million in 2021. The MWA market in the U.S. is relatively concentrated with a few top market players including (i) an American multinational company established in 1949, listed on the NYSE with market capitalisation of approximately US$120 billion and has approximately 90,000 employees globally whose main products cover arrhythmia, heart failure, vascular disease, heart valve replacement, external cardiac support, minimally invasive cardiac surgery, malignant and non-malignant pain, diabetes, gastrointestinal diseases and other diseases; and (ii) an American multinational corporation founded in 1886, listed on the NYSE with market capitalisation of over US$400 billion and has over 140,000 employees globally, whose main business covers consumer health, medtech, and pharmaceuticals. Meanwhile, the revenue of MWA market in Europe reached approximately US$39.0 million in 2021. The MWA market in Europe is relatively fragmented since there are a number of countries in Europe. Apart from the medical device companies as mentioned in the U.S. market above, there are also some specialist medical devices companies in the European market which primarily focus on the development and sales of MWA products. It is expected that the market size of MWA tumour ablation therapy market in the U.S. and Europe will grow at a CAGR of 11.9% and 11.7% from 2022 to 2026, respectively. In 5M2022, we have initiated our plan for the applications of FDA registration and CE Marks respectively for our proprietary MWA medical devices specifically indicated for liver cancer and thyroid nodules. The applications are expected to be completed in the fourth quarter and the third quarter of 2024, respectively. We intend to invest RMB35.0 million in the relevant clinical trials and applications of FDA registration and CE Marks for the selected indication. We intend to finance the abovementioned clinical trials and registrations by the net proceeds from the Global Offering and our internal source of fund. We will conduct market research on the tumours ablation therapy markets in Europe and the U.S. and formulate a concrete overseas marketing plan in 2023. We intend to start cooperating with renowned overseas medical experts and professors to promote our brand and products in the overseas markets in the second half of 2023. We expect to set up our overseas office and recruit overseas sales and marketing staff for sales and after-sale services in the first quarter of 2024.

To promote our brand name overseas, we will participate in prominent international medical conferences, such as China International Medical Equipment Fair (中國國際醫療器械博覽會), MEDICA and Florida International Medical Expo (FIME) to promote our products and build our brand reputation among influential KOLs and major medical associations in the MWA field of our targeted overseas markets. We believe our successful

completion of clinical trial of our MWA Class III medical devices specifically indicated for thyroid nodules in the PRC, and being the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices would be a competitive advantage for us to promote the efficacy of MWA treatment. In addition, according to Frost & Sullivan, the selling price of our products are generally lower than that of overseas manufacturers thanks to the lower domestic labour cost and raw material cost in the PRC than in the U.S. and Europe, leading to our competitive advantages on promoting and selling our products.

Acquire automated machineries and equipment to improve the automation level of our production lines

During the Track Record Period, much of our production process including assembly and welding, packaging and product testing predominantly rely on manual operation. To increase standardisation of our production process and production efficiency, we plan to automate certain production steps by installing various types of automatic machineries and equipment in the Nanjing Plant 2 and the Suzhou Plant. We will provide training to our production staff on the operation of the new machineries and equipment and the automated production process. In addition, our Directors believe that improved automation in the production process will enhance our operational efficiency, strengthen our capacity in producing highly standardised quality MWA medical devices, and increase the recognition of our proprietary MWA medical devices among medical practitioners.

OUR BUSINESSES

We (i) design, develop, manufacture and sell our proprietary MWA medical devices; and (ii) engage in trading of other medical devices. Below is a description of our major businesses:

- **Sales of MWA medical devices**: We design, develop, manufacture and sell our proprietary MWA needles and therapeutic apparatus. The sales revenue of our MWA medical devices represented 91.4%, 83.6%, 83.3% and 85.5% of our total revenue in FY2019, FY2020, FY2021 and 5M2022, respectively.

- **Sales of other medical devices**: We engage in trading of other medical devices, such as catheters, ventilators, operation tables, medical gloves and syringe and other large medical machines and system. The sales revenue from trading of other medical devices represented 5.2%, 14.2%, 14.7% and 13.3% of our total revenue in FY2019, FY2020, FY2021 and 5M2022, respectively.

The following table sets forth the components of our revenue by business segment for the periods indicated.

	FY2019 Revenue		FY2020 Revenue		FY2021 Revenue		5M2021 Revenue		5M2022 Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales of MWA medical devices										
– MWA needles	72,954	85.8	88,043	74.4	146,017	77.4	46,778	78.5	52,608	82.5
– Fine MWA needles	45,327	53.3	56,215	47.5	101,778	54.0	32,436	54.4	37,286	58.5
– Long MWA needles	27,627	32.5	31,828	26.9	44,239	23.4	14,342	24.1	15,322	24.0
– MWA therapeutic apparatus	4,740	5.6	10,861	9.2	11,209	5.9	3,513	5.9	1,910	3.0
Subtotal	77,694	91.4	98,904	83.6	157,226	83.3	50,291	84.4	54,518	85.5
Sales of other medical devices	4,382	5.2	16,786	14.2	27,724	14.7	6,494	10.9	8,488	13.3
Other[(Note)]	2,953	3.4	2,597	2.2	3,714	2.0	2,820	4.7	758	1.2
Total	85,029	100.0	118,287	100.0	188,664	100.0	59,605	100.0	63,764	100.0

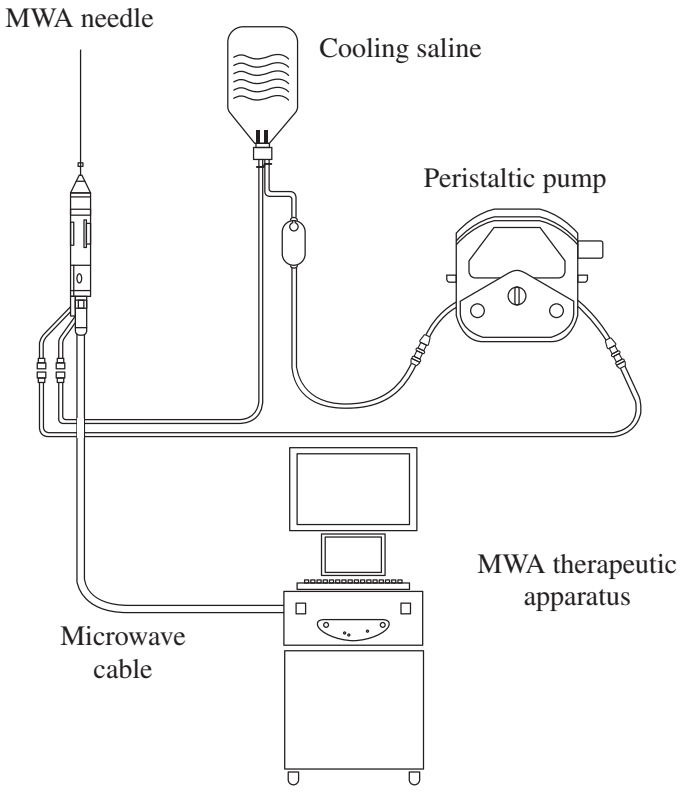
Note: Other represents the rental income recognised from leasing of our MWA therapeutic apparatus to customers. Our management has assessed the arrangement and recognised rental income from the lease component of the relevant contract with our customers under HKFRS 16.

Sales of proprietary MWA medical devices

How MWA medical devices work

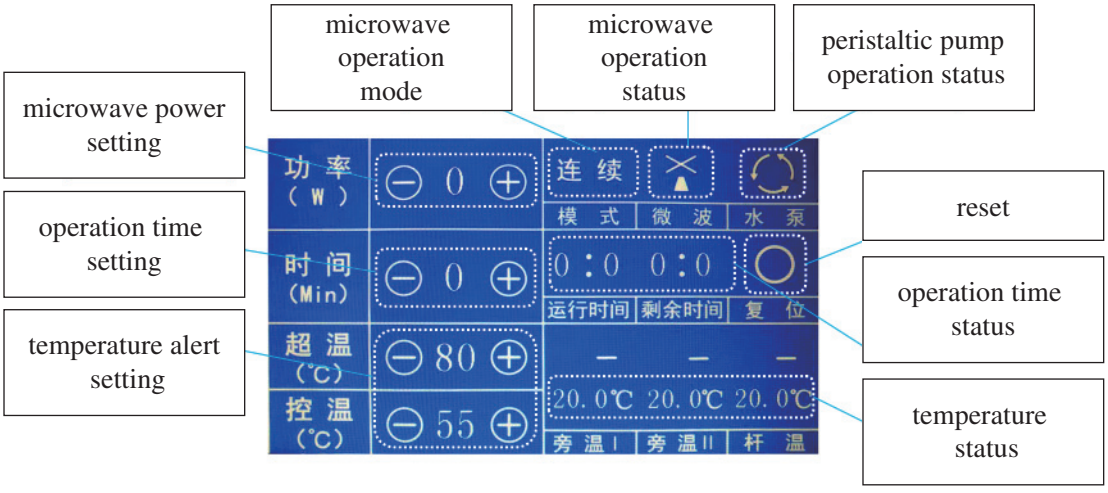
Tumour ablation therapy is a technique guided by ultrasound, CT, magnetic resonance imaging (MRI) and other imaging techniques while using energy ablation (including MWA), chemical ablation, or other minimally invasive procedures to target the tumour, causing acute cellular necrosis with very high temperature to ultimately achieve inactivation of tumour. Tumour ablation technique is primarily applied in the treatment of both benign and malignant tumours. Tumour ablation technique has the advantage of being safe, minimally invasive and easy to operate with a rapid recovery and low complication rate for patients. Tumour ablation therapy can also prevent cancer progression by curbing a benign tumour from developing into a malignant tumour. Therefore, early detection and treatment of benign tumours plays an important role in cancer prevention. According to Frost & Sullivan, MWA is a minimally invasive treatment technique that denaturises and coagulates the protein of tumour cells with extreme heat generated by microwave energy. MWA technology was first adopted in China by a military hospital in 1996 for the treatment of liver cancer. After years of research and exploration, MWA technique has been developed to the treatments of different benign and malignant tumours, including liver cancer, thyroid nodules, lung cancer and breast lumps, etc. MWA treatment is suitable for patients with poor general health condition, serious diseases in major organs, elderly and other people who cannot tolerate conventional surgery. Among the major ablation technique, MWA has the advantage of rapid heating, high intratumoural temperature, short operation time and more efficient in coagulating blood vessels. For treatments of thyroid nodules and breast lumps, MWA also has the advantage of minor trauma or little effect on aesthetics and repeatable operation, as compared to traditional removal surgeries.

In a typical MWA treatment, patients are operated under local anaesthesia. Depending on the size and location of the tumour, the doctor presets, among other things, the power (usually 35 W), ablation time (usually within 12 to 15 minutes) and the ablation mode (usually continuous, pulse or pedal mode) in the MWA therapeutic apparatus. The medical practitioner first makes a small incision to facilitate the penetration of the MWA needle. Under the guidance of ultrasound, CT scan or other imaging equipment which are used in conjunction with the MWA medical devices to detect the location of tumours, the MWA needle can be inserted into the tumour accurately. The ultrasound, CT scan or other imaging equipments are generally standard medical devices available in the hospitals. The MWA needle should pass through the centre of the tumour for even ablation effect. After ensuring the peristaltic pump is turned on to allow circulation of cooling saline, the medical practitioner will start the MWA treatment. The MWA therapeutic apparatus produces and transmits intense heat that coagulates the tumour tissue through the MWA needle. The cooling saline runs through the MWA needle except its tip which has direct contact with the tumour. The circulation of cooling saline can prevent or reduce damage to other parts of the patient's body. The medical practitioner assesses the ablation effect throughout the MWA treatment to avoid over-ablation by observing the operation status as shown on the MWA therapeutic apparatus and the tumour via ultrasound, CT scan or other imaging equipment. The diagram below exemplifies a MWA medical set-up in a typical MWA treatment.



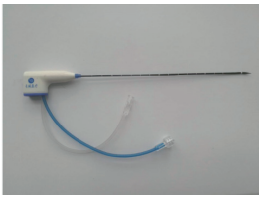
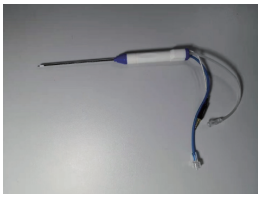
Note: This diagram is for reference only and is not drawn to scale.

The diagram below exemplifies the interface of one of our proprietary MWA therapeutic apparatus:



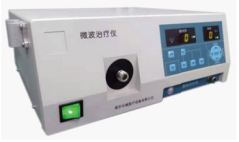
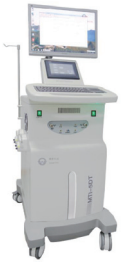
MWA needles

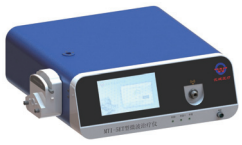
Our proprietary MWA needles are used (and can only be used) in conjunction with our proprietary MWA therapeutic apparatus for MWA treatments. Our proprietary MWA needles are consumables that are non-reusable and hence require recurrent replacement. Our MWA needles are broadly categorised into Fine MWA needles and Long MWA needles based on their length and diameter. Our MWA needles can be penetrated into the human body during a MWA treatment. The table below sets forth certain information of our proprietary MWA needles.

Product category	**Classification**	**Features**	**Sample pictures**
Long MWA needles	Class II and/or Class III	Materials of needle: tin-phosphor bronze for the tip; stainless steel for the rod; with PTFE coating Microwave frequency: 915 MHz or 2,450 MHz Specifications: length of needles ranging from 15 cm to 21 cm and diameter of needles ranging from 1.8 mm to 2.0 mm to cater for different clinical needs Commonly used for MWA treatments of liver cancer and lung cancer	
Fine MWA needles	Class II and/or Class III	Materials of needle: tin-phosphor bronze for the tip; stainless steel for the rod; with PTFE coating Microwave frequency: 915 MHz or 2,450 MHz Specifications: length of needles ranging from 8 cm to 10 cm and diameter of needles ranging from 1.4 mm to 1.6 mm to cater for different clinical needs Commonly used for MWA treatments of thyroid nodules and breast lumps	

MWA therapeutic apparatus

We own five models of our proprietary MWA therapeutic apparatus. The table below sets forth certain information of our proprietary MWA therapeutic apparatus.

Product category	Classification	Features	Sample pictures
MTI-5AT MWA therapeutic apparatus	Class III	Size: 490mm×460mm×155mm Frequency: 2,450 MHz Power: can be set within the range of 0 to 120W, with 1W interval Source of microwave power: magnetron Special features: touch-screen, over-heating protection, portable Useful life: eight years	
MTI-5B MWA therapeutic apparatus	Class III	Size: 445mm×330mm×156mm Frequency: 2,450 MHz Power: can be set within the range of 0 to 120W, with 1W interval Source of microwave power: magnetron Special features: physical buttons, applicable to radiation therapy, portable Useful life: eight years	
MTI-5C MWA therapeutic apparatus	Class III	Size: 430mm×520mm×950mm Frequency: 2,450 MHz Power: can be set within the range of 0 to 120W, with 1W interval Source of microwave power: magnetron Special features: touch-screen, applicable to radiation therapy, movable Useful life: eight years	
MTI-5DT MWA therapeutic apparatus	Class III	Size: 580mm×750mm×1450mm Frequency: 2,450 MHz Power: can be set within the range of 0 to 120W, with 1W interval Source of microwave power: magnetron Special features: touch-screen, over-heating protection, two-port output for MWA treatments utilising two MWA needles simultaneously, movable Useful life: eight years	

Product category	Classification	Features	Sample pictures
MTI-5ET MWA therapeutic apparatus	Class III	Size: 490mm×460mm×155mm Frequency: 2,450 MHz Power: can be set within the range of 0 to 120W, with 1W interval Source of microwave power: solid state source Special features: touch-screen, over-heating protection, portable Useful life: eight years	

Our proprietary MWA therapeutic apparatus are embedded with our self-developed MWA system and monitory software. We endeavour to develop software to be embedded with our proprietary MWA therapeutic apparatus. As at the Latest Practicable Date, we had 21 registered software copyrights.

Except MTI-5AT and MTI-5ET MWA therapeutic apparatus which were developed and registered by us in February 2020, to the best knowledge of our Directors, our existing MWA medical devices were initially developed and registered by Nanjing Changcheng Information System Company Limited* (南京長城信息系統有限公司) in 2009 and 2010.

We have conducted clinical trials for our MWA therapeutic apparatus and MWA needles specifically indicated for liver cancer and thyroid nodule. In addition, we plan to conduct clinical trials for various indications, including breast lump, pulmonary nodules, varicose veins, bone tumours, uterine fibroids and other diseases, using our existing MWA therapeutic apparatus together with the selected models of our existing MWA needles. Upon completion of the successful clinical trials for the indicated diseases, the indication coverage of our MWA therapeutic apparatus and MWA needles under the Class III medical device registration certificate will be expanded. Our Directors believe that such expansion of specific indications could increase the recognition and competitiveness of our MWA therapeutic apparatus and MWA needles as it is a proof that our MWA products have been clinically tested for the treatments of the indicated diseases. In this regard, we have engaged Nanjing Huitong for their services on R&D, clinical trial and registration of our MWA medical devices. For further details, please refer to "Business strategies – Broaden and deepen our product portfolio, upgrade our medical licences and expand our R&D team" and "R&D – R&D collaborations" in this section.

Our MWA medical devices being sold to public hospitals are required to go through standard public tender procedure established in some provinces or regions. Meanwhile, some hospitals may organise tenders to select suppliers for medical devices. If our MWA medical devices win the bids, such products would be qualified for future procurement by public hospitals in that particular region and the bidding prices generally determine the maximum retail price of our products.

Trading of other medical devices

Our Group was principally engaged in distribution of medical devices when it was first established in 2012. Since the acquisition of Nanjing Changcheng in 2017, we directed our resources and business focus in the manufacturing and selling of MWA medical devices, while continuing to engage in trading of other medical devices such as catheters, ventilators, operation tables, medical gloves and syringe and other large medical machines and system during the Track Record Period. We source these medical devices from third-party suppliers and we then on-sell the products to our customers. Our track record in the medical device distribution industry allows us to establish relationship with other market players along the value chain such as hospitals, suppliers, distributors and deliverers and in turn facilitate our brand recognition, which according to Frost & Sullivan is a crucial entry barrier of MWA medical device market. Our Directors believe that our business of trading of other medical devices enhances our profile, facilitates our entry into the MWA medical device market and allows us to consolidate our market presence and grow quickly in the MWA medical device market during the Track Record Period.

Considering the rationale as disclosed above, we plan to maintain both sales of MWA medical devices and the trading of other medical devices as our principal businesses in the foreseeable future.

Sales volumes and price ranges

The following table sets forth the price ranges, average selling price, revenue and sales volumes of our MWA needles, MWA therapeutic apparatus and other medical devices for the periods indicated:

	FY2019				FY2020				FY2021			
	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*
Sales of MWA needles	862–10,509	3,923	72,954	18,595	1,504–10,731	4,301	88,043	20,470	765–12,250	3,594	146,017	40,623
Sales of MWA therapeutic apparatus	3,103–301,724	22,465	4,740	211	3,186–230,088	63,891	10,861	170	3,982–176,991	63,330	11,209	177
Sales of other medical devices	52–710,398	4,009	4,382	1,093	244–3,525,664	5,417	16,786	3,099	71–1,792,035	2,029	27,724	13,666

	5M2021				5M2022			
	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000* (unaudited)	Quantity *units*	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*
Sales of MWA needles	782–11,150	3,598	46,778	13,002	619–11,150	3,536	52,608	14,877
Sales of MWA therapeutic apparatus	3,982–172,566	61,626	3,513	57	7,080–172,566	37,458	1,910	51
Sales of other medical devices	71–29,115	2,810	6,494	2,311	177–29,115	1,783	8,488	4,759

Please refer to "Financial Information – Description of certain components of our consolidated statements of profit or loss and other comprehensive income – Revenue" in this prospectus for a discussion of the changes in revenue and average price of our MWA medical devices and other medical devices during the Track Record Period.

Product pipeline

We believe that our product development can either upgrade our existing products or provide new products to respond to the unmet clinical needs.

The following table sets forth certain information about our major pipeline products:

Product category	Expected medical device registration certificate to be obtained	Feature, applications and benefits	Stage of development	Expected launch date	Addressable market	Expected investment amount *(RMB'000)*
MWA-ultrasound integrated therapeutic apparatus (B超引導微波介入治療組合設備)	Class III	– Equipped with built-in ultrasound scanner for locating the tumour precisely during a MWA treatment – Reflects real-time data of the therapeutic apparatus on the ultrasound machine interface, allowing doctors to manage all data of the treatment easily and focus on observing the patient during the treatment – To be used in conjunction with different proprietary MWA needles for the treatment of different diseases	Product design	Second quarter of 2023	Depends on the MWA needles that it uses in conjunction with *(Note)*	9,000 (Amount invested as at 31 May 2022: 6,028)

Product category	Expected medical device registration certificate to be obtained	Feature, applications and benefits	Stage of development	Expected launch date	Addressable market	Expected investment amount *(RMB'000)*
MTI-5GT four-source MWA therapeutic apparatus (MTI-5GT型四源微波治療儀)	Class III	– Provides output frequency of 2,450 MHz – Four-port outputs for MWA treatments utilising four MWA needles simultaneously – Each output is equipped with an independent temperature sensor which allows real-time reflection of temperature data – Applicable to MWA treatment for large tumours – To be used in conjunction with different proprietary MWA needles for the treatment of different diseases	Clinical trial preparation	Third quarter of 2023	Depends on the MWA needles that it uses in conjunction with *(Note)*	2,918 (Amount invested as at 31 May 2022: 1,437)
MTI-5FT therapeutic apparatus (MTI-5FT型微波治療儀)	Class III	– Provides output frequency of 915 MHz which has stronger penetration power – Applicable to MWA treatment for large tumours – Uses solid-state power as the source of microwave emission, which can detect no-load condition and ensure safe clinical use – Equipped with LED display with user-friendly interface – To be used in conjunction with different proprietary MWA needles for the treatment of different diseases	Clinical trial preparation	Fourth quarter of 2023	Depends on the MWA needles that it uses in conjunction with *(Note)*	3,018 (Amount invested as at 31 May 2022: 1,238)

Product category	Expected medical device registration certificate to be obtained	Feature, applications and benefits	Stage of development	Expected launch date	Addressable market	Expected investment amount *(RMB'000)*
MWA catheters (微波消融導管)	Class III	– Comprises four different models of catheters (i) with water-cooling structure or non-water cooling structure; and (ii) with or without laser navigation system – Water-cooling structure features the use of special engineering plastics and a water cycle structure to ensure product quality and lower cost – Laser navigation system allows doctors to locate the position of the catheter inside the blood vessel – Composed of semi-flexible needle with circular tip – Applicable to MWA treatment targeting intestine and blood vessel – Intended to be applied for tumours in varicose vein	Clinical trial preparation	Third quarter of 2024	Varicose vein – According to Frost & Sullivan, the number of new patients with varicose vein in China who are eligible for ablation technique is expected to be 1.3 million in 2026.	13,000 (Amount invested as at 31 May 2022: 3,000)
Endoscope-guided puncture MWA needles (內窺鏡引導穿刺性微波消融針)	Class III	– Composed of semi-flexible needle – Allows precise ablation inside patient's lung as the MWA needles can enter the lung with the guidance of endoscope – Applicable to MWA treatment targeting lung tumours – Intended to be applied for pulmonary nodule	Clinical trial preparation	Third quarter of 2024	Pulmonary nodules (including both benign pulmonary nodules and malignant pulmonary nodules) – According to Frost & Sullivan, the number of new patients with pulmonary nodules and lung cancer in China who are eligible for ablation technique is expected to be 579,100 in 2026.	17,660 (Amount invested as at 31 May 2022: 4,766)

Note: We plan to further expand the coverage of our existing Class III medical devices registration certificate by including these therapeutic apparatus in it. Accordingly, these therapeutic apparatus will have the same approved indication(s) as our launched MWA therapeutic apparatus, i.e. liver cancer and thyroid nodules as at the Latest Practicable Date, and are expected to have additional indications. Please refer to "Business Strategies – Broaden and deepen our product portfolio, upgrade our medical licences and expand our R&D team" in this section.

Apart from the products above, we are also developing new MWA needles by using rare earth ceramic as one of the components of the MWA needles, which can effectively strengthen its rigidity and heat resistance, as compared to our existing MWA needles. The prototype of rare earth MWA needles has been sent to a qualified third party for registration testing. We believe that our pipeline products will complement our existing MWA needles and therapeutic apparatus and will consolidate our position as one of the leading MWA medical device providers in the PRC and pave our way to tap into overseas markets. All pipeline products are developed using the proceeds from the Global Offering, internal resources of our Group and external financing.

As at the Latest Practicable Date, we have not obtained any approval for our pipeline products from the competent authority.

R&D

Overview

We attach great importance to our R&D efforts. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules registered as Class III medical devices, according to Frost & Sullivan. As at the Latest Practicable Date, we possessed, as sole owner or co-owner, a total of 27 registered patents, 20 patents under application and had obtained (i) one registration certificate for Class III medical devices and (ii) two registration certificates for Class II medical devices.

Our R&D team works closely with hospitals, CROs and academic institutions to develop new products and upgrade existing products to respond to the needs of the markets. As at 31 May 2022, our R&D team consisted of 14 members and has been jointly led by our co-chief technical officers Mr. Lu Rongjian and Mr. Sun Hailong. For further details of our R&D team and the experience of our co-chief technical officers, please refer to the paragraph headed "R&D team" below. In order to strengthen our R&D capability, we have established a R&D committee to oversee key stages of our R&D process, advise on the mid- and long-term R&D strategies and direction for R&D of new products and review the status and progress of the R&D projects for new products. For details, please refer to paragraph headed "R&D Committee" below.

Under the leadership of our co-chief technical officers and alongside our R&D team and R&D committee, we have maintained and continued with our R&D projects in a robust manner. As at the Latest Practicable Date, we have five types of pipeline products undergoing the development stages. Also, we will be expanding the coverage of our Class III MWA medical device registration certificate for our medical devices specifically indicated for breast lumps, pulmonary nodules, varicose vein, bone tumours, uterine fibroid, prostate cancers and others

diseases. For details, please refer to the paragraph headed "Our product offering and pipeline products" below.

As we are committed in the development and commercialisation of our products, we have entered into various collaboration agreements with our R&D partners for their R&D services to reinforce our R&D capabilities. For details, please refer to the paragraph headed "R&D collaborations" below.

R&D team

Our R&D team works closely with hospitals, CROs and academic institutions to develop new products and upgrade existing products to respond to the needs of the markets. As at 31 May 2022, our R&D team consisted of 14 members. Our R&D team has been jointly led by our co-chief technical officers, Mr. Lu Rongjian and Mr. Sun Hailong whom have overseen our Group's R&D and taken up the functions of the then chief technical officer, Mr. Yang, who was responsible for the overall management of R&D of MWA medical devices of our Group, was involved in the development of new products and upgrading of existing products, and was the overall management of the R&D team and R&D project coordination. Mr. Yang had resigned on 31 December 2021. Mr. Lu Rongjian has been a lecturer in the Faculty of Mechanical and Electronic Engineering of Nanjing Forestry University (南京林業大學) for more than 17 years and has been the person in charge of the R&D cooperation projects between our Group and Nanjing Forestry University (南京林業大學) since 2017. Mr. Lu Rongjian subsequently became a contracted technical consultant of Nanjing Changcheng in September 2020. Mr. Sun Hailong joined our Group as a full-time staff member in November 2018, and has been a core member of the R&D team since then. Both Mr. Lu Rongjian and Mr. Sun Hailong are actively involved in and have been supervising our R&D process. Given the substantial technical knowledge and vast practical experiences in respect of MWA technology and their contributions to the R&D projects of our Group as project leader and/or a key member since 2017 and 2018 respectively, Mr. Lu Rongjian and Mr. Sun Hailong were strategically re-designated as the co-chief technical officers of our Group following the resignation of the then chief technical officer, Mr. Yang, on 31 December 2021. As each of Mr. Lu Rongjian and Mr. Sun Hailong has always undertaken substantial roles in the R&D functions of our Group, a seamless transition of the personnel-in-charge of R&D was therefore enabled. Under the leadership of our co-chief technical officers and alongside our R&D team and R&D committee, we have maintained and continued with our R&D projects in a robust manner and have achieved successful results including (i) registration of seven new software copyrights since April 2022 and up to the Latest Practicable Date; (ii) filing of applications for the registration of 12 new patents since March 2022 and up to the Latest Practicable Date respectively; and (iii) various new R&D projects targeting four new invention and utility patent applications to be filed in FY2022. In addition to our in-house R&D team, during the Track Record Period, we also appointed industry experts as our technical consultants to provide technical advice to our R&D team.

R&D Committee

We have established an R&D committee to oversee key stages of our R&D process, advise on the mid- and long-term R&D strategies and directions for R&D of new products and review the status and progress of the R&D projects for new products. Our R&D committee shall report to the Board regularly. Our R&D committee consists of Ms. Wu, our Chairlady, chief executive officer and executive Director, Mr. Lu Rongjian (陸榮鑑), our co-chief technical officer and deputy general manager of Baide Suzhou, Mr. Sun Hailong (孫海龍), our co-chief technical officer and technical department manager of Nanjing Changcheng, Dr. Wang Sanming (王三明), our R&D clinical consultant, Dr. Yuan Jie (袁杰), our R&D technical consultant, and Mr. Li Qingfeng (李慶峰), deputy R&D department manager of Nanjing Changcheng.

Dr. Wang Sanming is currently the chief physician of the Department of Thyroid and Hernia Surgery of Guangdong Provincial People's Hospital* (廣東省人民醫院). He obtained his doctoral degree in surgery from Sun Yat-sen University in June 2009. He will be able to share his experience from the frontline of medical practice and the feedback from the clinical application of MWA devices and provide guidance and advices on the types, functions and improvement of MWA devices which are needed by hospitals so as to develop new products or upgrading our existing products to meet the market and industry demands.

Dr. Yuan Jie obtained his doctoral degree in radio physics from the Department of Electronic Science and Engineering of Nanjing University in June 2003. He has been an associate professor of the School of Electronic Science and Engineering of Nanjing University since June 2005. He has over 16 years of experience in R&D of medical imaging, computer vision and intelligent signal processing. He is one of the inventors in various relevant patents. With his experienced R&D background, he will be able to provide guidance and advice on the directions of the continuous R&D of our Group and technological advancement based on his R&D experience. Mr. Li Qingfeng graduated from Jiangsu Broadcasting and Television University* (江蘇廣播電視大學) (now known as Jiangsu Open University (江蘇開放大學)) and completed the mechanical specialty curriculum in August 1983. He has over 8 years of experience in R&D of medical devices.

For the biography of Ms. Wu, Mr. Lu Rongjian and Mr. Sun Hailong, please refer to the sections headed "Directors and senior management – Directors – Executive Directors" and "Directors and senior management – Senior management" in this prospectus.

We believe our R&D committee represents a broad diversity of participation from both key management of our Group and external medical practitioner and consultants from the industry. We expect our R&D committee should be able to offer us a balanced view considering all key aspects of our operation and technology and development of our industry for the benefit and long term sustainability of our Company.

R&D strategies

As part of our R&D strategies, we actively seek input from doctors and hospitals on the design of our products and solicit feedback on the user-experience of our existing products. Our MWA medical devices are directly used by medical practitioners including doctors. Therefore, doctors and hospitals possess first-hand knowledge of unmet clinical needs, surgeons' preferences and clinical practice trends in relation to medical devices. We have established different channels with a pool of doctors, their affiliated hospitals and medical associations, include:

- **Medical conferences**. It is a mix of our R&D strategy and marketing strategy to actively participate in medical conferences in China. During the Track Record Period, we participated in more than 100 medical conferences, participants of which include doctors, professors and experts in the medical field. For further details of medical conferences we participated during the Track Record Period, please refer to "Marketing" in this section. These conferences allow us to have the forefront opportunities to present our latest technology and products to industry participants, to understand the latest market trend and the unmet clinical demand and collect first-hand feedback of our products for further R&D.

- **R&D collaborations**. We have worked closely with several renowned hospitals, research institutions and academic institutions for the co-development of products or technology during the Track Record Period.

We maintain close communication with top-tier hospitals in China, which have provided important insights and recommendations to our R&D team.

R&D expenses

In FY2019, FY2020, FY2021 and 5M2022, we incurred R&D expenses of RMB8.0 million, RMB4.9 million, RMB9.8 million and RMB4.3 million, respectively, representing 9.5%, 4.1%, 5.2% and 6.7% of our total revenue for the same periods, respectively. Our Directors intend to apply HK$123.1 million (equivalent to RMB108.7 million), representing 41.0% of the net proceeds, will be used for broadening and deepening our product portfolio, upgrading our medical licences and expanding our R&D team. For further details, please refer to "Future Plans and Use of Proceeds" in this prospectus.

We incurred a relatively small amount of R&D expenses during the Track Record Period because we acquired Nanjing Changcheng in 2017 which already obtained a Class III medical device registration certificate specifically indicated for liver cancer. During the Track Record Period, we primarily devoted our resources in sales and marketing of MWA technologies and our MWA products hoping to quickly penetrate into the market and maintain healthy cash flows, while only commenced the Class III medical device registration certificate specifically indicated for two conventional indications namely, thyroid nodules and breast lumps.

As more hospitals are opting for MWA for treating their patients with tumours, our Directors are of the view that it is time to allocate more resources on R&D to expand the indication coverage of our products. In addition, our Directors are of the view that since MWA technique are getting more recognition in the PRC nowadays, it is the right timing to further develop MWA technology by allocating resources on MWA intelligence, which combines the intelligence application with MWA technology.

According to Frost & Sullivan, it is natural for medical device companies including our Group to apply a substantial portion of the net proceeds from listing on R&D.

R&D approach and process

We have entered into scientific collaborations with renowned hospitals, research institutions and academic institutions to carry out our R&D. Our R&D process generally consists of the following steps:

- ***Project identification and proposal***: We focus on R&D of new products to extend our product line. We regularly review and communicate with the doctors and academic institutions to understand new market trends and identify potential R&D opportunities to fulfill the unmet clinical demand. After we decide to initiate the project, our R&D department will prepare a project proposal outlining the product features. The representatives of our production department, procurement department and quality control department will review and determine whether to proceed the project proposal.

- ***Design and development***: Once a new project is approved, our R&D department will commence, or may collaborate with our R&D partners to commence the design and development of a prototype for product registration testing and clinical trial. We will also verify the prototype to ensure it complies with our internal technical specifications and quality control requirements.

- ***Product registration testing and clinical trials***: Following the development of the prototype, we will proceed to prototype manufacturing. We or our R&D partner will engage qualified third parties to carry out product registration testing of the prototype. For registration of Class III medical devices, in addition to product registration testing, we are required by PRC laws and regulations to conduct clinical trial. We normally select at least three Grade III hospitals covering at least 120 patients to collect clinical data. For example, in our clinical report for MWA medical device specifically indicated for thyroid nodule, we have engaged three Grade IIIA hospitals in Zhejiang Province, Jiangxi Province and the Greater Bay Area, respectively and collected clinical data from a total of 132 cases. We or our R&D partner such as CROs, will prepare a clinical trial proposal that outlines the aims of the trials, the potential risks and the schedule of the trials. We submit the proposal to the ethics committee of each of the participating hospitals for approval. During the clinical trial, we or our R&D partner will monitor the use of our prototypes pursuant to the approved clinical trial protocol and the patients' reactions to the products following the trial procedures and check relevant clinical data.

- ***Regulatory approval***: Before we commercialise new products, we or our R&D partner prepare formal reports to be submitted to the NMPA or provincial MPA to seek approval for the commercialisation of our new products.

According to Frost & Sullivan, it takes generally 24 to 36 months for Class II medical devices and 48 to 60 months for Class III medical devices to complete the R&D process.

Our product offering and pipeline products

Our product offering and pipeline products mainly consist of MWA therapeutic apparatus as well as MWA needles that are used in conjunction with the MWA therapeutic apparatus. The following chart summarises the development status of our major types of existing and pipeline MWA products or product sets as at the Latest Practicable Date:

	Product or product set	Approved/planned indication	Stage *(Note 1)*				Expected launch year
			Development	Clinical trial	Registration	Commercialisation	
Existing MWA product offering (and planned expansion of indication)	MWA therapeutic apparatus and/or MWA needles *(Note 2)*	liver cancer				★	Launched *(Note 3)*
		thyroid nodule				★	Launched *(Note 4)*
		breast lumps		Clinical trial in process			2023
		pulmonary nodule		Clinical trial preparation			2024 *(Note 5)*
		varicose vein		Clinical trial preparation			2024
		bone tumours		Clinical trial preparation			2024
		uterine fibroids		Clinical trial preparation			2024
	Long MWA needles	*(Note 6)*				★	Launched *(Note 3)*
	Fine MWA needles	*(Note 6)*				★	Launched *(Note 3)*
Pipeline MWA products	Endoscope-guided puncture MWA needles	pulmonary nodule		Clinical trial preparation			2024 *(Note 5)*
	MWA catheters	varicose vein		Clinical trial preparation			2024
	MWA-ultrasound integrated therapeutic apparatus	*(Notes 7 & 8)*	Product design				2023
	MTI-5FT 915 MHz MWA therapeutic apparatus	*(Note 7)*		Clinical trial preparation			2023
	MTI-5GT four-source MWA therapeutic apparatus	*(Note 7)*		Clinical trial preparation			2023

Notes:

1. For the details of each development stage, please refer to "R&D – R&D approach and process" in this section.

2. We have conducted clinical trials for our MWA therapeutic apparatus and MWA needles specifically indicated for liver cancer and thyroid nodule. We plan to conduct clinical trials for the indicated diseases based on our existing MWA therapeutic apparatus and existing MWA needles. Upon successful completion of the clinical trials for the indicated diseases, the indications of our MWA therapeutic apparatus and MWA needles under the Class III medical device registration certificate will be expanded. Our Directors believe that such expansion of specific indications could increase the recognition and competitiveness of our MWA therapeutic apparatus and MWA needles.

3. These MWA medical devices were initially acquired via the acquisition of Nanjing Changcheng in 2017. To the best knowledge of the Directors, these products are first registered as Class II/Class III medical devices in 2009 and 2010. We endeavour to improve the existing products and launch new products after the acquisition of Nanjing Changcheng. The latest products developed and registered by us are MTI-5AT and MTI-5ET therapeutic apparatus, which were both registered as Class III medical devices in February 2020.

4. Our MWA medical devices specifically indicated for thyroid nodules were registered as Class III medical devices in November 2021. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules completed the relevant clinical trials in China and obtained Class III registration certificate for MWA medical devices with such indication, according to Frost & Sullivan.

5. Based on the clinical trial plan for obtaining Class III medical device registration certificates for our Group's proprietary MWA medical devices specifically indicated for pulmonary nodules, the clinical trial would cover both benign pulmonary nodules and malignant pulmonary nodules (i.e. lung cancer).

6. As at the Latest Practicable Date, our Long MWA needles and Fine MWA needles were registered as Class II medical devices. While there is no specific indication for Class II medical devices under the Class II medical device registration certificate, based on the difference in features of the Long MWA needles and Fine MWA needles, they are commonly used in conjunction with our MWA therapeutic apparatus for the MWA treatments of liver cancer and lung cancer, and thyroid nodules and breast lumps, respectively. In view of the MWA Equipment Guidelines published by the NMPA on 25 November 2021, we plan to apply for Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles.

7. We plan to further expand the coverage of our existing Class III medical devices registration certificate by including these therapeutic apparatus in it. Accordingly, these therapeutic apparatus will have the same approved indication(s) as our launched MWA therapeutic apparatus, i.e. liver cancer and thyroid nodules as at the Latest Practicable Date, and are expected to have additional indications as listed above.

8. Our pipeline MWA-ultrasound integrated therapeutic apparatus is equipped with a built-in ultrasound scanner for locating the tumour(s) precisely during a MWA treatment. Except for this pipeline therapeutic apparatus, our MWA medical devices are used in conjunction with the guidance of ultrasound, CT scan or other imaging equipment to detect the location of the tumour(s).

For the detailed expected timeline of the above product development, please refer to "Business strategies – Broaden and deepen our product portfolio, upgrade our medical licences and expand our R&D team" in this section.

R&D collaborations

Our R&D efforts are complemented by our strategic scientific collaborations with several renowned hospitals, CROs and academic institutions for the co-development of products. To the best knowledge of our Directors, all of our R&D partners are Independent Third Parties. Set out below are some of our major R&D collaborations with our R&D partners during the Track Record Period:

Nanjing Huitong

Nanjing Huitong is a CRO established in the PRC and is principally engaged in the R&D of medical devices, technical transfer and technical consultation. It is accredited as a High and New Technology Enterprise (高新技術企業) in 2020. Most of the core members of Nanjing Huitong participating in our Group's projects possess more than 10 years of experience in the R&D, clinical trial or registration of medical devices. Nanjing Huitong is a wholly-owned subsidiary of Huitong Medical Enterprise Management Co. Ltd.* (匯通醫療企業管理有限公司) (together with its subsidiaries including Nanjing Huitong, "**Huitong Group**"). Huitong Group is principally

engaged in providing medical device companies with clinical trials, product registration, product approval and pre-market research services. Huitong Group has obtained the ISO9001 quality management system certification from TÜV SÜD, a well-known German company in management system solutions. According to Huitong Group, it has provided professional technical services to more than 500 domestic and foreign companies, completed more than 600 clinical trial projects for its clients, and successfully assisted in obtaining more than 2,000 medical device registration certificates in total since its establishment in 2005.

In December 2020, we entered into a framework collaboration agreement with Nanjing Huitong, pursuant to which we agreed to engage Nanjing Huitong for the R&D services at a total contract fee of RMB63.0 million. The following sets forth the salient terms of our framework collaboration agreement with Nanjing Huitong:

Services:	Nanjing Huitong provides us with services related to the R&D, clinical trial and registration of MWA medical devices.
Term:	The collaboration agreement terminates when all projects under the collaboration agreement are completed.
Payment:	We are required to make payments to Nanjing Huitong by instalments according to milestones as stated in the respective project contracts.
Exclusivity:	Both parties are not allowed to collaborate with any other third party for the R&D services of the same projects for a period of five years.
Intellectual property right:	We solely own the intellectual property rights of the technologies or products arising from the agreement.
Confidentiality:	Without the written consent of the other party, both parties are required to keep confidential any information, products, technology and designs relating to the collaboration agreement. The confidentiality obligation continues despite the termination of the agreement.

During the Track Record Period, we engaged Nanjing Huitong for its R&D services including the clinical trial for and/or the registration of Class III medical device registration certificate MWA medical devices specifically indicated for thyroid nodules, breast lumps pulmonary nodules, bone tumours, varicose veins and uterine fibroid. Nanjing Huitong is responsible for the whole clinical trial and registration process. For clinical trial service, Nanjing Huitong is responsible for, among other things, preparation of clinical trial proposal and

liaison with the ethics committee of each of the participating hospitals at pre-clinical trial stage, monitoring and collection of review forms at clinical trial stage, and data-entry and preparation of clinical trial reports at post-clinical trial stage. For registration service, Nanjing Huitong is responsible for preparation and consolidation of the registration pack, submission of registration and answering queries from the NMPA.

With the rising adoption of minimally invasive operation, the promotion of ablation technique in different level of hospitals and the expansion of various applicable diseases, it is expected that the ablation market in China will maintain a robust growth trend in the future. Our Directors believe that the registration of our MWA medical devices specifically indicated for these areas are conductive to our business growth.

- **Thyroid nodules.** According to Frost & Sullivan, the number of new patients with thyroid nodules in China who are eligible for ablation therapy has continued to increase, from 6.2 million in 2016 to 9.3 million in 2021, at a CAGR of 8.5%, and is expected to increase at a CAGR of 9.7% to 14.8 million in 2026. Coupled with the enhanced popularisation of MWA technique by numerous tumour ablation training programmes, policy support of innovation and development of medical device industry and the expansion of coverage of medical insurance for MWA therapy, the sales revenue of MWA market for the treatment of thyroid nodules is expected to increase at a CAGR of 39.5% from RMB1.0 billion in 2022 to RMB3.9 billion in 2026.

- **Pulmonary nodules.** According to Frost & Sullivan, the number of new patients with pulmonary nodules in China who are eligible for ablation therapy has increased from 349,900 in 2016 to 409,600 in 2021, at a CAGR of 3.2%, and is expected to increase at a CAGR of 3.0% to 474,300 in 2026. The sales revenue of MWA market for the treatment of pulmonary nodules is expected to see a rapid growth with a CAGR of 38.6% from RMB297.8 million in 2022 to RMB1.1 billion in 2026. The increasing demand of ablation for small pulmonary nodules will contribute to the strong growth of this market.

- **Bone tumours.** According to Frost & Sullivan, the number of new patients with bone tumours in China who are eligible for ablation technique has continued to increase, from 35,300 in 2016 to 38,800 in 2021, and is expected to increase at a CAGR of 1.7% to 42,200 in 2026.

- **Varicose veins.** According to Frost & Sullivan, the number of new patients with varicose veins in China who are eligible for ablation technique has continued to increase, from 871,100 in 2016 to 1.1 million in 2021, and is expected to increase at a CAGR of 4.0% to 1.3 million in 2026.

- **Uterine fibroids.** According to Frost & Sullivan, the number of new patients with uterine fibroids in China who are eligible for ablation technique has continued to increase, from 841,100 in 2016 to 968,900 in 2021, and is expected to increase at a CAGR of 2.5% to 1.1 million in 2026.

As at the Latest Practicable Date, the clinical trials for application of our MWA medical devices to thyroid nodules have been completed and we have successfully registered our MWA devices specifically indicated for thyroid nodules as Class III medical devices.

In addition to the above, in view of the MWA Equipment Guidelines published by the NMPA on 25 November 2021, we also engaged Nanjing Huitong for the application of Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles through clinical evaluation (臨床評價) pursuant to the agreements entered into between our Group and Nanjing Huitong dated 6 January 2022. The aggregate consideration for such clinical evaluation and product registrations is approximately RMB1.7 million. The Directors expect, with reference to the abovementioned agreements, that the relevant Class II MWA needles will be successfully registered as Class III medical devices specifically indicated for liver cancer and thyroid nodules in the first quarter of FY2023.

Xiamen Institute of Rare Earth Materials* (廈門稀土材料研究所) ("Xiamen Rare Earth")

Xiamen Rare Earth is jointly established by Haixi Research Institute of the Chinese Academy of Sciences (中國科學院海西研究院), Xiamen Municipal People's Government and Xiamen Tungsten Industry Co., Ltd. (廈門鎢業股份有限公司) in 2018 and is managed by Haixi Research Institute of the Chinese Academy of Sciences (中國科學院海西研究院). The purpose and business scope of the institute is the R&D of rare earth materials, achievement transfer and technical and consultation services.

We entered into a framework collaboration agreement with Xiamen Rare Earth in December 2019, pursuant to which we agreed to collaborate in the R&D of rare earth biomedicine. The framework agreement sets out the general principles of the collaboration under which project-specific agreements can be further negotiated and entered into. Under this framework collaboration agreement, there are no specific measures or factors to definitively ascertain ownership of intellectual property jointly developed through collaboration. Such determination will be made on a project-by-project basis taking into account all relevant factors. We may not be awarded with the intellectual property generated under this framework collaboration agreement. Please refer to "Risk Factors – Risks relating to intellectual property rights – Our intellectual property may be subject to further priority disputes, inventorship disputes or similar proceedings." in this prospectus for further details.

Pursuant to the collaboration agreement, we are responsible for capital injection and providing tumour and/or nodule models for the R&D process and Xiamen Rare Earth is responsible for providing R&D staff and technical support for nanomaterial synthesis technology and patent registration. In case of unsuccessful R&D caused by technical difficulty, each party bears its own loss. It is expected that the nanoprobe developed will be used to upgrade our MWA medical devices.

In December 2019, we and Xiamen Rare Earth entered into a project agreement under the framework collaboration agreement pursuant to which we agreed to co-develop an infrared rare

earth nanoprobe for better imaging in MWA treatment. Both parties jointly own all intellectual property rights arising from this project. In June 2020, we, Xiamen Rare Earth and the project team under Xiamen Rare Earth entered into a tripartite project agreement to set out the details of the project. The product registration testing of rare earth MWA needles has been completed in August 2022.

FIIG (Beijing) Medi-tec Regulatory Consultancy (北京信智達醫療技術服務有限公司) ("FIIG (Beijing)")

FIIG (Beijing) is a company established in the PRC which focuses on the medical field. It is a domestic professional CRO for clinical trials. It also provides one-stop technical consulting services, including, without limitation, medical device clinical trials, registration, consulting, GMP system counselling and medical device training.

In July 2018, we engaged FIIG (Beijing) for its clinical trial services of our MWA medical devices specifically indicated for breast lumps at a contract fee of RMB3.8 million. We solely own the intellectual property rights of the technologies or products arising from the agreement.

Nanjing Forestry University (南京林業大學)

During the Track Record Period, we engaged Nanjing Forestry University (南京林業大學) for their R&D services. While we remain responsible for the overall R&D of our MWA therapeutic apparatus, pursuant to the R&D contracts, Nanjing Forestry University (南京林業大學) is responsible for the development of new technologies such as software, electrical system and information management system to upgrade our MWA therapeutic apparatus. We solely own the intellectual property rights of the technologies arising from this engagement. In case of unsuccessful R&D caused by technical difficulty, each party bears 50% of the losses arising from such engagement.

Zhuhai People's Hospital (珠海市人民醫院)

Zhuhai People's Hospital (珠海市人民醫院) is a Grade IIIA public hospital in Guangdong Province. We entered into a five-year framework collaboration agreement with Zhuhai People's Hospital (珠海市人民醫院) in April 2021, pursuant to which both parties agreed to join force for the R&D of minimal invasive medical devices. The framework agreement sets out the general principles of the collaboration under which project-specific agreements can be further negotiated and entered into. Both parties jointly own all patent rights arising from their collaboration, while we have a right of first refusal to such patent rights.

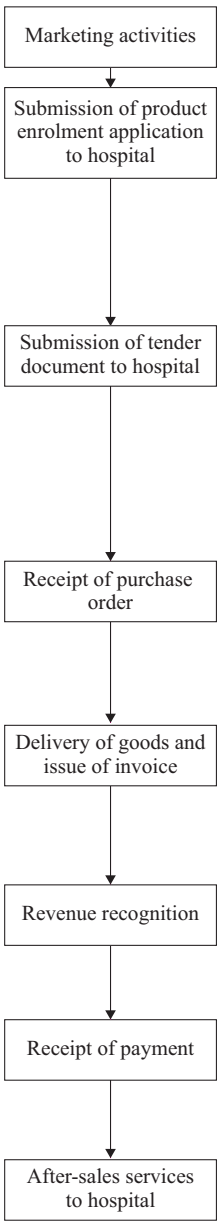
OUR SALES CHANNELS

We currently focus on the design, development, manufacturing and sales of our proprietary MWA needles and MWA therapeutic apparatus.

During the Track Record Period, all of our revenue was derived from China. Our products are ultimately sold to hospitals for end consumption by their patients. These hospitals were mostly Grade II and Grade III hospitals across 22 provinces, municipalities and autonomous regions in China during the Track Record Period. For 5M2022, 259 hospitals in China procured our products, among which, 150 were Grade IIIA hospitals. The map below sets forth the geographic coverage of the hospitals in China that have procured our proprietary MWA medical devices during the Track Record Period:

Our products are ultimately sold to hospitals by (i) sales to hospitals, either directly or through deliverers; or (ii) sales to distributors, which then on-sell our products to their designated hospitals with our authorisation. We choose between these sales channels primarily based on our own capacity to sell and promote our brands and products in the designated hospitals or regions, and the sales network and services offered by the distributors.

The table below sets out, among other things, the typical marketing, sales and logistical arrangements via our different sales channels:



	Direct sales to hospital	**Sales through deliverer**	**Sales to distributor**
Marketing activities	We are responsible for the sales and marketing works and liaison with the hospitals.	We are responsible for the sales and marketing works and liaison with the hospitals.	The distributor is primarily responsible for the sales and marketing works and liaison with the hospitals.
Submission of product enrolment application to hospital	By us.	By us.	By the distributor.
Submission of tender document to hospital	By us.	We are responsible for selecting deliverers (within the vendor list of the hospitals). We then take the lead in compiling the tender document with the support of the selected deliverer. We will issue an authorisation letter to the designated hospital to be included in the tender document. The deliverer will submit the tender document to the hospital. The selling prices of products are predetermined by us at tender price and the deliverers do not have pricing power.	The distributor are primarily responsible for the compilation of the tender document. We will issue an authorisation letter to the designated hospital to be included in the tender document. The distributor will submit the tender document to the hospital. The distributor has discretion in setting the tender price.
Receipt of purchase order	The hospital places purchase order to us directly.	The purchase order from the hospital will be placed to us through the deliverer.	The distributor places purchase order to us.
Delivery of goods and issue of invoice	We arrange product delivery and issue invoice to the hospital.	The deliverer arranges product delivery and issues invoice to the hospital when the products had been delivered to the hospital's designated premises and accepted by the hospital. We will issue invoice to the deliverer.	We arrange product delivery and issue invoice to the distributor.
Revenue recognition	We recognise revenue when our products are delivered to the hospital's designated premises and accepted by the hospital.	We recognise revenue when our products are delivered to the hospital's designated premises and accepted by the hospital.	We recognise revenue when our products are delivered to the distributors' designated premises and the distributor has accepted the products.
Receipt of payment	The hospital makes the payment to us.	The hospital makes the full payment to the deliverer. The deliverer makes payment (net of its service fee) to us correspondingly.	The distributor makes payment to us.
After-sales services to hospital	We are responsible for the after-sales services to the hospital, including technical support and customer services.	We are responsible for the after-sales services to the hospital, including technical support and customer services.	By the distributor with our assistance.

The following table sets forth our revenue by sales channel, each expressed as an absolute amount and as a percentage of total revenue, for the years/periods indicated:

	FY2019 Revenue		FY2020 Revenue		FY2021 Revenue		5M2021 Revenue		5M2022 Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales to hospitals	43,673	51.4	72,121	61.0	121,928	64.6	39,713	66.6	41,454	65.0
– Sales through deliverers	43,452	51.1	59,802	50.6	99,478	52.7	29,437	49.4	36,628	57.5
– Direct sales to hospitals	221	0.3	12,319	10.4	22,450	11.9	10,276	17.2	4,826	7.5
Sales to distributors	38,403	45.2	43,569	36.8	63,022	33.4	17,072	28.7	21,552	33.8

Sales to hospitals

During the Track Record Period, we sold our products to hospitals, either directly or through deliverers. Selling to hospitals without the involvement of distributors allows us to establish and maintain direct contact with hospitals and doctors and keeps us close to the frontline of medical practice and the application of our products, enabling us to obtain feedback from doctors, which helps us design new products, upgrade our existing product offering and form new strategies to adjust to market demands. For a discussion on the changes of our revenue by sales channel, please refer to "Financial Information – Description of certain components of our consolidated statements of profit or loss and other comprehensive income – Revenue" in this prospectus.

For FY2019, FY2020, FY2021 and 5M2022, our total sales to hospitals were RMB43.7 million, RMB72.1 million, RMB121.9 million and RMB41.5 million, respectively, representing 51.4%, 61.0%, 64.6% and 65.0% of our total revenue for the same periods. Our increase in revenue generated from sales to hospitals was mainly attributable to our sales and marketing effort to liaise with hospitals instead of via our distributors. The relevant tender prices we sell our products to hospitals of MWA medical devices are generally higher than the prices we sell to distributors. However, we are responsible for the sales and marketing works and liaising with the hospitals for the sales arrangement ourselves. To the best knowledge of our Directors, all our hospital customers are Independent Third Parties.

During the Track Record Period, we engaged qualified deliverers to fulfill our sales to hospitals. Our deliverers mainly include state-owned companies in the PRC or subsidiaries of listed companies which principally engage in the distribution of medical devices and pharmaceutical products with wide distribution network in China. Our deliverers mainly take up the logistics arrangement function, which includes not only the arrangement of the transportation of products physically, but also other works that are incidental to discharging their function as deliverers, including, among other things, the receipt of purchase orders, the preparation of delivery notes, and the receipt of payment from the hospitals. Meanwhile, we are responsible for

the sales and marketing works, liaison with the hospitals and after-sales services, including technical support and customer services. According to Frost & Sullivan, as a hospital needs to procure a wide range of medical devices to provide comprehensive treatment options to all sorts of patients, some hospitals may prefer to procure from a deliverer who is able to provide various product mix selection instead of engaging separate medical device and pharmaceutical manufacturers for each medical device and/or pharmaceutical product for simple administration during their procurement process. As the deliverers perform centralisation of the delivery arrangement between the hospital and various medical device and pharmaceutical manufacturers, delivery costs can also be reduced accordingly. On the other hand, through engaging deliverers, we can also take advantage of their network to sell our products to a larger group of hospitals while reducing our administration resources to liaise with each hospital individually. Given (i) the advantages to hospitals and manufacturers by adopting the deliverer model; and (ii) a number of players in the medical devices industry have adopted the deliverer model in the PRC, Frost & Sullivan is of the view that sales through deliverers is an industry norm.

As at 31 December 2019, 2020 and 2021 and 31 May 2022, we had 14, 16, 16 and 14 deliverers, respectively. The table below sets out the movement in the number of our deliverers for the years/period indicated:

	As at 31 December			As at 31 May
Number of deliverers	**2019**	**2020**	**2021**	**2022**
Deliverers at the beginning of the year/period *(Note 1)*	2	14	16	16
Additions of deliverers during the year/period *(Note 2)*	12	3	4	1
Reductions of deliverers during the year/period *(Note 3)*	–	1	4	3
Deliverers at the end of the year/period	14	16	16	14

Notes:

(1) The number of deliverers at the beginning of the year/period represents those deliverers who had transaction(s) with us in the previous year/period.

(2) The additions of deliverers represents those deliverers who had no transaction with us in the previous year/period but transacted with us in the present year/period.

(3) The reductions of deliverers represents those deliverers who had transaction(s) with us in the previous year/period but did not transact with us in the present year/period.

The deduction in the number of our deliverers during the Track Record Period was primarily because we did not have transaction with certain deliverers with relatively little transaction amount in the previous year/period to reduce our administrative resources.

For FY2019, FY2020, FY2021 and 5M2022, the sales to hospitals through deliverers were RMB43.5 million, RMB59.8 million, RMB99.5 million and RMB36.6 million, respectively, amounting to 51.1%, 50.6%, 52.7% and 57.5% of our total revenue for the same periods. The

service fees to deliverers for the same periods were RMB2.7 million, RMB3.2 million, RMB5.9 million and RMB2.4 million, respectively.

Under HKFRS 15, although we only enter into delivery agreements with the deliverers, issue invoices and delivery notes to the deliverers and receive payments from deliverers, and without entering into any direct written sales contract with the hospitals, the relevant transactions through our deliverers are accounted for as sales to hospitals rather than sales to deliverers. Our customers are hospitals and revenue is recognised when the control of our products are transferred to the hospitals. Deliverers are the agent that is responsible for the logistics arrangement function only. Our relationship with our deliverers is therefore deemed as a principal-agent relationship. For further details on the assessment of the accounting treatment in relation to this arrangement, please refer to "Financial Information – Sales through deliverers" in this prospectus.

We entered into framework delivery agreements with all of our existing deliverers. The following sets forth the salient terms of our typical agreements with our deliverers:

- ***Duration:*** Generally have the same term as the tendered period agreed between us and the designated hospital(s) or a term of one year.

- ***Delivery restriction:*** Our deliverers are prohibited from delivering our products to customers other than their designated hospitals or customers outside their designated delivery areas.

- ***Minimum annual purchase:*** None.

- ***Payment and credit term:*** Ranging from 30 to 90 days after the receipt of products by the hospitals or issuance of invoices by the deliverers to the hospitals.

- ***Sales and pricing policy:*** The selling prices of our products are generally predetermined at or limited by the tender price. We pay our deliverers a service fee calculated as a fixed percentage of the relevant transaction amount of our products.

- ***Product defects:*** We generally only accept return or exchange of our products if there are quality defects.

- ***Technical support and after-sales service:*** We generally are responsible for providing technical training support and after-sales services.

- ***Quality assurance:*** We generally are responsible for the quality or safety matters, as well as after-sale repairs and maintenance services, for our medical devices. Deliverers generally are not responsible for product damage before and after our products are delivered to the hospital's designated premises and accepted by the hospital.

Sales to distributors

We have a solid and strategically managed distribution network. We sell our products to third-party distributors, which are companies holding the Business Operation Licence for Medical Devices* (醫療器械經營許可證). Such licences are granted to companies which satisfy certain conditions to engage in the operation of a medical device business, such as maintaining suitable business premises and storage conditions, as well as possessing a quality control department or personnel. Leveraging local resources and experiences of the distributors, we believe that the distributorship model enables our products to be distributed to the customer bases of the distributors across China in a cost-effective manner whilst allowing us to focus more on product R&D. According to Frost & Sullivan, selling products to distributors is in line with the industry practice in China. The third party distributors then on-sell our products to their designated hospitals. Our distributors mainly include small and medium-sized distributors who are primarily engaged in the business of medical devices distribution. They generally possess large customer base and are more likely to devote more time and effort in selling and promoting our MWA medical devices to their designated hospitals. The relationship we have with distributors is a buyer and seller relationship. As at 31 December 2019, 2020 and 2021 and 31 May 2022, we had 116, 105, 102 and 72 distributors, respectively. The table below sets out the movement in the number of our distributors for the years/period indicated:

	As at 31 December			As at 31 May
Number of distributors	**2019**	**2020**	**2021**	**2022**
Distributors at the beginning of the year/period *(Note 1)*	103	116	105	102
Additions of distributors during the year/period *(Note 2)*	74	45	57	24
Reductions of distributors during the year/period *(Note 3)*	61	56	60	54
Distributors at the end of the year/period	116	105	102	72

Notes:

(1) The number of distributors at the beginning of the year/period represents those distributors who had transaction(s) with us in the previous year/period.

(2) The additions of distributors represents those distributors who had no transaction with us in the previous year/period but transacted with us in the present year/period.

(3) The reductions of distributors represents those distributors who had transaction(s) with us in the previous year/period but did not transact with us in the present year/period.

Due to the continuous growth of our business scale, we require our distributors to meet our increasing market demand. During the Track Record Period, the composition of our distribution network changed as we decided not to renew or to terminate our relationships with certain

distributors primarily because (i) they were unable to meet our distribution needs in the relevant region, and/or (ii) our strategy to deepen our business collaborations with certain competent distributors to reduce our administrative resources in administering other distributors. We also commenced business with new distributors to expand and optimise our distribution network.

The following sets forth the salient terms of our typical framework distribution agreements with our distributors:

- ***Term:*** Our framework distribution agreements generally have a term of one year.

- ***Selling restriction:*** Our distributors are prohibited from selling our products to customers other than their designated hospitals authorised by us as stipulated in the framework distribution agreements. We generally are not allowed to engage multiple distributors for each designated hospital.

- ***Minimum purchase amount:*** We typically set minimum quarterly sales targets for our distributors.

- ***Payment and credit term:*** Generally with a credit term ranging from 60 to 90 days after receipt of products.

- ***Sales and pricing policy:*** We sell our products to our distributors at fixed prices.

- ***Transportation:*** We are responsible for delivering, such as our products to the locations designated by our distributors. Delivery costs are included in the selling prices of our products.

- ***Transfer of ownership:*** The ownership of products will be transferred when our products are delivered to the distributors' premise and the distributor has accepted the products.

- ***Products defects:*** We only accept return or exchange of our products if there are quality defects attributable to us.

- ***Sub-distributions:*** Our distributors are required to obtain our written approval before engaging any sub-distributors.

- ***Termination:*** We are entitled to terminate the distribution agreements in certain circumstances including when the distributor breaches any of the undertakings.

- ***Renewal:*** We negotiate with our distributors regarding the framework distribution agreements on a case-by-case basis upon their expiry.

We have no ownership or managerial control over any of our distributors during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that all of our distributors were Independent Third Parties during the Track Record Period and up to the Latest Practicable Date.

Distributors owned by our former employees

During the Track Record Period, Customer Group A and Customer C were owned by our former employees. Customer Group A was our largest customer for FY2019 and FY2020 and one of our top five customers for FY2021. Please refer to "Our customers – Relationship with Customer Group A" in this section for further details. Customer C was our distributor in FY2019 and FY2020 and was one of our top five suppliers for FY2021. Please refer to "Our suppliers – Relationship with Customer C" in this section for further details.

For FY2019, FY2020, FY2021 and 5M2022, the total revenue generated from these distributors amounted to RMB12.6 million, RMB16.1 million, RMB8.6 million and RMB0.8 million, respectively, representing 14.9%, 13.6%, 4.6% and 1.2% of our total revenue during the same periods.

During the Track Record Period, we were not aware of any conflict of interests with distributors owned by our former employees. None of such former employees had become our distributors while they were still employed by us. To the best knowledge and belief of our Directors, each of these distributors is an Independent Third Party.

Overlapping of deliverers/distributors and service providers

During the Track Record Period, we engaged marketing service providers for preparing marketing materials and participating in medical conferences to promote our brand and products. Our marketing service providers include Customer Group A and Deliverer A.

Customer Group A was our distributor, our largest customer for FY2019 and FY2020 and one of our top five customers for FY2021. Please refer to "Our customers – Relationship with Customer Group A" in this section for further details.

Deliverer A is a deliverer whose designated hospital is one of our top five customers for FY2021. During the Track Record Period, we also engaged a marketing service provider which is under the common control with Deliverer A ("**Deliverer Group A**"). The table below sets out our Group's revenue derived through Deliverer A and service fee paid to Deliverer Group A during the Track Record Period:

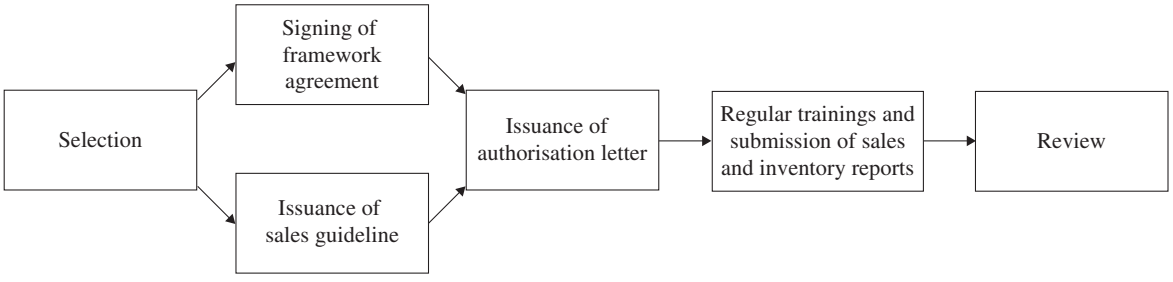
	FY2019		FY2020		FY2021		5M2022	
	RMB'000	*% of total revenue/ service fee*	*RMB'000*	*% of total revenue/ service fee*	*RMB'000*	*% of total revenue/ service fee*	*RMB'000*	*% of total revenue/ service fee*
Revenue derived through Deliverer Group A	2,442	2.9	2,885	2.4	5,315	2.8	539	0.8
Service fee paid to Deliverer Group A	5,849	66.3	1,624	19.1	580	3.6	–	–

Customer Group A and Deliverer Group A first had business relationship with us as a distributor and a deliverer, respectively. Through our business contacts with them, we had the knowledge that they also provide marketing services in addition to providing distribution/delivery services. As we endeavoured to liaise with hospitals directly instead of via our distributors in the long run, we were in greater needs of marketing activities to connect us to the hospitals directly. Considering their experience and network on the medical industry, we decided to engage Customer Group A and Deliverer Group A as our marketing service providers. The Directors confirm that our Group's sales to/engagement of Customer Group A and Deliverer Group A were (i) entered into after due consideration taking into account the prevailing selling prices and service fees at the relevant times, and (ii) conducted in the ordinary course of business under normal commercial terms and on an arm's length basis.

Frost & Sullivan is of the view that the transactions with the overlapping deliverers/distributors and marketing services providers within the medical device industry are in line with the industry norms.

Selection and management of deliverers and distributors

The chart below summarises how we select and manage our deliverers and distributors:



Selection of deliverers and distributors

Our sales and marketing department is responsible for selecting deliverers (within the vendor list of the hospitals) and distributors by assessing a number of factors including their local resources and experiences, access to and relationship with hospitals, understanding of us and our products, industry experiences, as well as historical operational performance. For deliverers, our hospital customers generally maintain approved vendor lists from which they purchase, among others, medical devices and pharmaceutical products. In practice, we liaise with the relevant hospital to understand which deliverers are on its approved vendor list prior to the tender process and then select a suitable deliverer within such vendor list at our discretion to fulfill our sales to that hospital through the selected deliverer. For distributors, we also assess their marketing capabilities for the potential expansions of our sales and distribution network. When potential deliverers or distributors have an interest in joining our network of deliverers and distributors, our sales and marketing department will review their background and to decide whether the potential deliverers or distributors are allowed to join us based on the abovementioned factors.

Signing of framework agreement or issuance of sales guideline

If the potential deliverers or distributors satisfy our selection requirements, we will enter to a framework agreement with them. Please refer to "Our sales channel – Sales to hospitals" and "Our sales channel – Sales to distributors" for the salient terms of framework delivery agreements and framework distribution agreements, respectively.

Historically we did not enter into framework agreements with some of our deliverers and distributors. Our revenue from the sales of MWA medical devices generated from these deliverers and distributors were RMB11.7 million, RMB5.7 million, RMB7.0 million and RMB1.1 million in FY2019, FY2020, FY2021 and 5M2022, respectively, amounting to 16.0%, 7.2%, 4.2% and 2.2% of our revenue from the sales of MWA medical devices generated from all deliverers and distributors for the same periods. We would issue a standard sales guideline to the deliverers and distributors when (and only when) they did not enter into framework agreements with us, and these deliverers and distributors are required to follow our sales guideline. The signing of sales guidelines ensures that we are able to exercise sufficient control over the conduct of the deliverers and distributors even in the absence of framework agreements. The following sets forth the salient terms of our typical sales guidelines:

- ***Term:*** Our sales guidelines generally have a term of one year.

- ***Qualification:*** Our deliverers/distributors are required to hold a valid Business Operation Licence for Medical Devices when they distribute our products.

- ***Delivery/selling restriction:*** Our deliverers are only permitted to deliver, and our distributors are only permitted to distribute, our products to the designated hospitals authorised by us as stipulated in the sales guidelines.

- ***Price range:*** We set a suggested on-sell price or price range for each of our products which is merely a suggestion and is not intended to mandate the price ceiling or price floor of our products.

- ***Purchase order:*** Our deliverers/distributors are required to sign a separate purchase order with us for each purchase, which shall set out the specific products purchased, quantity and payment method etc. for that particular purchase.

- ***Product defects:*** We accept return or exchange of our products only if there are quality defects attributable to us.

Starting from January 2021, on a best endeavour basis, we began to require all our deliverers and distributors to enter into framework agreements, except for those that make infrequent purchases on an ad hoc basis or have annual purchase amounts of less than RMB0.5 million. As at the Latest Practicable Date, we have entered into framework agreements with our deliverers and distributors representing over 97.8% of our total revenue generated from the sales of MWA medical devices through deliverers to hospitals and to distributors for 5M2022.

We generally do not enter into any contract with the sub-distributors or deliverers engaged by our distributors and we mostly rely on our distributors to monitor and control the sales of their respective sub-distributors and deliverers. To the best knowledge of our Directors, during the Track Record Period, none of the sub-distributors or deliverers engaged by our distributors had made sales to customers other than their designated hospitals without our authorisation.

As advised by our PRC Legal Advisers, the "two-invoice system" is mainly applicable to the fields of high value medical consumables in most provinces in China as at the Latest Practicable Date while Qinghai Province and Shaanxi Province have formulated rules and regulations to implement the "two-invoice system" in the field of all medical consumables. In terms of other medical devices, during the Track Record Period, we did not sell through sub-distributors any other medical devices which were (i) classified as high value medical consumables to provinces which implemented the "two-invoice system" in the field of high value medical consumables; or (ii) sold to provinces that has implemented the "two invoice system" in the field of all medical consumables. As for MWA medical devices, MWA products manufactured by us are not sold to end hospital customers through distributors or sub-distributors in Qinghai and Shaanxi Province during the Track Record Period. As (i) the MWA products manufactured by us are not included in the reference list in relation to the Administrative Norms on Centralised Procurement of High Value Medical Consumables (《高值醫用耗材集中採購工作規範(試行)》); and (ii) we have not received any notice from the competent authority stating that our MWA products should be classified as high value medical consumables as at the Latest Practicable Date, our PRC Legal Advisers are of the view that the products sold by us through distributors or sub-distributors (if any) in those provinces which have implemented the "two-invoice system" in the field of high value medical consumables did not violate the "two-invoice system". As advised by our PRC Legal Advisers, our sales (including sales to distributors or sub-distributors (if any)) complied with the two-invoice system during the Track Record Period. For the laws and regulations in relation to the

"two-invoice system", please refer to the paragraph headed "Regulatory Overview – Laws and regulations relating to medical devices operation – Two-invoice system" for details. To better manage our distribution network and ensure our compliance with the "two-invoice system", we have adopted internal control measures, including (i) adding a provision to all new and renewed framework agreements requiring our distributors to obtain our written consent before engaging any sub-distributors or deliverers and ensure the sub-distributors and deliverers they engage also comply with the terms of our distribution agreements, including not to sell our products outside of the territories we designate for the relevant distributors or not to sell our products to unauthorised hospitals; (ii) communicating closely with our distributors and deliverers to ensure that there are no unauthorised sales to any third party; (iii) conducting regular review on our distributors' and deliverers' performance of their contractual obligations and their business operations; and (iv) requiring our distributors and deliverers to provide us with monthly inventory reports and cooperate with us on inventory checks. If we discover any cannibalisation activity by our distributors, sub-distributors or deliverers, we are entitled to terminate the framework agreement with the relevant distributors. As at the Latest Practicable Date, we do not plan to engage sub-distributors for sales of other medical devices which are subject to the "two-invoice system". We will strictly follow the abovementioned internal control measures to ensure compliance with the prevailing laws and regulations in relation to the "two-invoice system".

We have also adopted certain internal control measures to minimise the risk of cannibalisation among the deliverers and distributors, such as (i) authorising distributors to sell, and deliverers to deliver, our products only within their designated hospitals; and (ii) requiring them to provide us with reports on inventory levels and sales performance on a monthly basis and cooperate with us on inventory checks.

We believe that our policy of not accepting product returns from our deliverers and distributors save for defects in product quality, together with other measures in connection with management of our deliverers and distributors, reduced the risk of channel stuffing by our deliverers and distributors. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any risks or occurrence of channel-stuffing of our products.

Issuance of authorisation letter

After signing of the framework agreement or the issuance of the sales guideline, we will issue an authorisation letter to the designated hospitals which our deliverers or distributors are allowed to sell or deliver our products pursuant to the framework agreement or sales guidelines to confirm the proper authorisation. To the best knowledge and belief of our Directors, generally, hospitals will rely on our authorisation letters to purchase or accept the delivery of our products from the deliverers or the distributors.

Regular sales and inventory reports and inventory checks

To better monitor the sales and inventories of our deliverers and distributors, we require each of our deliverers and distributors to provide us with reports on their inventory levels and

sales performance on a monthly basis and cooperate with us on our inventory checks. Our Directors are of the view that our sales to hospitals and distributors during the Track Record Period reflected genuine market demand rather than an accumulation of inventory in our distribution channel, and that there was effective management and control over our deliverers and distributors and their respective inventory levels. For details of our trade receivables and the subsequent settlement of the balance as at the Latest Practicable Date, please refer to "Financial Information – Discussion on selected items of consolidated statements of financial position – Trade receivables" in this prospectus.

Regular training sessions

We provide regular training sessions on product knowledge to our distributors. Our sales and marketing team also assists our distributors with their sales and marketing efforts. We believe this helps us nurture mutually beneficial long-term relationships with our distributors.

Regular review

Our sales and marketing team monitors and manages our deliverers and distributors to make sure they comply with our sales guidelines and/or framework agreements, such as delivering or on-selling our products only to the hospitals in the territories designated therein. If we discover any non-compliance, we would inform the relevant deliverer or distributor and request the deliverer or distributor to rectify the non-compliance within a certain period of time. Our deliverers and distributors are required to indemnify us for any losses we incur because of such non-compliance. We are entitled to terminate the framework agreements if our deliverer or distributor breaches certain provisions stipulated in the agreements, such as distributing our products outside of the designated territories.

SEASONALITY

During the Track Record Period, our sales volume in the first half of a year was generally lower than the sales volume in the second half of a year as our customers tend to procure more of our products in the second half of a year, which is common for MWA medical device manufacturers in the PRC, as advised by Frost & Sullivan.

PRICING

We price our products based on a number of factors, such as importance of the distributors to obtain the access of new market, sales channels, cost of sales, expected sales volume, selling prices of comparable or similar products of our competitors, sales regions and government policies.

Typically, we sell our MWA medical devices to our distributors at a lower price than direct sales to the hospitals or via our deliverers.

Our products are mainly sold to public hospitals eventually. For MWA needles, we may be required to participate in a standard tender procedure conducted by the provincial governments before we or our deliverers or distributors are allowed to sell them to the public hospitals in the respective administrative regions. Public hospitals are required to purchase our MWA needles at their respective tender price pursuant to the applicable PRC laws and regulations. For further details, please refer to "Regulatory Overview – Laws and regulations relating to medical devices – Laws and regulations relating to medical devices operation – Tender processes for medical devices" in this prospectus. This standard procurement price affects our selling price to hospitals and indirectly affects the price we sell our products to our deliverers and distributors.

MARKETING

We market and sell our products mainly through our in-house sales and marketing department and our independent distribution networks.

We have established in-house sales and marketing department of 88 members as at 31 May 2022 to provide doctors, end-users and other healthcare institutional clients with customer service.

We organise regular trainings for our sales and marketing personnel. Our training generally includes background introduction of our products and industry, conditions of markets where we sell our products, an analysis of our competitors and comparison against our products' sales status, and skills in establishing connections with our end customers. All these enable our employees to appropriately present the features and technologies of our products to doctors.

Our distributors are authorised to promote our brands and products in selling our proprietary MWA medical devices. If we discover any non-compliance, we have the right to seek legal recourse and be indemnified by distributors for any losses we incur because of such non-compliance. Please refer to "Risk Factors – Risks relating to intellectual property rights – If our trademarks, trade names and other proprietary rights are not adequately protected, we may not be able to build name recognition in our markets of interest and our business may be adversely affected." for further details.

It is a mix of our R&D strategy and marketing strategy to actively participate in medical conferences in China. During the Track Record Period, we participated in more than 100 medical conferences. Below are some major medical conferences we participated in during the Track Record Period:

Year	Name of conference	Main organiser(s)	Location
2019	The Eighth Session of the Meeting of Chinese Thyroid Association under Chinese Surgeon Association of Chinese Medical Doctor Association* (第八屆中國醫師協會外科分會甲狀腺外科醫師委員會會議)	– Chinese Thyroid Association under Chinese Surgeon Association of Chinese Medical Doctor Association* (中國醫師協會外科醫師分會甲狀腺外科醫師委員會) – Hubei Provincial (E) Society of Clinical Oncology* (湖北省臨床腫瘤學會)	Wuhan City, Hubei Province
2019	China Embolisation Therapy, CET 2019 (第五屆中國栓塞介入治療大會)	– Tianjin Medical Doctor Association* (天津市醫師協會) – Beijing Society for Emergency Medicine* (北京急診醫學學會)	Tianjin
2019	2019 Annual Meeting of Breast and Thyroid Surgery Study Group under the General Surgery Committee of Hunan Medical Association* (湖南省醫學會普通外科專業委員會乳腺甲狀腺外科學組2019年會)	– Breast and Thyroid Surgery Study Group under the General Surgery Committee of Hunan Medical Association* (湖南省醫學會普外乳腺甲狀腺外科學組) – Hunan Preventive Medicine Association* (湖南省預防醫學會)	Changsha City, Hunan Province
2019	The 10th China Conference on Interventional Oncology (CCIO 2019) and 2019 Chinese National Congress on Intervention Oncology (第十屆中國腫瘤介入與微創治療大會(CCIO 2019)暨2019年中國抗癌協會腫瘤介入學分會年會)	– Oncological Intervention Committee of China Anti-cancer Association* (中國抗癌協會腫瘤介入學專業委員會)	Beijing

Year	Name of conference	Main organiser(s)	Location
2020	2020 Lingnan Minimally Invasive Intervention Medicine Summit and the Fourth Seminar for Liver Cancer Interventional Therapy of Guangdong Medical Association* (2020嶺南微創介入醫學高峰論壇暨廣東省醫學會第四次肝癌介入治療研討會)	– Guangdong Medical Association* (廣東省醫學會) – China Anti-cancer Association* (中國抗癌協會) – Guangzhou Anti-cancer Association* (廣州抗癌協會)	Guangzhou City, Guangdong Province
2020	2020 Academic Meeting of Oncological Ablation Therapy Expert Committee under CSCO and 2020 Academic Meeting of Minimally Invasive Intervention Committee under Guangdong Association of Primary Medicine* (2020年CSCO腫瘤消融治療專家委員會學術會議暨廣東省基層醫藥學會微創介入專業委員會2020年學術會議)	– Oncological Ablation Therapy Expert Committee under Chinese Society of Clinical Oncology (CSCO)* (中國臨床腫瘤學會(CSCO)腫瘤消融治療專家委員會) – Minimally Invasive Intervention Committee under Guangdong Association of Primary Medicine* (廣東省基層醫藥學會微創介入專業委員會)	Shenzhen, Guangdong Province
2021	Founding Conference of the Health Management Specialised Committee of Guangdong Association of Primary Medicine and The First Exchange Session of the Appropriate Primary Medical Technology* (廣東省基層醫藥學會健康管理專委會成立大會暨首屆基層適宜技術交流會)	– Guangdong Association of Primary Medicine* (廣東省基層醫藥學會)	Guangzhou City, Guangdong Province
2021	Canton Intervention Forum (廣州介入論壇)	Guangdong Medical Education Association (廣東省醫學教育協會)	Guangzhou City, Guangdong Province

Year	Name of conference	Main organiser(s)	Location
2022	Annual Meeting of the Breast Cancer Branch of the Guangdong Precision Medicine Application Association and the Annual Meeting of the Breast Group of the Minimally Invasive Tumour Therapy Professional Committee of the Chinese Anti-cancer Association* (廣東省精準醫學應用學會乳腺腫瘤分會年會暨中國抗癌協會腫瘤微創治療專業委員會乳腺學組年會)	Guangdong Precision Medicine Application Association (廣東省精準醫學應用學會)	Guangzhou City, Guangdong Province

Our sales and marketing department is also responsible for liaising with marketing service providers (which collaborate with KOLs on our behalf) on sales and marketing initiatives. The marketing service providers and the KOLs collaborating with them will participate in national and local academic medical conferences to promote our brand and products from time to time. During the Track Record Period, the marketing service providers collaborated with more than 60 KOLs on our behalf, nearly all of them are doctors in grade IIIA hospitals in the PRC, professors in the tertiary educational institutes and/or committee members of medical associations in the PRC, specialising in various departments, including hepatobiliary surgery, thyroid surgery and breast disease surgery. We rely on these KOLs and marketing service providers to introduce and recommend our proprietary MWA medical devices to doctors and hospitals. The KOLs have incentives in learning the latest treatment options available within their therapeutic areas, as well as introducing advanced technologies and products that they believe have clinical benefits to other doctors. This will help maintain their authority and standing within the broader medical community. We provide these KOLs with detailed information of our products. They will make independent judgment on competing products in the market. We are confident about the safety and efficacy profiles of our product and we believe that these KOLs' independent views on our products help increase the market recognition of our products among the wider medical community across the country.

PRODUCT RETURN AND EXCHANGES

We are responsible for product defect as required by PRC laws. Our return and exchange policy is to accept only defective products for return or exchange. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material customer claims nor material product returns or exchanges from customers. In FY2019, FY2020, FY2021 and 5M2022, the total returned products amounted to RMB1.5 million, RMB0.3 million, RMB0.3 million and RMB0.1 million, respectively, accounting for 1.8%, 0.3%, 0.2% and 0.2% of our total sales for the same periods.

OUR CUSTOMERS

Customers

Our customers primarily include distributors and hospitals in China. We endeavour to expand our customer base, and the number of new customers are 95, 60, 67 and 33, respectively, for FY2019, FY2020, FY2021 and 5M2022. For FY2019, FY2020, FY2021 and 5M2022, revenue from our top five customers amounted to RMB35.1 million, RMB47.0 million, RMB87.4 million and RMB27.3 million, respectively, accounting for 41.4%, 39.7%, 46.3% and 42.9% of our total revenue for the same period. During the same periods, revenue from our largest customer amounted to RMB11.7 million, RMB14.1 million, RMB27.7 million and RMB7.2 million, respectively, accounting for 13.8%, 11.9%, 14.7% and 11.3% of our total revenue for the same periods.

The following table sets forth our top five customers for the years/period indicated:

Ranking	Customer	Sales channel	Products sold	Revenue *(RMB'000)*	% of total revenue	Typical credit terms *(Note 1)*	Payment method	Calendar year of commencement of business relationship	Customer background
FY2019									
1	Customer Group A	Sales to distributors	MWA medical devices and other medical devices	11,701	13.8	60 days	Bank Transfer	2018	A private company based in Henan Province with RMB1 million registered capital, which was established in the PRC in 2018 and is primarily engaged in wholesale of medical devices, and a private company based in Guangdong Province with RMB5 million registered capital, which was established in the PRC in 2016 and is primarily engaged in wholesale of medical devices
2	Sun Yat-sen University Cancer Center (中山大學附屬腫瘤醫院)	Sales through deliverer *(Note 2)*	MWA medical devices and other medical devices	8,753	10.3	60 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1964
3	Guangdong General Hospital (廣東省人民醫院)	Sales through deliverer *(Note 2)*	MWA medical devices and other medical devices	7,708	9.1	60 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1946
4	Customer H	Sales through deliverer *(Note 3)*	MWA medical devices	3,972	4.7	45 days	Bank Transfer	2019	A Grade IIIA public hospital in Beijing which was established in 1953
5	Shanghai Xiling Medical Equipment Co., Ltd* (上海西領醫療器械有限公司)	Sales to distributor	MWA medical devices	2,980	3.5	90 days	Bank Transfer	2018	A private company based in Shanghai with RMB1 million registered capital, which was established in the PRC in 2011 and is primarily engaged in sales of medical devices
Total:				35,114	41.4				

Ranking	Customer	Sales channel	Products sold	Revenue *(RMB'000)*	% of total revenue	Typical credit terms *(Note 1)*	Payment method	Calendar year of commencement of business relationship	Customer background
FY2020									
1	Customer Group A	Sales to distributors	MWA medical devices and other medical devices	14,072	11.9	60 days	Bank Transfer	2018	A private company based in Henan Province with RMB1 million registered capital, which was established in the PRC in 2018 and is primarily engaged in wholesale of medical devices, and a private company based in Guangdong Province with RMB5 million registered capital, which was established in the PRC in 2016 and is primarily engaged in wholesale of medical devices
2	Guangdong General Hospital (廣東省人民醫院)	Sales through deliverer *(Note 2)*	MWA medical devices and other medical devices	10,416	8.8	60 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1946
3	Guangdong Provincial Hospital of Chinese Medicine (廣東省中醫院)	Sales through deliverer *(Note 2)*	MWA medical devices	7,827	6.6	60 days	Bank Transfer	2015	A Grade IIIA public hospital in Guangdong Province which was established in 1933
4	Sun Yat-sen University Cancer Center (中山大學附屬腫瘤醫院)	Direct sales to hospital	MWA medical devices	7,562	6.4	60 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1964
5	Customer K	Sales through deliverer *(Note 4)*	MWA medical devices and other medical devices	7,109	6.0	90 days	Bank Transfer	2019	A Grade IIIA public hospital in Chongqing which was established in 2016
Total:				46,986	39.7				

Ranking	Customer	Sales channel	Products sold	Revenue *(RMB'000)*	% of total revenue	Typical credit terms *(Note 1)*	Payment method	Calendar year of commencement of business relationship	Customer background
FY2021									
1	Guangdong General Hospital (廣東省人民醫院)	Sales through deliverers *(Note 5)*	MWA medical devices and other medical devices	27,742	14.7	60 days/5 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1946
2	Zhuhai People's Hospital (珠海市人民醫院)	Sales through deliverers *(Note 6)* and direct sales to hospital	MWA medical devices and other medical devices	23,515	12.5	5–30 days/ 30 days	Bank Transfer	2017	A Grade IIIA public hospital in Guangdong Province which was established in 1950
3	Sun Yat-sen University Cancer Center (中山大學附屬腫瘤醫院)	Direct sales to hospital and sales through deliverer *(Note 7)*	MWA medical devices	15,770	8.3	5 days/60 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1964
4	Customer H	Sales through deliverer *(Note 3)*	MWA medical devices	11,759	6.2	45 days	Bank Transfer	2019	A Grade IIIA public hospital in Beijing which was established in 1953
5	Customer A	Sales to distributor	MWA medical devices	8,597	4.6	60 days	Bank Transfer	2018	A private company based in Henan Province with RMB1 million registered capital, which was established in the PRC in 2018 and is primarily engaged in wholesale of medical devices
Total:				87,383	46.3				
5M2022									
1	Zhuhai People's Hospital (珠海市人民醫院)	Sales through deliverers *(Note 6)*	MWA medical devices and other medical devices	7,215	11.3	10 days/ 30 days	Bank Transfer	2017	A Grade IIIA public hospital in Guangdong Province which was established in 1950
2	Guangdong General Hospital (廣東省人民醫院)	Sales through deliverer *(Note 2)*	MWA medical devices and other medical devices	7,184	11.3	5 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1946
3	Customer H	Sales through deliverer *(Note 3)*	MWA medical devices	4,750	7.5	45 days	Bank Transfer	2019	A Grade IIIA public hospital in Beijing which was established in 1953
4	Sun Yat-sen University Cancer Center (中山大學附屬腫瘤醫院)	Direct sales to hospital	MWA medical devices	4,741	7.4	60 days	Bank Transfer	2013	A Grade IIIA public hospital in Guangdong Province which was established in 1964
5	The Second People's Hospital of Shenzhen (深圳市第二人民醫院)	Sales through deliverer *(Note 8)*	MWA medical devices	3,452	5.4	45 days	Bank Transfer	2019	A Grade IIIA public hospital in Guangdong Province which was established in 1980
Total:				27,342	42.9				

Notes:

1. For sales through deliverer(s), the credit term represents the credit term granted to the deliverer. The deliverer had the obligation to settle our invoices within the credit period regardless of their receipt of payment from the designated hospitals. Hence, under the sales through deliverer model, the deliverers, instead of the hospitals, will be considered as our trade debtors.

2. The deliverer for our sales to this customer during the Track Record Period is a state-owned company based in the PRC with RMB76.9 million registered capital ultimately controlled by Shanghai State-owned Assets Supervision and Administration Commission and is primarily engaged in wholesale and logistics services of medical devices and medicine ("**Deliverer B**"). It is an indirect subsidiary of a company listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, with market capitalisation of over HK$60 billion.

3. The deliverer for our sales to this customer during the Track Record Period is a company based in the PRC with RMB50 million registered capital and is primarily engaged in wholesale and logistics services of medical devices and medicine. It is an indirect subsidiary of a company listed on the Shanghai Stock Exchange, with market capitalisation of over RMB20 billion.

4. The deliverer for our sales to this customer during the Track Record Period is a state-owned company based in the PRC with RMB50 million registered capital ultimately controlled by Chongqing State-owned Assets Supervision and Administration Commission and is primarily engaged in wholesale and logistics distribution of medical devices. It is an indirect subsidiary of a company listed on the Shenzhen Stock Exchange, with market capitalisation of over RMB8 billion.

5. The deliverers for our sales to this customer during the Track Record Period include Deliverer B and its non-wholly owned subsidiary, a company based in the PRC with RMB26 million registered capital and is primarily engaged in sales and distribution of pharmaceuticals and medical devices ("**Deliverer C**").

6. The deliverers for our sales to this customer during the Track Record Period include (i) a company based in the PRC with RMB5 million registered capital and is primarily engaged in wholesale and logistics distribution of medical devices ("**Deliverer A**"); (ii) a state-owned company based in the PRC with RMB50 million registered capital ultimately controlled by the State Council. It is an indirect subsidiary of a company listed on the Shenzhen Stock Exchange, with market capitalisation of over RMB10 billion ("**Deliverer D**"), whose parent company is a company listed on the Main Board of the Stock Exchange, with market capitalisation of over HK$50 billion; and (iii) Deliverer C.

7. The deliverer for our sales to this customer during the Track Record Period is Deliverer C.

8. The deliverer for our sales to this customer during the Track Record Period is Deliverer D.

Our Directors confirm that as at the Latest Practicable Date, all of our top five customers during the Track Record Period were Independent Third Parties. To the best knowledge of our Directors, none of our Directors and their respective close associates or any of the Shareholders holding more than 5% of our Company's share capital as at the Latest Practicable Date has any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date.

Relationship with Customer Group A

Customer Group A comprises Customer A and Customer B. Customer A and Customer B were owned as to 80% and 100%, respectively, by Mr. Chen Wei (陳偉), our former employee as at the Latest Practicable Date. Mr. Chen Wei (陳偉) had been an executive director and authorised representative of Baide Suzhou for three years until his resignation in June 2016. In

addition, Ms. Ou Shouling, one of the Series B Investors, is the supervisor of Customer B. Our Directors confirmed that the sales to Customer Group A was on commercial terms negotiated on an arm's length basis and our distribution agreements entered into with Customer Group A included the terms of the typical framework distribution agreement we entered into with other distributors. Our internal control policy also ensures us to treat Customer Group A in an equal manner as the way we treat other distributors.

Customer Group A was our distributor and our largest customer for FY2019, FY2020 and one of our top five customers for FY2021. The total revenue from Customer Group A accounted for 13.8%, 11.9%, 4.6% and 1.2% of our total revenue for FY2019, FY2020, FY2021 and 5M2022, respectively. Customer Group A are primarily engaged in wholesale and distribution of medical devices. During the Track Record Period, Customer Group A sold our products to 54, 43, 18 and 11 hospitals for FY2019, FY2020, FY2021 and 5M2022, respectively.

During the Track Record Period, we endeavoured to liaise with hospitals directly instead of via our distributors. As a result, our sales to hospitals increased from RMB43.7 million in FY2019 to RMB72.1 million in FY2020 and further to RMB121.9 million in FY2021, respectively, representing 51.4%, 61.0% and 64.6% of our total revenue for the same periods. For 5M2022, our sales to hospitals amounted to RMB41.5 million, representing 65.0% of our total revenue for the same period. Our continuous effort in expanding our direct sales network has reduced the risk of customer concentration on Customer Group A.

In addition, we also engaged Customer Group A as marketing service providers for preparing marketing materials and participating in medical conferences to promote our brand and products during the Track Record Period. The table below sets out our Group's revenue derived from Customer Group A and service fee paid to Customer Group A during the Track Record Period:

	FY2019		**FY2020**		**FY2021**		**5M2022**	
	RMB'000	*% of total revenue/ service fee*	*RMB'000*	*% of total revenue/ service fee*	*RMB'000*	*% of total revenue/ service fee*	*RMB'000*	*% of total revenue/ service fee*
Revenue derived from Customer Group A	11,701	13.8	14,072	11.9	8,597	4.6	793	1.2
Service fee paid to Customer Group A	2,051	23.2	2,531	29.8	–	–	–	–

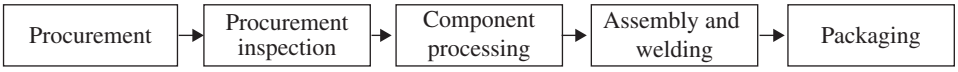
Please refer to "Our sales channels – Overlapping of deliverers/distributors and service providers" in this section for further details.

OUR PRODUCTION

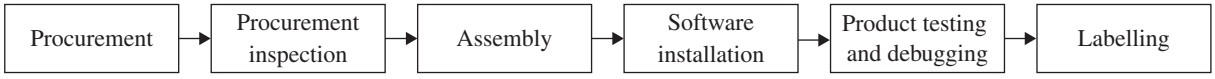
Production processes

The following graphs summarise the major production steps for our MWA medical devices:

MWA needles



MWA therapeutic apparatus



The following is a brief description of the key steps in our production process:

Procurement – We procure components and parts for our production process from third parties.

Component processing – We conduct component processing, for example the stripping of coaxial cable. We may engage third party for component processing.

Assembly and welding – The assembly and welding of components and parts are conducted manually by our production staff. The assembly process includes both the mechanical assembly and electrical assembly.

Sterilisation – After packaging our MWA needles, we transport our packaged MWA needles to third party service providers for professional sterilisation with ethylene oxide sterilisation technology.

Product testing and debugging – We test the MWA effect of our MWA medical devices by applying the MWA on animal organs for several times for each of our MWA medical devices to check its proper functioning under different microwave powers and with different operation time.

Quality inspection – We conduct quality inspections after each key step during the production process. If any flaw is detected, the semi-finished product would be placed to the previous step to be revisited or scrapped, as appropriate.

Production facilities and production capacity

We had a production team of 49 employees as at 31 May 2022. Our proprietary MWA medical devices were manufactured in the Nanjing Plant 1, with an aggregate GFA of 3,114

sq.m., before the relocation of our production to the Nanjing Plant 2 in October 2021, which has an aggregate GFA of 2,660 sq.m. During the Track Record Period, most of our proprietary MWA medical devices were manufactured in the Nanjing Plant 1 and the Nanjing Plant 2 and a small number of MWA medical devices are produced by commissioned production. Both the Nanjing Plant 1 and the Nanjing Plant 2 were leased from Independent Third Parties. For further details, please refer to "Properties – Leased properties" in this section.

At the commencement of operation, the Nanjing Plant 1 did not attend to "three simultaneities" procedures for the prevention and control of occupational disease hazards under the Three Simultaneities principles. For details, please refer to "Legal and regulatory compliance – Legal compliance" in this section.

We purchase the machineries, equipment and leasehold improvement for our production based on our production needs. For FY2019, FY2020, FY2021 and 5M2022, our expenses in connection with the procurement of manufacturing machinery, equipment and leasehold improvement were nil, RMB6.6 million, RMB9.0 million and RMB78,000, respectively. As at the Latest Practicable Date, we owned all the equipment used in our production facilities. We perform routine and preventative maintenance on our production machinery, equipment to ensure their proper functioning. We generally replace or upgrade our machines at the end of their lifetimes. For details of the depreciation policy, please refer to Note 4.3 of the Accountants' Report as set out in Appendix I to this prospectus. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material interruption to our production process due to failure of our production machinery and equipment.

The following table sets forth the designed production capacity, actual output and utilisation rate of our production facilities for the periods indicated:

	FY2019	**FY2020**	**FY2021**	**5M2022**
Designed production capacity *(Note 1)*	48,644	44,768	52,010	25,755
Actual output	27,055	17,908	44,383	16,293
Utilisation rate *(%)* *(Note 2)*	55.6	40.0	85.3	63.3

Notes:

1. The designed production capacity figures are calculated based on a number of assumptions, including the daily working time, the number of working days and the number of employees working for the relevant period. The designed production capacity figures for FY2019 are based on the assumptions that (i) each employee produces 5.1 MWA needles per working day; (ii) there is an average of 38 production staff during the year; and (iii) all 38 employees work on all 251 working days during the year. The designed production capacity figure for FY2020 is based on the assumptions that (i) each employee produces 5.1 MWA needles per working day; (ii) there is an average of 38 production staff during the year; and (iii) all 38 employees work on all 251 working days during the year except the suspension of operation of the Nanjing Plant 1 for 20 working days in FY2020 due to COVID-19 pandemic. The designed production capacity figure for FY2021 is based on (i) each employee produces 5.1 MWA needles per working day; (ii) there is an average of 38 and 50 production staff during the year for the Nanjing Plant 1 and the Nanjing Plant 2, respectively; (iii) of all 251 working days during the year, the Nanjing Plant 1 and the Nanjing

Plant 2 operate for 196 days and 55 days, respectively; and (iv) all employees work on all working days that the respective plants operate during the year. The designed production capacity figure for 5M2022 is based on (i) each employee produces 5.1 MWA needles per working day; (ii) there is an average of 50 production staff during the period for the Nanjing Plant 2; (iii) the Nanjing Plant 2 operated for all 101 working days during the five months ended 31 May 2022; and (iv) all employees work on all working days that the plant operated during the period.

2. Utilisation rate is calculated by dividing actual output by designed production capacity during the same period.

Save for procurement which is handled by our procurement team in our office, we carry out each of the above in our manufacturing facilities. Our in-house production enables our Group to reduce reliance on third parties and to adjust our production quickly to satisfy the clinical needs. In addition, to meet the expanding demand of our MWA medical devices, the Suzhou Plant is expected to commence operations in the fourth quarter of 2022. Upon the commencement of operations of the Suzhou Plant, it is expected that the Suzhou Plant can increase the production capacity of our Group by approximately 77,000 units of MWA needles per year.

OUR SUPPLIERS

Our suppliers represent (i) suppliers of direct materials for our production of MWA medical devices; and (ii) suppliers of other medical devices. For the production of our MWA needles, the principal materials include metal, needles, needle connectors, plastic handles, coaxial cable and tube. For the production of MWA therapeutic apparatus, the principal materials include peristaltic pump, monitor, and various components and accessories of computers. We purchased all of our materials in China during the Track Record Period. For FY2019, FY2020, FY2021 and 5M2022, we incurred cost of other medical devices and cost of direct materials of RMB6.6 million, RMB13.3 million, RMB27.2 million and RMB7.5 million, respectively, representing 73.0%, 80.9%, 85.2% and 77.0% of our cost of sales for the same periods.

For FY2019, FY2020, FY2021 and 5M2022, purchase amount from our top five suppliers amounted to RMB4.5 million, RMB9.6 million, RMB25.9 million and RMB5.3 million, respectively, representing 50.1%, 58.6%, 81.3% and 54.7% of our total cost of sales, respectively. During the same periods, purchase amount from our largest supplier amounted to RMB2.1 million, RMB3.0 million, RMB10.2 million and RMB3.9 million, respectively, representing 23.1%, 18.2%, 32.0% and 39.7% of our total cost of sales for the same periods.

The following table sets forth our top five suppliers for the years/period indicated:

Ranking	Supplier	Products purchased	Purchase *(RMB'000)*	% of total cost of sales	Credit terms	Payment method	Calendar year of commencement of business relationship	Supplier background
FY2019								
1	Shanghai Kehao Transmission Line Co. Ltd* (上海科浩傳輸線有限公司)	Direct materials for MWA medical devices	2,093	23.1	20 days	Bank Transfer	2016	A private company based in Shanghai with RMB0.5 million registered capital, which was established in the PRC in 2002 and is primarily engaged in manufacturing, processing and sales of transmission cables and communication devices
2	Nanjing Pengbohe Mechanical and Electrical Equipment Co., Ltd.* (南京鵬波和機電設備有限公司)	Direct materials for MWA medical devices	714	7.9	20 days	Bank Transfer	2018	A private company based in Jiangsu Province with RMB1 million registered capital, which was established in the PRC in 2017 and is primarily engaged in processing and sales of mechanical and electrical equipment, electronic equipment, electronic components, etc.
3	Xinxiang Jieke Medical Equipment Co., Ltd.* (新鄉市杰科醫療器械有限公司) (formerly known as Xinxiang Jieke Plastic Materials Co., Ltd.* (前稱新鄉市杰科塑膠材料有限公司))	Direct materials for MWA medical devices	606	6.7	15 days	Bank Transfer	2017	A private company based in Henan Province with RMB1 million registered capital, which was established in the PRC in 2008 and is primarily engaged in manufacturing and sales of medical devices

Ranking	Supplier	Products purchased	Purchase *(RMB'000)*	% of total cost of sales	Credit terms	Payment method	Calendar year of commencement of business relationship	Supplier background
4	Nanjing Xinli Aluminum Coating Co. Ltd* (南京新力鋁業塗裝有限責任公司)	Direct materials for MWA medical devices	576	6.4	20 days	Bank Transfer	2016	A private company based in Jiangsu Province with RMB0.5 million registered capital, which was established in the PRC in 2001 and is primarily engaged in casting and surface coating of metals
5	Zhenjiang Dejin Electronic Technology Co. Ltd* (鎮江德金電子技術有限公司)	Direct materials for MWA medical devices	546	6.0	20 days	Bank Transfer	2019	A private company based in Jiangsu Province with RMB1 million registered capital, which was established in the PRC in 2018 and is primarily engaged in R&D, assembling and sales of radio frequency coaxial connectors, microwave devices, and electronic equipment and devices
Total:			4,535	50.1				

Ranking	Supplier	Products purchased	Purchase *(RMB'000)*	% of total cost of sales	Credit terms	Payment method	Calendar year of commencement of business relationship	Supplier background
FY2020								
1	Supplier C	Other medical devices	2,985	18.2	Not stipulated in contract	Bank Transfer	2020	A private company based in Shanghai with RMB30 million registered capital, which was established in the PRC in 2014 and is primarily engaged in technical services, R&D and consulting of technology and sales of medical devices
2	Hunan Jinqi Intelligent Technology Co., Ltd (湖南省金麒智能科技有限公司)	Other medical devices	2,416	14.7	nil	Bank Transfer	2019	A private company based in Hunan Province with RMB2 million registered capital, which was established in the PRC in 2015 and is primarily engaged in R&D of intelligent technology, installation of mechanical and electrical equipment
3	Chongqing Tingyou Medical Equipment Co., Ltd.* (重慶霆佑醫療設備有限公司)	Other medical devices	2,195	13.4	nil	Bank Transfer	2019	A private company based in Chongqing with RMB3 million registered capital, which was established in the PRC in 2017 and is primarily engaged in maintenance, leasing, installation and technical consulting of medical devices
4	Chongqing Pharmaceutical Hucheng Technology Co., Ltd.* (重慶醫藥互誠科技有限公司)	Other medical devices	1,356	8.3	5 days	Bank Transfer	2019	A private company based in Chongqing with RMB10 million registered capital, which was established in the PRC in 2017 and is primarily engaged in trading of licensed goods, R&D of medical technology and wholesale and retail of medical devices
5	Chongqing Ruike Medical Device Co., Ltd* (重慶瑞科醫療儀器有限公司)	Other medical devices	655	4.0	nil	Bank Transfer	2019	A private company based in Chongqing with RMB50 million registered capital, which was established in the PRC in 2006 and is primarily engaged in wholesale and sales of medical devices
Total:			9,607	58.6				

Ranking	Supplier	Products purchased	Purchase *(RMB'000)*	% of total cost of sales	Credit terms	Payment method	Calendar year of commencement of business relationship	Supplier background
FY2021								
1	Supplier C	Other medical devices	10,225	32.0	Not stipulated in contract	Bank Transfer	2020	A private company based in Shanghai with RMB30 million registered capital, which was established in the PRC in 2014 and is primarily engaged in technical services, R&D and consulting of technology and sales of medical devices
2	Customer C	Other medical devices	9,684	30.4	15 days	Bank Transfer	2016	A private company based in Guangdong Province with RMB5 million registered capital, which was established in the PRC in 2015 and is primarily engaged in R&D services for biotechnology and trading of medical devices
3	Shanghai Jingbo Transmission Technology Co., Ltd* (上海京波傳輸科技有限公司)	Direct materials for MWA medical devices	3,462	10.9	nil	Bank Transfer	2020	A private company based in Shanghai with RMB10.3 million registered capital, which was established in the PRC in 2010 and is primarily engaged in intellectualisation of computer network, communication, electronics and buildings

Ranking	Supplier	Products purchased	Purchase *(RMB'000)*	% of total cost of sales	Credit terms	Payment method	Calendar year of commencement of business relationship	Supplier background
4	Nanjing Pengbohe Mechanical and Electrical Equipment Co., Ltd.* (南京鵬波和機電設備有限公司)	Direct materials for MWA medical devices	1,448	4.5	20 days	Bank Transfer	2018	A private company based in Jiangsu Province with RMB1 million registered capital, which was established in the PRC in 2017 and is primarily engaged in processing and sales of mechanical and electrical equipment, electronic equipment, electronic components, etc.
5	Xinxiang Jieke Medical Equipment Co., Ltd.* (新鄉市杰科醫療器械有限公司) (formerly known as Xinxiang Jieke Plastic Materials Co., Ltd.* (前稱新鄉市杰科塑膠材料有限公司))	Direct materials for MWA medical devices	1,129	3.5	15 days	Bank Transfer	2017	A private company based in Henan Province with RMB1 million registered capital, which was established in the PRC in 2008 and is primarily engaged in manufacturing and sales of medical devices
Total:			25,948	81.3				

Ranking	Supplier	Products purchased	Purchase *(RMB'000)*	% of total cost of sales	Credit terms	Payment method	Calendar year of commencement of business relationship	Supplier background
5M2022								
1	Supplier C	Other medical devices	3,859	39.7	Not stipulated in contract	Bank Transfer	2020	A private company based in Shanghai with RMB30 million registered capital, which was established in the PRC in 2014 and is primarily engaged in technical services, R&D and consulting of technology and sales of medical devices
2	Shanghai Jingbo Transmission Technology Co., Ltd* (上海京波傳輸科技有限公司)	Direct materials for MWA medical devices	486	5.0	nil	Bank Transfer	2020	A private company based in Shanghai with RMB10.3 million registered capital, which was established in the PRC in 2010 and is primarily engaged in intellectualisation of computer network, communication, electronics and buildings
3	Nanjing Xinli Aluminum Coating Co. Ltd* (南京新力鋁業塗裝有限責任公司)	Direct materials for MWA medical devices	397	4.1	15 days	Bank Transfer	2016	A private company based in Jiangsu Province with RMB0.5 million registered capital, which was established in the PRC in 2001 and is primarily engaged in casting and surface coating of metals

Ranking	Supplier	Products purchased	Purchase *(RMB'000)*	% of total cost of sales	Credit terms	Payment method	Calendar year of commencement of business relationship	Supplier background
4	Xinxiang Jieke Medical Equipment Co., Ltd.* (新鄉市杰科醫療器械有限公司) (formerly known as Xinxiang Jieke Plastic Materials Co., Ltd.* (前稱新鄉市杰科塑膠材料有限公司))	Direct materials for MWA medical devices	310	3.2	20 days	Bank Transfer	2017	A private company based in Henan Province with RMB1 million registered capital, which was established in the PRC in 2008 and is primarily engaged in manufacturing and sales of medical devices
5	Nanjing Pengbohe Mechanical and Electrical Equipment Co., Ltd.* (南京鵬波和機電設備有限公司)	Direct materials for MWA medical devices	267	2.7	20 days	Bank Transfer	2018	A private company based in Jiangsu Province with RMB1 million registered capital, which was established in the PRC in 2017 and is primarily engaged in processing and sales of mechanical and electrical equipment, electronic equipment, electronic components, etc.
Total:			5,319	54.7				

Our Directors confirm that as at the Latest Practicable Date, all of our top five suppliers during the Track Record Period were Independent Third Parties. To the best knowledge of our Directors, none of our Directors and their respective close associates or any of the Shareholders holding more than 5% of our Company's share capital as at the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we did not experience any material dispute with our suppliers, difficulties in the procurement of our direct materials, interruptions in our operations due to a shortage or delay of direct materials or significant fluctuations in material prices. We do not rely on any of our current suppliers as there are viable substitutes available on the market to meet our needs at a comparable price and quality. We keep a list of qualified suppliers for our principal direct materials. Selection of the qualified suppliers are based on various criteria, including price, quality, and customer service. The list of qualified suppliers will be reviewed and updated annually.

We enter into supply agreements on a case-by-case basis with our direct material suppliers. According to these supply agreements, we and our direct material suppliers generally determine the unit price of the materials for a specified purchase quantity with reference to the type and market price of the direct materials. Our major direct material suppliers typically offer us a credit term of nil to 30 days.

In addition, we generally require our direct material suppliers to sign quality assurance agreements and they are responsible for any quality defect that are caused by the substandard direct materials supplied.

Relationship with Customer C

Customer C is controlled by Mr. Zhang Wanchao (張萬朝), our former employee, as at the Latest Practicable Date. Mr. Zhang Wanchao was the sales director of Baide Suzhou for more than three years until his resignation in February 2017.

In FY2019 and FY2020, Customer C was our distributor selling our MWA medical devices to 17 hospitals, mainly located in the Greater Bay Area, and it also purchased other medical devices from us. Meanwhile we purchased other medical devices such as anaesthesia machines, ultrasound therapeutic apparatus and ultrasound catheters from Customer C for our business of trading of other medical devices and consumables in FY2021 and Customer C was one of our top five suppliers for FY2021. The products purchased from and sold to Customer C were different.

The amount of purchases from, and supplies to, Customer C are treated separately from an accounting perspective and have not been offset against each other. We have separate teams to liaise with the distribution and supply divisions of Customer C.

Our Directors confirm that our sales to and purchases from Customer C were (i) entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, (ii) conducted in the ordinary course of business under normal commercial terms and on an arm's length basis, and (iii) at prices that are no less favourable than from other Independent Third Parties who are not overlapping customer-supplier. To the best knowledge of our Directors, save as disclosed, we did not have any other overlapping between our other major customers and suppliers or our major suppliers and customers during the Track Record Period and up to the Latest Practicable Date. According to Frost & Sullivan, overlapping of customer and supplier is a common phenomenon in the medical device industry in the PRC.

INVENTORY MANAGEMENT

Both the Nanjing Plant 1 and the Nanjing Plant 2 are equipped with warehouses for storage of our inventories. Our inventories primarily include raw materials, work-in-progress and finished goods. For FY2019, FY2020, FY2021 and 5M2022, we had inventories of RMB4.9 million, RMB5.3 million, RMB10.6 million and RMB11.5 million, respectively. We maintain our inventories of finished goods and procure raw materials according to the projected demand from our customers and the estimated production time. Under our new or renewed framework agreements, we require our deliverers and distributors to provide us with reports on their inventory levels and sales performance on a monthly basis to understand the sales trend and project the demand and formulate our production plan accordingly. For FY2019, FY2020, FY2021 and 5M2022, our average inventory turnover days are 168 days, 114 days, 91 days and 172 days, respectively. We optimise our inventory level and for 5M2022, we intend to keep a higher inventory level to ensure stable supply of our products in case there are any unforeseeable measures to contain COVID-19 outbreak that hinder our production.

QUALITY CONTROL AND MANAGEMENT

Since any product defects may cause significant risks to patients, we endeavour to achieve high standard quality control and management on a consistent basis to maintain our track record of quality, safe and effective performance throughout our production process. We have adopted quality control procedures to implement stringent measures during production process, from procurement of raw materials and equipment to completion and inspection of our products. Our quality control department is responsible for quality control and inspection of our products. During the Track Record Period, we maintained the GB/T 19001-2016 idt ISO 9001:2015 (Quality Management System) and YY/T 0287-2017 idt ISO 13485:2016 (Quality Management System for Medical Devices) in recognition of our quality control management.

The following sets forth a summary of our key quality control measures:

Internal reports and records	:	Our quality control department is required to keep the relevant reports and records during production process to document production progress, inspection results, quality and issues.
Inspection of raw materials	:	We purchase raw materials only from selected qualified suppliers and require our suppliers to provide quality inspection reports on the important raw materials for our production. Our quality control department will conduct sample check on each batch of the raw materials in accordance with our internal guideline and maintain a record for the inspection.
Production quality control	:	We strictly monitor each step of our production process to ensure it meets our quality control requirements. Each of our staff is required to participate in mandatory training on our operation procedures and quality control requirements. We also station staff at each key step of our production process to examine the quality of the goods before passing to the next production step. Our quality control staff also conducts routine and ad hoc quality inspections in the production areas and at selected production steps to detect any potential issues in the production process.
Finished products quality control	:	Our quality control staff conduct a final quality check on our products before packaging. Our final quality check primarily focuses on product appearance, function, safety and sterilisation conditions. After the quality control staff have confirmed that the quality standards for each process have been satisfied, they will collect the inspection paperwork for each process and issue an inspection report.

As at 31 May 2022, our quality control department had 13 employees. During the Track Record Period, we did not experience any material quality issues or receive any material complaints from our customers about the quality of our products.

AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received:

Year	Name of Award or Recognition	Awarded Entity	Issuing Authority
2021	High and New Technology Enterprise* (高新技術企業)	Baide Suzhou	Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance and Jiangsu Provincial Administration of Taxation of the STA (江蘇省科學技術廳、江蘇省財政廳及國家税務總局江蘇省税務局)
2021	First Prize of Science and Technology Award* (科技獎一等獎)	Baide Suzhou	China Anti-cancer Association (中國抗癌協會)
2021	The First Prize of Technology Progress Award of Guangdong Province* (廣東省技術進步獎一等獎)	Baide Suzhou	People's Government of Guangdong Province
2020	High and New Technology Enterprise* (高新技術企業)	Nanjing Changcheng	Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance and Jiangsu Provincial Administration of Taxation of the STA (江蘇省科學技術廳、江蘇省財政廳及國家税務總局江蘇省税務局)
2020	China Pharmaceutical and Medical Device Technology Innovative Enterprise* (中國醫藥醫療器械技術創新企業)	Baide Suzhou	Medical and Pharmaceutical Chamber of the All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會)
2020	China's Top 50 Fastest Growing Medical Pharmaceutical Enterprises* (中國醫藥行業成長50強企業)	Baide Suzhou	Medical and Pharmaceutical Chamber of the All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會)
2020	China Law-abiding and Trustworthy Medical Pharmaceutical Enterprise* (中國醫藥行業守法誠信企業)	Baide Suzhou	Medical and Pharmaceutical Chamber of the All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會)

Year	Name of Award or Recognition	Awarded Entity	Issuing Authority
2019	China Medical Device Technology Innovative Enterprise* (中國醫療器械技術創新企業)	Baide Suzhou	Medical and Pharmaceutical Chamber of the All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會)
2019	China's Top 50 Medical Device Sellers* (中國醫療器械銷售50強)	Baide Suzhou	Medical and Pharmaceutical Chamber of the All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會)
2019	China's Top 50 Fastest Growing Medical Pharmaceutical Enterprises* (中國醫藥行業成長50強)	Baide Suzhou	Medical and Pharmaceutical Chamber of the All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會)
2019	China Law-abiding and Trustworthy Medical Pharmaceutical Enterprise* (中國醫藥守法誠信企業)	Baide Suzhou	Medical and Pharmaceutical Chamber of the All-China Federation of Industry and Commerce* (中華全國工商業聯合會醫藥業商會)
2019	Vice Presidents Unit of Guangdong Association for Medical Devices Industry* (廣東省醫療器械行業協會副會長單位)	Baide Suzhou	Guangdong Association for Medical Devices Industry* (廣東省醫療器械行業協會)

COMPETITION

According to the Frost & Sullivan Report, the MWA medical device industry in China is featured with high market concentration, with the top four MWA manufacturers accounting for about 90.5% of the sales of MWA medical devices in China in 2021, and they have recorded sales revenue of a total of RMB846.5 million in 2021. We were the third largest MWA medical device provider in the PRC in terms of sales revenue in 2021, with a market share of 16.8%.

According to Frost & Sullivan, we ranked first among MWA medical device providers in the treatment for thyroid nodules and breast lumps in the PRC in terms of sales revenue and sales volume of MWA needles in 2021. Further, we were the third largest MWA medical device provider in the PRC in terms of sales revenue in 2021. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices. According to Frost & Sullivan, other than some of our competitors which have already obtained Class III registration certificates for their MWA therapeutic apparatus and MWA needles specifically indicated for liver cancer, none of our competitors have obtained Class III registration certificates for their MWA needles specifically

indicated for thyroid nodules or other diseases which our Group has planned to expand our indication on our Class III medical registration certificate (including breast lumps, lung cancer, varicose vein, bone tumours and uterine fibroid). Hence, we are also one of the leading MWA medical device providers in commencing product registration testing and/or clinical trials of MWA medical devices in the treatment of other diseases, including breast lumps, pulmonary nodules, varicose vein, bone tumours and uterine fibroid. We believe such first-mover advantage allows us to differentiate our existing products from that of other MWA medical device providers, and our pipeline products from that of other medical device providers going forward.

According to Frost & Sullivan, potential new entrants face several market barriers for entering into the MWA medical device industry, namely, the R&D and technical barriers; long commercialisation process; and branding and sales channel barriers. Our Directors believe that given our competitive strengths as stated in the paragraph headed "Competitive Strengths" in this section, we are able to maintain our market position notwithstanding the competition we face.

INTELLECTUAL PROPERTY RIGHTS

We regard our intellectual property rights as one of the fundamental factors to the success of our business and are committed to protecting our intellectual property rights. We have developed a number of intellectual property rights in China to protect our technologies and products. As at the Latest Practicable Date, we possessed, as sole owner or co-owner, a total of 27 registered patents in China, of which three are invention patents and 18 are utility model patents and six are design patents, and we have made applications for 10 invention patents and 10 utility model patents. Details of the intellectual property rights owned by our Group are set out in the "Statutory and General Information – B. Further information about our business – 2. Intellectual property rights" in Appendix IV to this prospectus. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and we believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of the others' intellectual property rights by us.

We have entered into agreements with our Directors and senior management, under which the intellectual property developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property. The agreements also contain confidentiality and non-compete clauses to protect our rights to all invention, technology know-how and trade secrets derived during the R&D stage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are aware of the environmental and social-related risks that will affect our business. Therefore, we have set up a Sustainability Committee (the "**Committee**") to oversee our Group's corporate social responsibility and formulate sustainable development measures. The Committee is responsible for (i) reviewing relevant environmental and social responsibility policies and

practices; (ii) evaluating and making recommendations on matters related to our sustainable development and environment-related risks; and (iii) supervising related management and providing opinions to the Board. The members of the Committee, which comprised of three senior management staff (including at least one Director and one independent non-executive Director), are appointed by the Board. The Committee will meet and report to the Board on a regular basis for ongoing monitoring.

The key responsibility, authority and discretion of the Committee are as follows:

- Review and report environmental and social risks and opportunities to the Board;
- Monitor and review emerging corporate social responsibility and sustainable development and trends that may affect our Group's business operations and performance;
- Supervise and review our Group's corporate social responsibility and sustainable development policies, practices, frameworks and management guidelines, and provide suggestions for improvement; and
- Review our Group's public announcements, disclosures and releases (including sustainability reports) on our Group's corporate social responsibility and sustainable development performance, and provide opinions to the Board.

Understanding stakeholder views and opinions is crucial to our management on environmental and social issues. Therefore, we will set up a range of communication channels for engaging stakeholders and thus facilitating mutual communications. As a result, our Directors will be able to review issues that are material to the stakeholders, monitor the impacts of our Group's environmental and social performance, and make business decisions with a more comprehensive consideration.

Our Group acknowledges that our business will be affected by relevant environmental and social risks. To identify relevant risks and their potential impacts, we have conducted materiality analysis to seek a more comprehensive understanding on various ESG issues. Through the judgment of our Group's management, reference to materiality maps provided by reputable external bodies, including MSCI's ESG Industry Materiality Map and the Sustainability Accounting Standards Board's ("**SASB**") Materiality Map, and the assistance of third-party ESG consultants, our Group has identified material environmental and social issues that are highly relevant to our Group's business.

Material Issues	Potential Risks, Opportunities and Impacts
Carbon Emission	In the course of our Group's business operation, the process of medical device manufacturing and equipment production will create greenhouse gases emission. With increasing global and national concerns on climate change, our Group is likely to face more exposure to the carbon related market and regulatory risks. In the future, our Group will continue to introduce more energy-efficient and environmentally friendly equipment and facilities. Although this is likely to incur purchase cost in the short term and an increased operational cost, our Group's environmental performance may be improved in the long term.
Human Capital Development	Since we put a strong emphasis on our R&D capabilities, attracting, recruiting and retaining talented individuals and professional workforce are vital to sustaining our business. Employees lacking experience or training may expose our Group to the risk of non-compliance with relevant laws and regulations, which in turn may result in potential increase in compliance costs and fines. Meanwhile, strong human capital development may lead to a stronger employee base and a lower turnover rate which lessens recruiting costs and increases productivity among employees.
Product Safety and Quality	Since our medical devices will pose direct impacts on the end users, strong safety and quality management and responsible marketing practices are required for the purpose of meeting users' expectations with respect to their health and safety. Failure in maintaining best practices may result in compliance-based impacts or even litigation risks, which possibly cause loss of our credibility, thereby damaging our reputation.
Access and Affordability	Relevant regulations and the national medical insurance reimbursement plans might impose risks over the pricing of our proprietary MWA medical devices. For example, imposing reimbursement caps could affect patient's access and affordability of our products, and might ultimately affect our Group's profitability in the long run.

Material Issues	Potential Risks, Opportunities and Impacts
Selling Practice and Product Labeling	Regulatory risks brought by the failure to manage the transparency, accuracy, and comprehensibility of our marketing statements, advertising, and labeling of products may cause compliance-based impacts and loss of our credibility, thereby damaging our reputation.
Product Design and Lifecycle Management	Medical equipment and supplies companies have been facing more challenges which are associated with the human and environmental impact of the industry's products, such as stronger consumer and regulatory pressure to limit the use of material inputs that are associated with health concerns, while also addressing issues such as the energy efficiency and end-of-life disposal of specific products. Effective product design and lifecycle management may enhance our Group's reputation and have positive impacts on the environment and vice versa.
Supply Chain Management	Supply chain quality is critical for protecting user health and our corporate value. Risks associated with low quality and traceability in the supply chain might negatively affect our Group and impose higher risks on fines, lost revenue, and reputational damage.
Business Ethics	Regulatory risks brought by the failure to maintain good business ethics and ethical conduct may cause compliance-based impacts, thereby put our Group at risk of negative brand image.

Social Matters

In order to mitigate and manage the potential social risks and impacts, we have formulated a series of measures and policies. In terms of human capital development, our Group strictly abides by the relevant laws and regulations, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC. Furthermore, we provide our employees with attractive benefits for the purpose of attracting and retaining talents. We offer our employees a competitive remuneration package which takes into account both external and internal salary benchmarks. With reference to internal and external reference standards, our remuneration structure is annually reviewed so as to ensure that competitive remuneration is offered to our employees.

As a medical device developer and provider, we uphold high standard of product quality and safety. Our Group has established an ISO 9001 quality management system and has formulated a standard of procedures on product quality control during the R&D and the

production process. Our policy handbook states clearly the responsibilities of each department involved. For example, the quality control department will be involved in the quality testing of sample machineries to ensure that the newly invented products meet the relevant standards and requirements. Besides, the production and warehouse management team will be responsible for ensuring the stocks are kept in the environment that meets the hygienic and safety standards. Furthermore, the stock management team will review the product status and ensure that they are in good quality before shipping, such as checking the expiry date, making sure the labelling instructions are clearly printed, and assuring that it is well packed.

Recognising that product qualities have a significant relationship with supply chain management, our Group has put a strong emphasis on ensuring a responsible supply chain to maintain high quality products through careful assessments, selections and evaluations of our suppliers and contractors. Our Group has set a framework for the supply chain management procedures. For example, a range of selection criteria are established for evaluating the performance of existing suppliers, ranging from price, product type and quality, and reliability of delivery record. Supply chain management has direct effects on the reliability and smoothness of our Group's operation and its reputation. Therefore, we endeavour to lower the risks arisen from the supply chain and minimise the negative impacts towards quality of our products.

Environmental Matters

We have assessed our environmental performance on greenhouse gases emission and resources consumption, which have quantitatively reflected our Group's management for environmental and social-related risks. Greenhouse gas emissions consist of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from the combustion of fuels in vehicles. Scope 2 energy indirect emissions include the greenhouse gas emissions from energy usage of purchased electricity. Our Group has taken two of our core subsidiaries with the most environmental impacts into consideration for quantitative information calculation.

Emissions	**FY2019**	**FY2020**	**FY2021**	**5M2022**
Greenhouse gas emissions (tonnes CO_2 equivalent)	112	81	130	65
Scope 1 (direct emissions) (tonnes CO_2 equivalent)	2	3	4	2
Scope 2 (indirect emissions) (tonnes CO_2 equivalent)	110	78	126	63
Intensity of greenhouse gas emissions (tonnes CO_2 equivalent/thousand RMB revenue)	0.001	0.001	0.001	0.001

Notes:

1. Our greenhouse gas inventory includes carbon dioxide, methane and nitrous oxide, and the greenhouse gas emissions data is presented in carbon dioxide equivalent. There is no single industry benchmark that is universally adopted for comparison of environmental performance on greenhouse gases emission and resources consumption among companies. The calculation of greenhouse gas emissions is based on the "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

2. Scope 1 includes direct emissions from the consumption of vehicle fuels of our Group. The emission factors used for calculating emission is based on the "Reporting Guidance on Environmental KPIs" issued by the NDRC of the PRC.

3. Scope 2 includes indirect emissions from purchased electricity of our Group. The emission factors used for calculating emission are based on the "Average CO_2 Emission Factor of China's Regional Grid in 2011 and 2012" (《2011年和2012年中國區域電網平均二氧化碳排放因數》) issued by the NDRC.

Resources Consumption	**FY2019**	**FY2020**	**FY2021**	**5M2022**
Water Consumption (m^3)	1,591	1,245	1,599	419
Intensity of water consumption (m^3/thousand RMB revenue)	0.02	0.01	0.01	0.01
Energy consumption (MWh)	166	124	198	97
Direct consumption (MWh)	7	11	17	7
Indirect consumption (MWh)	159	112	181	90
Intensity of energy consumption (MWh/thousand RMB revenue)	0.002	0.001	0.001	0.002

Notes:

1. The water consumption is calculated based on the actual amount of water consumption.

2. The direct energy consumption includes vehicle fuels. There is no single industry benchmark that is universally adopted for comparison of environmental performance on greenhouse gases emission and resources consumption among companies. The data is calculated based on the "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the conversion factors are based on the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Road Transport Corporation (Trial)" (《陸上交通運輸企業－溫室氣體排放核算方法與報告指南(試行)》) issued by the NDRC.

3. The indirect energy consumption is calculated based on the actual amount of purchased electricity of our Group.

We are aware of a variety of environmental impacts that it may induce during our daily operations, yet we do not generate serious environmental pollution. Considering our business nature and our performance among our peers, we have set environmental targets to reduce 10% of its GHG emissions intensity and energy consumption intensity by 2025 using 2021 as baseline. To keep track of the target, we have set out interim targets of 1%, 3%, 6% and 10% for 2022, 2023, 2024 and 2025 respectively from the baseline year of FY2021 and will review our progress in an annual basis.

We have taken action to minimise the greenhouse gas emissions. Video conferences or virtual meetings are adopted to replace unnecessary business trips. For business trip that cannot be avoided, we will choose direct and non-stop flight to the destination to minimise emission from taking multiple flights. We strive to cultivate environmental consciousness among the staff. For instance, they are encouraged to adopt low-carbon lifestyle by taking public transport and using carpooling services.

We have implemented various measures to reduce electricity consumption and enhance energy efficiency. Our employees are required to switch off idle lighting system and electronic appliances, especially before breaks and public holidays. Besides, dimmers are installed to allow adjustable light intensity, while separate light switches are installed in different light zones. Lighting appliances and filters for air conditioners are also cleansed regularly to improve energy efficiency.

We strive to foster conservation culture in our Group and intend to reduce water consumption. We conduct regular water pipe leak testing to avoid potential water wastage and arrange workers to fix the dripping taps in a timely manner. To promote water conservation and prevent unnecessary water consumption, water saving postages and reminders have been put up at workplace to remind employees to turn off the faucet completely after use.

We minimise the impacts of our packaging materials through material sourcing, usage reduction and design change to minimise to the single-use packaging waste. Plastic and paper are currently the major packaging material of our products. Taking into consideration that plastic is extremely resilient and difficult to be decomposed naturally, we are shifting to a higher ratio of the use of cardboard, other recyclable materials or other sustainable alternatives where appropriate when selecting the type of packaging material. We will closely monitor the consumption of the packaging materials, aiming to reduce the total usage of plastic packaging material as far as practicable. Also, we will review the way of packing to increase the packing efficiency in order to minimise the use of packaging material as well reducing the carbon footprint during the transportation.

The ESG-related measures will be implemented by relevant departments and their effectiveness will be reviewed regularly by the Committee. When the measures are not effective in lowering emissions and consumption, the relevant departments shall report to the Committee. Appropriate corrective and preventive measures will be suggested by the management of relevant departments and further approved by the Committee. Also, timely adjustment on mitigation measures, improvement plans and targets will be made in response to the evolving ESG-related regulatory requirement. We will closely review and monitor the effectiveness of management plans and mitigation measures for continuous improvement in our ESG performance and to ensure our compliance in relevant laws and regulations.

Regarding the metrics and targets developed to assess and manage the risks, we have taken into account the quantitative information reflecting our management on environmental and social risks. During the Track Record Period, our Group has incurred approximately RMB66,650 environmental compliance including costs for environmental monitoring and the treatment of

wastes, etc. We target to maintain our expenses on environmental compliance and social risk mitigation in 2022, 2023 and 2024 to reach approximately RMB30,000, RMB50,000 and RMB80,000 respectively, as financial reserves to meet our upcoming targets in environmental and social-related issues.

Handling of residual raw materials and obsolete medical devices

In order to increase our recycling rate and maximise our resources efficiency, we have developed a recycling process during our manufacturing process. We strictly follow the law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes. Our staff collect and compact recyclable raw materials, including plastics and metals. Recycled raw materials are considered to be recycled and reused internally within our manufacturing site. We have partnered with hospitals for post-consumption recycling programme to collect useful resources such as wires and cables. As part of our post-consumption recycling programme, we have set up procedures for handling used parts such as wires and cables returned by some of the hospitals. The collected parts are disinfected with 75% alcohol upon arrival to our warehouse and are stored in the designated area. The procurement department will engage external service providers for external sterilisation. The sterilised recycled parts will then be inspected by our quality control department and inspection report will be issued. The qualified recycled parts will be sent to our warehouse by our production department.

Other consumables such as used tubes are handled by hospitals as medical waste according to their internal operation procedure. To minimise the waste produced throughout the lifecycle of our product, we provide after-sales maintenance to extend the service life of medical devices and their parts such as the peristaltic pump.

Regarding the obsolete medical devices, we have set up a clear classification system for disposal, and all of our obsolete medical devices are non-hazardous. We strictly comply with the local industrial solid waste disposal legislation. We provide clear work instructions on how to handle the obsolete medical devices and suitable personal protective equipment for our employees at all times. Employees are required to attend relevant trainings before getting on board. All wastes are categorised, labelled and stored in the designated area.

Industry social or policy trends

1. Product responsibility

In view of the tightening regulatory requirement on the development of medical devices, we are committed to maintain the highest quality of medical devices as well as to design and develop safe and effective medical devices which fulfil the registration requirement of Class III medical device under Medical Device Classification Catalog, so as to maintain our compliant operation and continue our sale of medical devices. We have established an ISO 9001 quality management system which guarantees the excellent quality of medical devices in every stages including design, manufacturing, packaging and stock. Based on the evolving laws and regulations related to the development of medical devices, the standard of medical device quality will be reviewed and updated regularly. Timely adjustment on the design and production procedures will be made to improve the quality and safety of our newly invented medical devices. The new product design and development plan will be reviewed and approved by our general manager to ensure the compliance of relevant laws and regulations.

We recognise the importance of labelling medical supplies to provide clear and accurate instructions to users. Being an ethical corporate, we strictly abide by laws including but not limited to the Advertising Law of the People's Republic of China《中華人民共和國廣告法》and the Provisions on the Administration of Instructions and Labels of Medical Devices《醫療器械說明書和標籤管理規定》, to provide genuine information to customers. We have compiled a labelling and language control system to be used with medical device labels, labelling and

information to be supplied. The system also outlines standardised symbols and essential content of instruction to avoid any misleading labelling.

We treat complaints lodged by customers in a serious manner. Quality Control Department is responsible for analysing customers' feedback, determining the responsible department, supervising their follow-up actions and implementing the control procedures of corrective and preventive action. They shall compile corrective and preventive action reports according to customers' feedback and urge the related department to implement the corrective and preventive measures within 14 days. They shall keep tracking the progress of rectification to facilitate satisfactory quality of products. The complaints and feedbacks will be processed within 20 working days.

2. Tightening reporting obligation on ESG

In light of evolving standards of regulatory requirements of ESG and climate related issues, we anticipate new regulatory requirements in relation to ESG matters will increase our operational and compliance costs. We expected that more ESG disclosure will be upgraded to mandatory disclosure and there will be climate-related disclosures in alignment with Task Force on Climate-Related Financial Disclosures framework after listing and thus will increase our Group's costs in complying the new requirements. We will ensure there is sufficient mechanisms to measure and track ESG metrics. We continue to continue to modify our data collection system with commitment to transparency. As our customer will get more informed of our environmental performance, we are devoted to green manufacturing process, developing a better competitive position to address consumer preference. As a result, the capital costs in purchasing energy-efficient equipment and expenditures on technology development will potentially increase alongside. To mitigate such risks, our Group has adopted an ESG governance structure to handle the updated regulatory requirements and conducted an internal assessment to quantify expenses in relation to ESG matters to our Group.

3. Shift in customer preference

We are aware that there is a growing customer demands and regulatory requirement on the transition to sustainable products. To meet the customer preferences, we would incorporate the sustainability elements into medical devices in the future in order to reduce the environmental impact of the entire product lifecycle. We will take sustainability into consideration in the design stage of the medical devices and explore various aspects to improve device sustainability. For material selection, we would explore the opportunities of adopting environmental-friendly materials to minimise the carbon footprint of our products. During the manufacturing process, we have adopted clean production procedures which have lower energy consumption and pollutant generation. For packaging materials, we aimed to enhance the packing efficiency to reduce use of raw materials and embrace the reduction of total plastics usage through innovation and promotion of change in the use of packaging.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice. We are subject to the social insurance system of the PRC and is required to make contributions for our employees towards five categories of insurance, including making contributions for basic pension, basic medical, unemployment, work injury and maternity insurances for our employees. Consistent with customary practice in China, we did not maintain any insurance policies for business interruption or litigation, which, as advised by our PRC Legal Advisers, are not mandatory according to the laws and regulations of the PRC and as such we do not have any business disruption or litigation insurance coverage for our operations in China. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. In addition, we had duly maintained all material insurance policies in compliance with the relevant PRC laws and regulations during the Track Record Period. Please refer to "Risk Factors – Risks relating to our business and industry – Our insurance coverage may be inadequate to protect us from the liabilities we may incur." in this prospectus for more details. As our business expands, we will regularly review and assess our risk portfolio and adjust our insurance practice based on our needs and industry practice. During the Track Record Period, we did not experience any material insurance disputes.

EMPLOYEES

As at 31 May 2022, our Group has 207 employees in total, all of which are based in the PRC and HK. The following table sets forth the number of our Group's employees by job functions as at 31 May 2022:

Functions	**Number of employees**
General management and administration	26
R&D and technical	14
Production	49
Sales and marketing	88
Finance	13
Quality control	13
Procurement	4
Total	207

We recruit employees based on a number of factors, including relevant work experience, educational background, skills, knowledge, and relevant vacancy. We promote equal opportunity and diversity in the workplace. We do not tolerate discrimination based on race, colour, religion, sex, marital status, age, national origin, or any other considerations deemed inappropriate by local labour laws. We provide all employees equal opportunities for advancement and personal growth, as well as the skills required to help them perform effectively, deliver value and contribute to our growth.

We invest in education and training programmes for our employees to upgrade their skills and knowledge continuously. We provide both internal and external training in various areas, such as product knowledge, market development and team building.

In compliance with the relevant PRC labour laws, we enter into individual employment contracts with our employees covering matters, such as, wages, bonuses, employment benefits, workplace safety and grounds of termination. Our employees are also required to comply with confidentiality and non-competition obligations.

We are also subject to safety laws and regulations of the PRC. For a description of these laws and regulations, please refer to the "Regulatory Overview – Production safety and liability" in this prospectus. We have implemented various occupational health and safety procedures to maintain a safe work environment, including adopting protective measures at our production facilities, inspecting our equipment and facilities regularly to identify and address safety hazards, and providing regular training to our employees on safety awareness.

We have a labour union which represents the interests of our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labour-related disputes or industrial actions which had a material effect on our business, and we believe that we have maintained good working relationship with our employees.

PROPERTIES

Leased properties

As at the Latest Practicable Date, we did not own any properties and all of our production facilities and offices are leased. As at the Latest Practicable Date, our Group leased the following properties from Independent Third Parties in the PRC, details of which are set out as follows:

Location	Landlord	GFA *(sq.m in approximate)*	Usage	Duration of tenancy	Rental/ obligations
Room 1701 (Self-number Unit B1707 – B1710), Tower B, 33 Zhongshan Third Road, Yuexiu District, Guangzhou* (廣州越秀區中山三路33號B塔1701房(自編號B1707-B1710單元))	Independent Third Party	734.6	Office	From 1 November 2019 to 31 October 2022	RMB91,819 in total for the period from 1 November 2019 to 31 October 2021; RMB95,491 in total for the period from 1 November 2021 to 31 October 2022
Room 101, 201 and 501, 7/F, No. 52, Yingang Road, Fuqiao Town, Taicang City* (太倉市浮橋鎮銀港路52號7號樓101、201、501)	Independent Third Party	3,841.9	Suzhou Plant	From 1 August 2022 to 31 July 2025	RMB1,176,401.34 per year
2nd floor, Building 4, Hailmans Industrial Park, 2881 Shuanglong Road, Jiangning Economic and Technological Development Zone, Nanjing City* (南京市江寧區經濟技術開發區雙龍大道2881號海爾曼斯產業園4幢2樓)	Independent Third Party	2,660	Nanjing Plant 2	From 1 November 2020 to 31 October 2025	RMB87,780 per month (i.e. RMB33 per sq.m) for the first two years; RMB90,440 per month (i.e. RMB34 per sq.m) for the third year; RMB93,100 per month (i.e. RMB35 per sq.m) for the fourth year; RMB95,760 per month (i.e. RMB36 per sq.m) for the fifth year

Location	Landlord	GFA *(sq.m in approximate)*	Usage	Duration of tenancy	Rental/ obligations
Property 210, Building C9, Wuzhou International Industrial Expo City, southeast corner of the intersection of Guangcheng East Road and New 207 National Road, Ruzhou City, Pingdingshan City, Henan Province* (河南省平頂山市汝州市廣成東路與新207國道交叉口東南角五洲國際工業博覽城C9幢210物業)	Independent Third Party	36.6	Office	From 8 September 2021 to 7 September 2024	RMB10,000 per year
No. 5, 1/F, Building 1, Lingxiu International Shuxiangyuan, at the intersection of Baling Avenue and Xuefu Road, Guanling County, Guizhou Province* (貴州省關嶺縣灞陵大道與學府路交叉路口嶺秀國際書香苑1棟1層5號)	Independent Third Party	61.7	Office	From 1 June 2021 to 31 May 2023	RMB2,300 per month
Unit 219, 516 Xinglinwan Road, Jimei District, Xiamen City* (廈門市集美區杏林灣路516號219單元)	Independent Third Party	49.4	Office	From 1 September 2021 to 31 August 2023	RMB3,000 per month
Property on Floor CB1-2, 2 Zhixing Street, Donggao Avenue, Yuexiu District, Guangzhou* (廣州市越秀區東皋大道智興街2號CB1-2層物業)	Independent Third Party	113.5	Staff quarter	From 10 June 2020 to 9 June 2023	RMB53,560 per month for the first year; RMB55,702 per month for the second year; RMB58,487 per month for the third year
Room 802, Building T3, Greenland Centre, No. 319, Section 1, Furong Middle Road, Kaifu District, Changsha City* (長沙市開福區芙蓉中路一段319號綠地中心T3棟802室)	Independent Third Party	59.3	Office	From 6 May 2022 to 5 May 2023	RMB3,000 per month

As at the Latest Practicable Date, we did not own any properties and therefore we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

RISK MANAGEMENT AND INTERNAL CONTROL

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry and markets in which we operate. For details, please refer to "Risk Factors" in this prospectus.

The Board and the senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect our Company and to manage risks to be within its risk appetite. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following risk management measures:

(i) establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee comprises three independent non-executive Directors, namely Mr. Chu Chun Ming, Prof. Xing Michael Mingzhao and Prof. Ma Jianguo. For the qualifications and experiences of these members, please refer to "Directors and Senior Management" in this prospectus;

(ii) adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure; and

(iii) arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

To ensure the above compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across the organisation, we will regularly conduct internal compliance checks and inspirations, adopt strict accountability internally and conduct compliance training.

Internal control policy against bribery and corruption

We adopt a zero-tolerance approach to bribery and corruption and are committed to acting fairly and with integrity in all our business dealings and relationships wherever and whenever we operate. We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Group which sets forth our anti-bribery and corruption measures. We provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations. We have also put in place a whistle-blowing system which is overseen by the administration team and serves as a deterrence and monitoring over bribery and corruption acts.

In preparation for the Listing, we engaged an Independent Third Party professional internal control consultant (the "**Internal Control Consultant**") to perform a review of our internal control systems and procedures on a fact-finding basis and to provide recommendations for addressing the findings during the review. The Internal Control Consultant provided recommendations in relation to strengthening our Group's internal controls, and our Group has adopted corresponding internal control measures.

The Internal Control Consultant has performed a follow-up review and did not identify any material weakness or raise any further recommendation in the review. Our Directors are of the view that our Group has adequate and effective internal control procedures in place for our operations.

LICENCES, PERMITS AND APPROVALS

The medical device industry in China is highly regulated. Accordingly, we are required to obtain licences, permits, approvals and certifications from government authorities. As at the Latest Practicable Date, we had obtained one registration certificate for Class III medical devices and two registration certificates for Class II medical devices. For more information regarding the PRC laws and regulations to which we are subject, please refer to "Regulatory Overview" in this prospectus. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had obtained all requisite licences, permits and approvals that are material for our operations. These licences and permits remained in full effect as at the Latest Practicable Date.

The following table sets forth our key licences, permits, approvals and certificates related to our operations as at the Latest Practicable Date:

Licence/permit/ approval/certificate	Holder	Validity Period	Issuing authority
Permit for Medical Device Production* (醫療器械生產許可證)	Nanjing Changcheng	26 September 2021 to 24 May 2026	Jiangsu MPA
Permit for Medical Device Production* (醫療器械生產許可證)	Baide Suzhou	12 July 2022 to 11 July 2027	Jiangsu MPA
Business Operation Licence for Medical Devices* (醫療器械經營許可證)	Nanjing Changcheng	1 April 2019 to 31 March 2024	Nanjing Administration on Market Regulation* (南京市市場監督管理局)
Business Operation Licence for Medical Devices* (醫療器械經營許可證)	Baide Suzhou	11 March 2019 to 10 March 2024	Suzhou Administration on Market Regulation* (蘇州市市場監督管理局)
Business Operation Licence for Medical Devices* (醫療器械經營許可證)	Henan Ruide	28 December 2018 to 27 December 2023	Ruzhou Food and Drug Administration* (汝州市食品藥品監督管理局)
Business Operation Record-filing Certificate for Class II Medical Devices* (第二類醫療器械經營備案憑證)	Baide Suzhou	N/A*(Note)*	Suzhou Administration on Market Regulation* (蘇州市市場監督管理局)

Licence/permit/ approval/certificate	Holder	Validity Period	Issuing authority
Business Operation Record-filing Certificate for Class II Medical Devices* (第二類醫療器械經營備案憑證)	Henan Ruide	N/A*(Note)*	Ruzhou Food and Drug Administration* (汝州市食品藥品監督管理局)
Business Operation Record-filing Certificate for Class II Medical Devices* (第二類醫療器械經營備案憑證)	Guizhou Baiyuan	N/A*(Note)*	Anshun Food and Drug Administration (安順市食品藥品監督管理局)
Business Operation Record-filing Certificate for Class II Medical Devices* (第二類醫療器械經營備案憑證)	WFOE	N/A*(Note)*	Guangzhou Administration on Market Regulation* (廣州市市場監督管理局)
Medical Device Registration Certificate of the PRC (MWA therapeutic apparatus)* (中華人民共和國醫療器械註冊證(微波治療儀))	Nanjing Changcheng	6 February 2018 to 5 February 2028	NMPA
Medical Device Registration Certificate of the PRC (MWA needle)* (中華人民共和國醫療器械註冊證(微波熱凝消融針))	Nanjing Changcheng	29 September 2021 to 25 March 2023	Jiangsu MPA
Medical Device Registration Certificate of the PRC (MWA needle)* (中華人民共和國醫療器械註冊證(微波熱凝消融針))	Hunan Baide	14 January 2020 to 13 January 2025	Hunan MPA

Note: This certificate remains valid until the deregistration of the holder.

We intend to apply for renewal of the above key licences, permits, approvals and certificates prior to their respective expiry dates. The successful renewal of our Permit for Medical Device Production* (醫療器械生產許可證) for Class II and Class III medical devices will be subject to our fulfilment of relevant requirements.

The renewal application procedures for each of the above key licences, permits, approvals and certificates are to be carried out prior to the expiration dates in accordance with the relevant laws and regulations of the PRC. The two Medical Device Registration Certificates of the PRC (MWA needle) (i.e. Class II medical device registration certificates) would not be renewed as MWA medical devices would be administered as Class III medical devices in view of the issuance of the MWA Equipment Guidelines. For details, please refer to "Regulatory Overview – Laws and regulations relating to medical devices – Registration and filings of medical devices". Our Directors confirm that save as disclosed above, they are not aware of any reason that would cause or lead to the non-renewal of the licences, permits and certificates. Our PRC Legal Advisers confirmed that, as at the Latest Practicable Date, save as disclosed above, there was no legal impediment for us to renew the licences, permits and certificates as long as we comply with the relevant legal requirements.

LEGAL AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to the Directors to be pending or threatened against a member of our Group which would have a material adverse effect on our financial position or results of operations.

Legal compliance

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, our Directors confirm that, we had complied with the applicable laws and regulations in all material respects.

Details of non-compliance	Reasons for the non-compliance	Legal consequences and potential liabilities	Remedial actions, impact on our Group and internal control measures to minimise the risk of recurrence of non-compliance incidents
Social insurance premium and housing provident fund contribution			
• During the Track Record Period, some of our subsidiaries or branch office (i) engaged third party human resource agencies to pay social insurance and housing provident fund for some of our employees; (ii) failed to make full contribution to the social insurance and housing provident fund for some of our employees as required by the relevant PRC laws and regulations. • Pursuant to the PRC laws, a company which enters into an employment contract with an employee instead of its branch office shall be the one to make the social insurance and housing provident fund contribution. During the Track Record Period, Baide Suzhou, who entered into the employment contract with its employees, failed to make the social insurance and housing provident fund contribution for some of its employees. Instead, such contribution were made by Baide Suzhou's Guangdong branch office.	Our non-compliance was primarily due to (1) inadvertent oversight of the relevant PRC laws and regulations by our staff who was in charge of this matter; and (2) some employees' unwillingness to make full contributions to the social insurance and the housing provident fund.	Pursuant to the relevant provisions under the Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant social insurance government authority may demand us to make the payment or make up the difference within a stipulated period and impose a daily overdue fine of 0.05% from the date on which the payment is overdue; if the overdue amount is still not settled within the stipulated period, the relevant administration department may impose a fine from one to three times the amount of overdue payment for any failure to pay the social insurance premiums on time and in full. Pursuant to the relevant provisions under the Regulations concerning the Administration of Housing Provident Fund (住房公積金管理條例), the relevant housing provident fund authority may demand us to pay up within a designated period, and may apply to the People's Court for a mandatory enforcement order against us after the expiry of such period for any failure to pay the housing provident fund contributions on time and in full.	• As advised by our PRC Legal Advisers, we have obtained certain confirmation letters issued by the relevant competent social insurance and housing provident fund authorities confirming that there is no record of the relevant subsidiaries being imposed administrative disposition or penalties by the relevant authorities for violation of the relevant laws and regulations. • As at the Latest Practicable Date, there had been no administrative action initiated nor any fine or penalty imposed in relation to these non-compliance incidents, we have not received any order to settle the outstanding social insurance and housing provident fund contributions and no enforcement actions has been pursued against us in relation to these non-compliance incidents during the Track Record Period for any failure to pay the social insurance and the housing provident fund contributions on time and in full. • We have made full provision for the historical inadequate contributions in our financial statements. As at 31 December 2019, 2020, 2021 and 31 May 2022, the aggregate outstanding amount of social insurance and housing provident fund contributions were RMB3.5 million, RMB3.3 million, RMB2.1 million and RMB1.6 million, respectively. • In February 2021, Baide Suzhou's Guangdong branch office entered into new employment contract with certain employees of Baide Suzhou and Baide Suzhou's Guangdong branch office has made appropriate social insurance and housing provident fund contribution accordingly. • Based on the above, our PRC Legal Advisers have advised us that the likelihood of our Group being penalised by relevant competent social insurance and housing provident fund authorities is remote. • Our Controlling Shareholders entered into the Deed of Indemnity to offer additional protection to our Group, details of which are set out in the section headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus. • Internal control measures: we have (i) enhanced our internal control policy that require compliance with relevant laws and regulations or local requirement; and (ii) requested our general/administration department to periodically review our social insurance and housing provident fund record and filing record and ensure timely and full payment of social insurance and housing provident fund. • Our Directors are of the view that such non-compliance incidents which have been rectified do not and will not have any material financial or operational impact on us.

Details of non-compliance	Reasons for the non-compliance	Legal consequences and potential liabilities	Remedial actions, impact on our Group and internal control measures to minimise the risk of recurrence of non-compliance incidents
Occupational diseases prevention			
After the commencement of operation of the Nanjing Plant 1, Nanjing Changcheng (i) failed to file the declaration regarding the existence of any workplace occupational hazards until 2021; and (ii) did not conduct occupational health pre-assessments, occupational hazards protection facilities design and review, completion examination of occupational hazards protection facilities and recordal procedures, prior to commencing production and operation of Nanjing Plant 1 in respect of the Nanjing Plant 1 as required by the relevant PRC laws and regulations.	Such non-compliances occurred before we acquired the equity interest in Nanjing Changcheng. Such non-compliances were due to the staff who was in charge of the relevant matter was not familiar with the relevant PRC laws and regulations at the relevant time.	Pursuant to the provisions under the Occupational Disease Items Declaration Method (職業病危害項目申報辦法) and the Provisions on the Administration of Occupational Health at Workplaces (工作場所職業衛生管理規定), the relevant authority may impose a correction order within a prescribed time, issue a warning and impose a fine of not less than RMB50,000 and not more than RMB100,000 for any failure to declare the existing occupational disease factors to the relevant government department and accept its supervision and management. Pursuant to the relevant provisions under the Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法), the Provisions on the Administration of Occupational Health at Workplaces (工作場所職業衛生管理規定) and the Measures for the Supervision and Administration of "Three Simultaneities" of Facilities for the Prevention and Control of Occupational Diseases of Construction Projects (建設項目職業病防護設施「三同時」監督管理辦法), the relevant government authority may (i) give warning; (ii) impose a correction order requiring an entity to undertake rectification measures within a prescribed time; (iii) impose a fine of no less than RMB100,000 and not exceeding RMB500,000; and for more severe breach, (iv) impose an order requiring an entity to suspend its part of operation which creates occupational diseases or report to the relevant People's government for mandatory suspension of operation or closure of business for any failure to conduct occupational health pre-assessments before commencing production and operation of Nanjing Plant 1.	• Nanjing Changcheng has filed the declaration regarding workplace occupational hazards in March 2021 and has not been imposed any penalties for any previous non-compliance during the process of filing the declaration. As advised by the PRC Legal Advisers, the non-compliance relating to the filing of the declaration regarding the existence of any workplace occupational hazards has been rectified by the filing of such declaration by Nanjing Changcheng in March 2021. • As advised by the PRC Legal Advisers, as Nanjing Changcheng was required by the relevant PRC laws and regulations to conduct the Three Simultaneities procedures simultaneously with the development of the main part of the project, once the main part of the project of Nanjing Plant 1 had been completed without completing the Three Simultaneities procedures, the Three Simultaneities procedures became a historical event that could not be conducted subsequently and separately. • To the best knowledge of the Directors, the Nanjing Plant 1 has put in place the occupational hazards protection facilities without conducting the Three Simultaneities procedures before it commenced production. As advised by the PRC Legal Advisers, Nanjing Changcheng has carried out occupational hazard measures including conducting the occupational hazards factors inspection procedures and filing the declaration regarding workplace occupational hazards in March 2021. The declaration filed in March 2021 passed the examination of the relevant government authority. As further advised by the PRC Legal Advisers, save as disclosed above, there is no other necessary approval in relation to the occupational hazards protection facilities. • As advised by our PRC Legal Advisers, according to a certificate from and an interview with the competent occupational health monitoring authorities, there is no record of Nanjing Changcheng being imposed administrative disposition by the relevant authorities for violation of the relevant laws and regulations from the date of establishment to March 2022. • Based on the above, our PRC Legal Advisers have advised us that the likelihood that the relevant occupational disease authority will impose any penalty on us is remote. • Internal control measures: we have established the occupational disease protection compliance and management policy to ensure the compliance with the relevant laws and regulations and assigned the designated personnel to periodically review any update on the relevant laws and regulations. • Our Controlling Shareholders entered into the Deed of Indemnity to offer additional protection to our Group, details of which are set out in the section headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

Details of non-compliance	Reasons for the non-compliance	Legal consequences and potential liabilities	Remedial actions, impact on our Group and internal control measures to minimise the risk of recurrence of non-compliance incidents
Environmental protection			
After the commencement of the operation of the Nanjing Plant 1, Nanjing Changcheng failed to complete the environmental protection acceptance check and pollution discharge regulations in respect of the Nanjing Plant 1 prior to commencing production and operation of the plant and completed the pollution discharge registration as required by the relevant PRC laws and regulations.	Such non-compliance occurred before we acquired the equity interest in Nanjing Changcheng. Such non-compliance was due to the staff who was in charge of the relevant matter was not familiar with the relevant PRC laws and regulations at the relevant time.	Pursuant to the relevant provisions under Regulation on the Administration of Environmental Protection for Construction Project (建設項目環境保護管理條例), since for any failure to complete the environmental protection acceptance check or failed to pass the environmental protection acceptance check in respect of our plant prior to commencing production and operation, the relevant government authority may (i) impose a correction order requiring an entity to undertake rectification measures within a prescribed time; (ii) impose a fine of no less than RMB200,000 and not exceeding RMB1,000,000; (iii) impose a fine of no less than RMB1,000,000 and not exceeding RMB2,000,000 if we failed to rectify the non-compliance within a prescribed time; (iv) impose a fine of no less than RMB50,000 and not exceeding RMB200,000 on our management personnel and other responsible personnel; and (v) if the non-compliance causes major environmental pollution or ecological damage, order us to stop production, or report to the relevant people's government to order us to close down.	• Nanjing Changcheng has completed and passed the environmental protection acceptance check and issued the relevant written report in respect of the Nanjing Plant 1 in March 2021 and obtained the fixed pollution source discharge receipt (固定污染源排污登記回執) in March 2021 from the relevant environmental protection authority. • As advised by our PRC Legal Advisers, we have obtained a confirmation letter issued by the relevant competent environmental protection authority confirm that the relevant subsidiary has not been imposed any administrative disposition or penalties by the relevant authorities for violation of the relevant environmental protection laws and regulations from 28 January 2016 to 30 November 2021. • Based on the above, our PRC Legal Advisers have advised us that the likelihood that the relevant environmental protection authority will impose any penalty on us is remote. • Internal control measures: we have (i) assigned the quality assurance department to periodically review the production procedures to ensure that the Nanjing Plant 1 is in compliance with the relevant environmental protection laws and regulations; and (ii) established an environmental protection management and compliance system and assigned designated personnel to periodically review update on the relevant environmental protection laws and regulations to ensure full compliance with it. • Our Controlling Shareholders entered into the Deed of Indemnity to offer additional protection to our Group, details of which are set out in the section headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalisation Issue, Ms. Wu BVI Entity will directly hold 50.65% of the issued share capital of our Company (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of options under the Pre-IPO Share Option Scheme). Ms. Wu BVI Entity is wholly-owned by Ms. Wu. As such, each of Ms. Wu BVI Entity and Ms. Wu will continue to be our Controlling Shareholders under the Listing Rules after the Global Offering and the Capitalisation Issue.

Save as disclosed above, there is no other person/entities who will, immediately following the completion of the Global Offering and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors do not expect there to be any significant transactions between our Group and our Controlling Shareholders and their respective close associates upon the Listing. Our Directors believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing, having taken into consideration of the following factors:

(i) Management independence

The Board comprises three executive Directors, one non-executive director and three independent non-executive Directors. The executive Directors are Ms. Wu, Mr. Hou Wei and Ms. Qiu. One of the independent non-executive Directors, Mr. Chu Chun Ming, is a Certified Public Accountant. The independent non-executive Directors have been appointed in compliance with the requirements under the Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum.

Save for Ms. Wu, our Group has an independent senior management team to carry out and execute the business decisions of our Group independently. Our Directors are satisfied that the senior management team will be able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from the Controlling Shareholders and their respective associates after the Global Offering.

(ii) Operational independence

Our operations are independent of and not connected with our Controlling Shareholders. Having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates; (iii) our Group has also established a set of internal controls to facilitate the effective operation of its business; (iv) as at the Latest Practicable Date, our Controlling Shareholders had no interest in any of our customer, supplier or other business partners, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective; (v) as at the Latest Practicable Date, our Group had independent access to suppliers or customers of our Group; and (vi) we hold the licences necessary for the operation of our Group's business in their own names, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

(iii) Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including internal control and auditor monitor, financial and accounting management, invoicing and billing, human resources and information technology.

(iv) Financial independence

We are financially independent of our Controlling Shareholders and their respective close associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group makes financial decisions according to our own business needs.

During the Track Record Period, our Group had certain amounts due from shareholders, due to a director and due to a shareholder, details of which are set out in the sections headed "Financial Information – Amounts due from shareholders", "Financial Information – Amounts due to a director" and "Financial Information – Amounts due to a shareholder" in this prospectus. Such amounts due from shareholders, due to a director and due to a shareholder have been or will be fully repaid, released and/or otherwise settled in full upon Listing.

Save as disclosed above, our Directors are therefore of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders, our Directors and their respective close associates has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which our Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and as trustee of our subsidiaries) that during the continuation of the Deed of Non-competition it or she shall not, and shall procure that each of its or her close associates (other than any member of our Group) not to during the restricted period set out below, whether on its or her own account or in conjunction with or on behalf of any person, firm or company, and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the development and provision of MWA medical devices for minimally invasive treatment of tumour and trading of other medical devices), in the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on such business from time to time (the "**Restricted Business**"). Each of the Controlling Shareholders has undertaken to our Company that she/it shall abstain from voting at any general meeting of our Company for approving any resolution(s) where any actual or potential conflict of interests may arise.

Such non-competition undertaking does not apply to:

(i) any interests in the shares of any member of our Group; or

(ii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:

(a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(b) the total number of the shares held by our Controlling Shareholders and/or their respective close associates in aggregate does not exceed 10% of the issued shares of that company in question and such Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate; or

(c) our Controlling Shareholders and/or their respective close associates do not have the control over the board of such company.

The Deed of Non-competition shall take effect upon Listing and shall expire on the earlier of:

(a) the day on which the Shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange; or

(b) the day on which our Controlling Shareholders and their close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholders and do not have power to control the Board or there is at least one other independent shareholder other than our Controlling Shareholders and their respective close associates holding more shares than our Controlling Shareholders and their respective close associates taken together.

Our Controlling Shareholders and/or their close associates may take up new business opportunities which compete with our Company only if they comply with their obligations under the Deed of Non-competition in doing so.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has undertaken that if each of our Controlling Shareholders and/or any of her/its close associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity(ies)**") that relates to the Restricted Business, whether directly or indirectly, she/it shall (i) promptly within ten (10) business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such New Business Opportunity; and (ii) use his/her/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such New Business Opportunity is offered to her/it and/or her/its close associates.

All of our Directors (excluding those who is/are interested in the New Business Opportunity and has/have conflict of interests with our Company) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the "**30-day Offering Period**") of receipt of notice from our Controlling Shareholders, our Controlling Shareholders and/or his/her/its close associates shall be permitted to invest in or participate in the New Business Opportunity on his/her/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the New Business Opportunity, our Company may give a written notice to our Controlling Shareholders within the 30-day Offering Period and our Controlling Shareholders agree to extend the period to a maximum of sixty (60) business days.

Our Group may elect not to take up the New Business Opportunity if our Directors consider that (i) taking up the New Business Opportunity is not beneficial to our Group, whether financially or otherwise; (ii) our Group does not have sufficient financial resources to take up the New Business Opportunity; (iii) the risk involved in the New Business Opportunity is too high; and/or (iv) there exists any other reason or circumstance under which taking up the New Business Opportunity is not in the interest of our Company and our Shareholders as a whole. In the event our Company decides not to take up any New Business Opportunities after Listing, our Company will disclose in our annual report details of such New Business Opportunities, and our Company's reason for not taking up such New Business Opportunities. Our Company and our Controlling Shareholders confirm, and our Controlling Shareholders undertake to our Company that any New Business Opportunities will be handled in compliance with the Deed of Non-competition provided by our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- our independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders under the Deed of Non-competition;

- our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

- our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual report of our Company;

- our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company; and

- our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

With the corporate governance measures including the measures set out in this paragraph headed "Corporate governance measures" and the paragraph headed "Compliance with Corporate Governance Code" and "Board Committees" in the section headed "Directors and Senior Management" in this prospectus, our Directors believe that the interest of the Shareholders will be protected.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme), the following persons will have an interest and/or short position in 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 will be, directly or indirectly, interested in 10% or more of issued voting shares of any other member of our Group:

Name of interested party	Capacity/ Nature of interest	Number of shares held as at the Latest Practicable Date *(Note 1)*	Percentage of shareholding as at the Latest Practicable Date	Number of Shares held immediately after the Global Offering and the Capitalisation Issue *(Note 1)*	Percentage of shareholding immediately after the Global Offering and the Capitalisation Issue
Ms. Wu BVI Entity	Beneficial owner *(Note 2)*	6,010,191 (L)	59.95%	810,454,675 (L)	50.65%
Ms. Wu	Interest in a controlled corporation *(Note 2)*	6,010,191 (L)	59.95%	810,454,675 (L)	50.65%
BOCI Investment	Beneficial owner *(Note 3)*	833,782 (L)	8.32%	112,432,787 (L)	7.03%
BOC International Holdings Limited	Interest of controlled corporation *(Note 3)*	833,782 (L)	8.32%	112,432,787 (L)	7.03%
Bank of China Limited	Interest of controlled corporation *(Note 3)*	833,782 (L)	8.32%	112,432,787 (L)	7.03%
Central Huijin Investment Limited	Interest of controlled corporation *(Note 3)*	833,782 (L)	8.32%	112,432,787 (L)	7.03%

Notes:

1. The letter "L" denotes long position of our Shares.

2. Ms. Wu BVI Entity is beneficially and wholly-owned by Ms. Wu. By virtue of the SFO, Ms. Wu is deemed to be interested in the Shares held by Ms. Wu BVI Entity. Ms. Wu also has share options granted under the Pre-IPO Share Option Scheme which entitle her to subscribe for 51,237,290 Shares upon exercise of such share options. For details, please refer to "Statutory and General Information – D. Pre-IPO Share Option Scheme – (u) Outstanding options granted under the Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

3. BOCI Investment is wholly-owned by BOC International Holdings Limited, which is in turn wholly-owned by Bank of China Limited, which is in turn owned as to 64.02% by Central Huijin Investment Limited.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme), have an interest or short position in our 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, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group.

DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out certain information regarding our Directors.

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Company	Role and responsibilities	Relationship with other Director(s) and/or senior management
Wu Haimei (吳海梅)	41	5 June 2012	22 January 2021	Executive Director, Chairlady and chief executive officer	Responsible for the overall corporate strategies, management of our Group's business operations and development	Nil
Hou Wei (侯偉)	53	8 March 2019	24 September 2021	Executive Director	Responsible for business development and management of our Group's operation	Nil
Qiu Quan (邱荃)	30	15 April 2013	22 January 2021	Executive Director and chief administrative officer	Responsible for the supervision and coordination of our Group's operation	Nil
Liu Jiayi (劉佳依)	39	5 July 2021	5 July 2021	Non-executive Director	Responsible for providing investment advice to our Board	Nil
Xing Michael Mingzhao	59	11 September 2022	11 September 2022	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	Nil
Chu Chun Ming (朱俊明)	43	11 September 2022	11 September 2022	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	Nil
Ma Jianguo (馬建國)	61	11 September 2022	11 September 2022	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	Nil

Executive Directors

Ms. Wu Haimei (吳海梅), aged 41, founder of our Group, was appointed as a Director of our Company on 22 January 2021 and was designated as an executive Director and appointed as the chairlady of the Board and the chief executive officer on 9 September 2021. Ms. Wu is mainly responsible for the overall corporate strategies, management of our Group's business operations and development. Ms. Wu is currently a director and general manager of Baide Suzhou, an executive director and general manager of Nanjing Changcheng, an executive director of Henan Ruide, an executive director of Guoke Baide and an executive director and general manager of Ruikede Xiamen, each a subsidiary of our Company. She was a supervisor of Baide Suzhou from 5 June 2012 to 22 June 2016.

Ms. Wu has over 20 years of experience in the medical devices industry. The following table summarises Ms. Wu's professional experience:

Name of company/business	Principal business activities	Last position held	Period of services
Guangdong Taihua Medical Instrument Company Limited* (廣東泰華醫療器械有限公司)	Sales of medical instruments, equipment and consumables	Sales manager	January 2002 – June 2011
Guangzhou Daokang Trading Company Limited* (廣州道康貿易有限公司)	Sales of medical instruments, equipment and consumables	Executive director and general manager	December 2009 – May 2017
Guangdong Xintianran Pharmaceutical Company Limited* (廣東新天然藥業有限公司)	Sales of medical instruments, equipment and consumables	Sales manager	July 2011 – October 2011

Ms. Wu graduated from Henan Province Xinyang Weisheng School* 河南省信陽衛生學校 specialised in anaesthesia in July 2000 and completed the advance study in financial investment and capital operation at Graduate School at Shenzhen, Tsinghua University in the PRC in June 2016.

Ms. Wu was previously a director, supervisor, legal representative and/or general manager of the companies which were established in the PRC before their respective deregistration, a partner of the partnership which was registered in the PRC before its termination and a shareholder and director of the company which was incorporated in the BVI before its striking off as shown in the table below:

Name of company/ partnership	Place of establishment/ registration/ incorporation	Principal business activity immediately before deregistration/ termination of partnership/ striking off	Relevant date	Position	Status and reasons
Guangzhou Baipin	PRC	N/A	28 September 2018	Director, legal representative and general manager	Deregistered due to non-commencement of business
Fuzhou Zhengruide Trading Company Limited* 福州正瑞德貿易有限公司	PRC	N/A	28 October 2019	Supervisor	Deregistered due to non-commencement of business
Ms. Wu PRC Entity 3	PRC	N/A	21 May 2021	Partner	Termination of partnership due to non-commencement of business
Betters Medical Investment Holdings (BVI) Limited	BVI	N/A	1 May 2022	Shareholder and Director	Struck off due to non-renewal of annual license fees

Ms. Wu confirmed that (i) the above companies and partnership were solvent immediately prior to their respective dissolution/termination/striking off; (ii) there is no wrongful act on her part leading to the dissolution or striking off of the above companies and termination of the above partnership; (iii) she is not aware of any outstanding or potential claim that has been or will be made against her as a result of the respective dissolution or striking off of the above companies/termination of the above partnership; and (iv) no misconduct or misfeasance had been involved in the respective dissolution or striking off of the above companies/termination of the above partnership.

Mr. Hou Wei (侯偉), aged 53, joined our Group in March 2019 as the vice general manager and sales director of Baide Suzhou. Mr. Hou was appointed as a Director of the Company on 24 September 2021 and was designated as an executive Director on 24 September 2021. He is primarily responsible for business development and management of our Group's operation.

Mr. Hou has over 28 years of experience in management and sales in the medical and pharmaceutical industry. Mr. Hou has gained extensive knowledge in manufacturing, policies, laws and regulations, business development and sales and marketing in the medical and pharmaceutical industry through his previous positions in pharmaceutical companies, pharmaceutical manufacturers and medical administration authorities. He also has a thorough understanding in the research and development, sales and business development of the medical and pharmaceutical industry and their relevant laws and regulations. Having devoted his career in the medical and pharmaceutical industry, he has maintained close relationships with the supervising departments, regulatory authorities, renowned corporations and medical institutions within the medical and pharmaceutical industry. The following table summarises part of Mr. Hou's major professional experience:

Name of company/business	Principal business activities	Last position held	Period of services
Chongqing Medical Administration* (重慶市醫藥管理局)	A government authority for regulating medicines	Secretary of the hospital league committee* (醫院團委書記) and officer of party committee office* (黨委辦公室主任)	December 1988 – February 1999
Chongqing Pharmaceutical (Group) Company Limited* (重慶醫藥(集團)股份有限公司)	Pharmaceutical research and development, medical device production	Vice general manager	July 1994 – February 1999
Shanghai Fudan Fuhua Pharmaceutical Company Limited* (上海復旦復華藥業有限公司)	A pharmaceutical company	General manager	October 2002 – June 2003
Shanghai Leiyunshang Pharmaceutical Company Limited* (上海雷允上藥業有限公司)	A pharmaceutical company	Vice general manager	July 2003 – June 2006

Name of company/business	Principal business activities	Last position held	Period of services
Shanghai Pharmaceutical Holding Co. Ltd (上海醫藥集團股份有限公司) (Stock Code: 2607)	Pharmaceutical industry, distribution and retail business	General manager of the antitumour medicine department	July 2003 – December 2008
China Health Industry Investment Group* (中國健康產業投資集團)	Investment in medical and pharmaceutical industries	Vice president	January 2009 – May 2014
Shanghai Aidisen International Mathematics Medical Equipment Company Limited* (上海艾迪森國際數字醫療裝備有限公司)	Provision of medical equipment	Global sales general manager	June 2014 – December 2018

Mr. Hou obtained an associate degree in thermal engineering from Chongqing University in the PRC in December 1987 and a professional study diploma in economics from Party School of the Central Committee of the Chinese Communist Party (中共中央黨校) in the PRC in December 1994. He completed the economic management talent training course at the Department of Economics and Management of School of Continuing Education, Tsinghua University in June 1995. Mr. Hou obtained a Master of Business Administration at China Europe International Business School (中歐國際工商學院) ("**CEIBS**") in the PRC in April 2000. Mr. Hou also completed the executive education programme in mergers and acquisitions and sales force management programme at CEIBS in the PRC in October 2001 and May 2002 respectively.

Mr. Hou was previously a director, supervisor and/or shareholder of the companies which were established in the PRC before their respective deregistration and a partner of the partnership which was registered in the PRC before its termination as shown in the table below:

Name of company/partnership	Principal business activity immediately before deregistration/ termination of partnership	Relevant date	Position	Status and reasons
Shanghai Jiaxu Internet Technique Co., Ltd.* (上海嘉旭網絡技術有限公司)	N/A	23 December 2016	Director	Revoked without cancellation due to non-commencement of business
Chongqing Silongbeige Corporate Sales and Planning Partnership Enterprise (Limited Partnership)* (重慶斯隆貝格企業營銷策劃合夥企業(有限合夥)	N/A	25 January 2019	Partner	Termination of partnership due to non-commencement of business
Chongqing Silong Medical Technique Co., Ltd.* (重慶斯隆醫療技術有限公司)	N/A	25 January 2019	Director	Deregistered due to non-commencement of business
Chongqing Baolunjia Hospital Investment Management Co., Ltd.* (重慶寶倫家醫院投資管理有限公司)	N/A	1 April 2019	Shareholder and supervisor	Revoked without cancellation due to non-commencement of business

Mr. Hou confirmed that (i) the above companies and partnership were solvent immediately prior to their respective dissolution/termination; (ii) there is no wrongful act on his part leading to the dissolution of the above companies and termination of the above partnership; (iii) he is not aware of any outstanding or potential claim that has been or will be made against him as a result of the respective dissolution of the above companies/termination of the above partnership;

and (iv) no misconduct or misfeasance had been involved in the respective dissolution of the above companies/termination of the above partnership.

Ms. Qiu Quan (邱荃), aged 30, joined our Group in April 2013. Ms. Qiu was appointed as a Director on 22 January 2021 and was designated as an executive Director and appointed as the chief administrative officer on 9 September 2021. Ms. Qiu is also the assistant to general manager of Baide Suzhou, an executive director and general manager of Guizhou Baiyuan and an executive director of Hunan Baide and is primarily responsible for the supervision and coordination of our Group's operation.

Ms. Qiu has over eight years of experience in company secretarial and administrative work. The following table summarises Ms. Qiu's professional experience:

Name of company/business	Principal business activities	Last/current position held	Period of services
Baide Suzhou	Sales of MWA and other medical devices and investment holding	Assistant to general manager	April 2013 – present
		Director	September 2019 – present
Guizhou Baiyuan	Sales of other medical devices	Executive director and general manager	September 2017 – present

Ms. Qiu graduated in medicine operation and management from Guangdong Food and Drug Vocational College (廣東食品藥品職業學院) in the PRC in July 2013.

Non-executive Director

Ms. Liu Jiayi (劉佳依) ("Ms. Liu"), aged 39, was appointed as a Director of our Company on 5 July 2021 and was designated as a non-executive Director on 9 September 2021. Ms. Liu is a Director appointed by BOCI Investment pursuant to the Series C Investment Agreement and the Series C Shareholders Agreement. She is primarily responsible for providing investment advice to our Board.

Ms. Liu has over 14 years of experience in the private equity industry. She has been holding various positions in the subsidiary of BOC International Holdings Limited, the investment banking arm of Bank of China since July 2007 and she is currently a director of its private equity division.

Ms. Liu obtained dual bachelor's degrees in Economics and Arabic Language from Peking University in the PRC in July 2005. She also obtained a Master of International Affairs from Columbia University in New York, United States in May 2007.

Independent non-executive Directors

Prof. Xing Michael Mingzhao, aged 59, was appointed as an independent non-executive Director on 11 September 2022. He is currently the chairman of the Remuneration Committee and members of the Audit Committee and Nomination Committee.

Prof. Xing was accredited by Expertscape as one of the top ten world experts in thyroid cancer in 2013. He was accredited an outstanding achievement award by Chinese Society of Endocrinology in August 2013. Prof. Xing was accredited an endocrine-related cancer award by the Society for Endocrinology, United Kingdom in March 2014. Prof. Xing was accredited a Paul Starr Award by American Thyroid Association in September 2016. Prof. Xing was accredited the Paul W Ladenson Thyroid Award by The Johns Hopkins University School of Medicine in 2017. Prof. Xing was elected as member of Association of American Physicians in 2019.

Prof. Xing graduated in the department of medicine at The Second Military Medical University in the PRC in 1984. He obtained a doctorate degree in physiology and biophysics from Case Western Reserve University in the United States in 1993. The following table summarises part of Prof. Xing's major professional experience:

Name of company/business	Principal business activities	Current position held	Period of services
John Hopkins University, the United States of America	University	Professor of Department of Medicine	October 2011 – present
Southern University of Science and Technology in the PRC	University	Dean and professor of School of Medicine	July 2019 – present

Mr. Chu Chun Ming (朱俊明), aged 43, was appointed as an independent non-executive Director on 11 September 2022. He is currently the chairman of the Audit Committee and members of the Remuneration Committee and Nomination Committee. Mr. Chu has over 15 years of experience in audit and financial management, company secretarial matters, internal control, compliance and merge and acquisition. The following table summarises Mr. Chu's professional experience:

Name of company/business	Principal business activities	Last/current position held	Period of services
KPMG	Audit and accounts services	Assistant manager	August 2003 – July 2008
YORK International (Northern Asia) Ltd. Johnsons Controls International PLC (NYSE: JCI)	Provision of buildings products, energy solutions, integrated infrastructure and next generation transportation systems	Regional analyst, control and compliance department	August 2009 – June 2012
G-Resources Group Limited (Stock Code: 1051)	Mining business in Indonesia	Internal audit manager	June 2012 – September 2012
China Mobile International Limited	Subsidiary of China Mobile Limited (Stock Code: 941), a company principally engaged in telecommunication and related businesses	Internal audit manager	September 2012 – March 2014
Sage Choice Inc., subsidiary of Tai Shing International (Holdings) Limited (presently known as hmvod Limited) (Stock Code: 8103)	System, development, professional services, money lending, securities investment and printing business	Senior finance manager	March 2015 – June 2016

Name of company/business	Principal business activities	Last/current position held	Period of services
The Hong Kong Building and Loan Agency Limited (presently known as CCIAM Future Energy Limited) (Stock Code: 145)	Provision of design and energy saving solutions	Deputy financial controller	July 2016 – November 2016
Enterprise Development Holdings Limited (Stock Code: 1808)	Software business, trading of securities and money lending business	Financial controller	November 2016 – September 2018
imEMC Limited	Provision of audiovisual and lighting solution services	Chief financial officer	October 2018 – July 2020
Century Energy International Holdings Limited (formerly known as China Oil Gangran Energy Group Holdings Limited) (Stock Code: 8132)	Power and data cable business	Chief financial officer and company secretary	August 2020 – present

He is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chu obtained a Bachelor of Commerce in Accounting and Finance at the University of New South Wales in Australia in May 2003.

Prof. Ma Jianguo (馬建國), aged 61, was appointed as an independent non-executive Director on 11 September 2022. He is currently the chairman of the Nomination Committee and members of the Audit Committee and Remuneration Committee.

He is the fellow of Institute of Electrical and Electronics Engineers (the "**IEEE**") and vice-chairman of the IEEE on radio-frequency identification Standards Association.

The following table summarises part of Prof. Ma's major professional experience:

Name of company/business	Principal business activities	Last/current position held	Period of services
Lanzhou University	University	Lecturer, department electronics and information science	January 1982 – March 1991
Nanyang Technological University, Singapore	University	Associate professor	September 1997 – November 2005
University of Electronic Science and Technology of China	University	Professor of the School of Electronic Science and Engineering	June 2005 – November 2009
Tianjin University	University	Dean of the School of Electronic Information Engineering, Microelectronics and Qingdao Institute of Marine Engineering	October 2009 – October 2016
Guangdong University of Technology	University	Professor at the School of Computers	October 2016 – August 2021
Zhejiang University	University	Associate dean of the School of Micro-nanoelectronics	September 2021 – present

Prof. Ma obtained a Bachelor of Physics in radio physics from Lanzhou University in January 1982, a Master in Science in radio physics from Lanzhou University in June 1988, and a doctorate degree in engineering from the University of Duisburg-Essen, Germany in February 1996.

SENIOR MANAGEMENT

Our senior management consists of six members, who, together with our Directors, are responsible for the day-to-day management and operation of our Group.

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Principal roles and responsibilities	Relationship with other Director(s) and senior management
Lu Rongjian (陸榮鑑)	57	1 December 2021	27 January 2022	Co-chief technical officer of our Group and deputy general manager of Baide Suzhou	Responsible for the overall management of R&D of MWA medical devices with focus on directions, planning and strategies of R&D	Nil
Sun Hailong (孫海龍)	33	29 November 2018	27 January 2022	Co-chief technical officer of our Group and technical department manager of Nanjing Changcheng	Responsible for the overall management of R&D of MWA medical devices with focus on R&D project implementation and management	Nil
Ng Kun Seng Chris (吳冠誠)	37	September 2020	September 2020	Chief financial officer and company secretary	Responsible for overall management of financial, investment and company secretarial matters of our Group	Nil
Yuan Jianwei (袁建偉)	55	August 2016	August 2016	Production department manager of Nanjing Changcheng	Responsible for monitoring the manufacturing of our Group's MWA medical devices	Nil
Xu Jin (許進)	35	August 2016	August 2016	Quality assurance department manager of Nanjing Changcheng	Responsible for overseeing the quality assurance of our Group's MWA medical devices	Nil
Xu Wei (徐偉)	33	September 2016	September 2016	Merchandising department manager of Nanjing Changcheng	Responsible for overseeing the merchandising sector of our Group's business	Nil

Mr. Lu Rongjian (陸榮鑑), aged 57, is the co-chief technical officer of our Group and the deputy general manager of Baide Suzhou. He is primarily responsible for the overall management of R&D of MWA medical devices with focus on directions, planning and strategies.

Mr. Lu joined the Faculty of Mechanical and Electronic Engineering of Nanjing Forestry University* (南京林業大學) in November 2000 and has become a lecturer since 2005. Nanjing Forestry University cooperated with Baide Suzhou and Nanjing Changcheng in R&D of control system of MWA devices from 2017 to 2019 and Mr. Lu was the person in charge of the cooperation projects of Nanjing Forestry University. Mr. Lu was a contracted technical consultant of Nanjing Changcheng from 1 September 2020 to 30 November 2021. He has participated in various R&D projects of our Group during our cooperation with Nanjing Forestry University and as a technical consultant. He joined our Group on 1 December 2021 on a contract basis which will be changed to a full-time basis from 1 January 2023.

Mr. Lu obtained a Master of Engineering degree majoring in electromechanical control and automation from Nanjing University of Aeronautics and Astronautics* (南京航空航天大學) in April 1997.

Save for the above cooperation between Nanjing Forestry University and Nanjing Changcheng which Mr. Lu was the person in charge, Mr. Lu has no other relationships (whether past or present), including, but not limited to, family, trust, employment, business or financing relationship, with Nanjing Changcheng Information System or its management or owners.

Mr. Sun Hailong (孫海龍), aged 33, joined our Group in November 2018. He is the co-chief technical officer of our Group and the technical department manager of Nanjing Changcheng. He is primarily responsible for the overall management of R&D of MWA medical devices with focus on R&D project implementation and management.

Mr. Sun has participated in various R&D projects of our Group since he joined our Group in November 2018. The following table summarises Mr. Sun's professional experience before joining our Group:

Name of company/business	Principal business activities	Last position held	Period of services
Kunshan Hongyongsheng Mould Co., Ltd.* (昆山鴻永盛模具有限公司)	Mould manufacturing	Assistant engineer	July 2013 – April 2015
Jiangsu Lingjian Laser Technology Co., Ltd.* (江蘇靈劍激光科技有限公司)	Laser technology	Mechanical designer	April 2015 – March 2017

Name of company/business	Principal business activities	Last position held	Period of services
Green Point Technology (Wuxi) Co., Ltd.* (綠點科技(無錫)有限公司)	Consumer electronic and mechanical Component design and manufacturing	Engineer	March 2017 – September 2018

Mr. Sun graduated from Changzhou College of Information Technology* (常州信息職業技術學院) majoring in mould design and manufacturing in the PRC in 2013.

Mr. Ng Kun Seng Chris (吳冠誠), aged 37, joined our Group in September 2020 as the chief financial officer of Baide Suzhou and was subsequently appointed as the company secretary of our Company on 9 September 2021 and is primarily responsible for overall management of financial, investment and company secretarial matters of our Group.

Mr. Ng has extensive work experience in accounting, auditing and corporate finance. Prior to joining our Group, he worked in an international accounting firm and also held various finance positions in companies listed on the Stock Exchange. The following table summarises Mr. Ng's professional experience:

Name of company/business	Principal business activities	Last position held	Period of services
Macau Fisherman's Wharf International Investment Limited	Subsidiary of Macau Legend Development Limited (Stock Code: 1680), operation of Macau Fisherman's Wharf	Finance manager	April 2014 – April 2015
New Galaxy Entertainment Company Limited	Subsidiary of Galaxy Entertainment Group Limited (Stock Code: 27), a hospitality and gaming company	Senior manager of general ledger in finance and shared services department	May 2015 – January 2017
Sino Energy International Holdings Group Limited (Stock Code: 1096)	Operation of gas stations	Financial controller	January 2017 – December 2018

Name of company/business	Principal business activities	Last position held	Period of services
REF Financial Press Limited	Subsidiary of REF Holdings Limited (Stock Code: 1631), provision of financial printing services for financial sectors in Hong Kong	Financial controller	January 2019 – April 2020

He is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a Bachelor of Art in accountancy from The Hong Kong Polytechnic University in December 2006.

Mr. Yuan Jianwei (袁建偉), aged 55, joined our Group in August 2016. Mr. Yuan is the production department manager of Nanjing Changcheng and is primarily responsible for monitoring the manufacturing of our Group's MWA medical devices.

Mr. Yuan has over five years of experience in research and development and production of MWA needles. The following table summarises Mr. Yuan's professional experience:

Name of company/business	Principal business activities	Last position held	Period of services
Nanjing Internal Combustion Engine Parts Factory* (南京內燃機配件廠)	Provision of electrical engineering	Workshop technician	1984 – 2007
Nanjing Jasons Medical Equipment Company Limited* (南京杰雄醫療裝備有限公司)	Development and provision of medical equipment	Production manager	March 2009 – July 2016

Mr. Yuan graduated from High School Affiliated to Nanjing University in the PRC in March 1990.

Mr. Xu Jin (許進), aged 35, joined our Group in August 2016. Mr. Xu Jin is the quality assurance department manager of Nanjing Changcheng and is primarily responsible for overseeing the quality assurance of our Group's MWA medical devices.

Mr. Xu Jin served as a quality control inspector at Nanjing Jasons Medical Equipment Company Limited* (南京杰雄醫療裝備有限公司), a company principally engaged in development and provision of medical equipment from January 2011 to July 2016. He subsequently joined Nanjing Changcheng, one of our subsidiaries in August 2016 with his present position as quality assurance department manager.

Mr. Xu Jin graduated from Nanjing Mechanical and Electrical Vocational and Technical College* (南京機電職業技術學院) in mechatronics in the PRC in January 2010.

Mr. Xu Wei (徐偉), aged 33, joined our Group in September 2016. Mr. Xu Wei is the merchandising department manager of Nanjing Changcheng and is primarily responsible for overseeing the merchandising sector of our Group's business.

Mr. Xu Wei has over eight years of experience in merchandising. The following table summarises Mr. Xu's professional experience:

Name of company/business	Principal business activities	Last position held	Period of services
Nanjing Gangshun Circuit Technology Company Limited* (南京港順電路技術有限公司)	Manufacturing of electrical machinery and equipment	Technician	September 2008 – March 2010
Nanjing Aote Electric Company Limited* (南京奧特電氣股份有限公司)	Provision of solution of energy engineering	Technician	April 2010 – April 2011
Nanjing Jasons Medical Equipment Company Limited* (南京杰雄醫療裝備有限公司)	Development and provision of medical equipment	Merchandiser	February 2012 – August 2016

Mr. Xu Wei graduated from Nanjing Goldfoil Group Jinlei Technical Vocational College* (南京金箔集團金蕾職工學校) in mechatronics in the PRC in July 2008.

DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS

Save as disclosed, none of our Directors or our senior management: (i) holds any other positions in our Company or other members of our Group; (ii) has any other relationship with any Directors, senior management or substantial shareholders of our Company; and (iii) he or she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Except for such interests of the Directors in the Shares which are disclosed in the sections headed "Substantial Shareholders" and "Statutory and General Information – C. Further Information about our Directors and substantial Shareholder" in Appendix IV to this prospectus, none of our Directors have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors and our senior management has confirmed that none of them or their respective associates are engaged in, or

interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business or has or may have any conflict of interests with our Group.

Save as disclosed above, each of our Directors confirmed that there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

COMPANY SECRETARY

Mr. Ng Kun Seng Chris (吳冠誠), is the chief financial officer and company secretary of our Group. For his biographical information, please refer to "Senior management" in this section.

AUTHORISED REPRESENTATIVE

Ms. Wu and Mr. Ng Kun Seng Chris are the authorised representatives of our Company under the Listing Rules and Mr. Ng Kun Seng Chris is the authorised representative of our Company under the Companies Ordinance.

BOARD COMMITTEES

We have established the following committees in our Board, of which the operations are in accordance with the terms of reference established by our Board:

Audit Committee

We established an audit committee on 11 September 2022 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee include reviewing and approving our Group's financial reporting process and internal control and risk management system, overseeing our audit process and performing other duties and responsibilities as assigned by our Board. The audit committee consists of all of the independent non-executive Directors, namely, Mr. Chu Chun Ming, Prof. Xing Michael Mingzhao and Prof. Ma Jianguo. Mr. Chu Chun Ming is the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee on 11 September 2022 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee include formulating our remuneration policy, reviewing and determining the terms of the remuneration packages of our Directors and

senior management, and reviewing and approving performance-based remuneration with reference to our corporate goals and objective resolved by our Board from time to time. The remuneration committee consists of three members, namely Prof. Xing Michael Mingzhao, Prof. Ma Jianguo and Mr. Chu Chun Ming. Prof. Xing Michael Mingzhao is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on 11 September 2022 with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee include reviewing the structure, size, composition and diversity of our Board, assessing the independence of our independent non-executive Directors and making recommendations to our Board on matters relating to appointment and re-appointment of Directors. The nomination committee consists of three members, namely Prof. Ma Jianguo, Mr. Chu Chun Ming and Prof. Xing Michael Mingzhao. Prof. Ma Jianguo is the chairman of the nomination committee.

BOARD DIVERSITY POLICY

Our Company recognises and embraces the benefits of a diversity of Board members. On 11 September 2022, we have adopted a board diversity policy to ensure that our Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of our Company's business. Pursuant to the board diversity policy, all Board appointments will be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

Our nomination committee is delegated by our Board to be responsible for reviewing and ensuring the effectiveness and compliance with the board diversity policy. We will also disclose our board diversity policy and progress on achieving the objectives in our corporate governance report upon and after Listing.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of corporate governance in the management structures and internal control of our Group in order to achieve accountability to our Shareholders.

Our Company has adopted the provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Board has a balanced composition of executive Directors and independent non-executive Directors, allowing our Board to effectively exercise independent judgment.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Our Company deviates from this provision because Ms. Wu is our Chairlady and the chief executive officer of our Company. Ms. Wu is responsible for the overall corporate strategies, management of our Group's business, operations and development and is instrumental to our growth and business expansion since our establishment. Our Board considers that vesting the roles of chairlady and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Upon Listing, our Board will comprise three executive Directors (including Ms. Wu), one non-executive Director and three independent non-executive Directors and therefore has a strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Our Directors will review our Group's corporate governance policies and compliance with the Corporate Governance Code in each financial year and comply with the "comply or explain" principle in our Group's corporate governance report, which will be included in our Group's annual reports after Listing.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For the Track Record Period, the aggregate remuneration, including fees, salaries, contributions to pension schemes, other allowances and other benefits in kind and/or discretionary bonuses paid to our Directors by any member of our Group were approximately RMB1.1 million, RMB0.9 million, RMB1.4 million and RMB1.2 million, respectively.

The five highest paid employees during the Track Record Period included two, two, one and one Director respectively. The aggregate remuneration, including fees, salaries, contributions to pension schemes, other allowances and other benefits in kind and/or discretionary bonuses paid to the remaining non-directors, highest paid employees of our Company during the Track Record Period were approximately RMB1.3 million, RMB1.5 million, RMB3.3 million and RMB1.6 million, respectively.

No remuneration has been paid by our Group 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 during the Track Record Period. Furthermore, none of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently proposed, conditional upon the Listing, the aggregate annual remuneration (excluding payment of any discretionary benefits or bonuses or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2022 is estimated to be approximately RMB3.0 million.

To incentivise our Directors, senior management and employees, we have adopted the Pre-IPO Share Option Scheme on 24 September 2021 (as amended and restated on 11 September 2022). Please refer to "Statutory and General Information – D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus for summary of the principal terms of the Pre-IPO Share Option Scheme.

Save as disclosed above, no other remuneration or emolument payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of directors' fees, salaries, benefits in kind and/or discretionary bonuses. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to our Group or executing their functions in relation to our Group's operations. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of our Directors and performance of our Group.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload, time devoted to our Group and performance of our Group.

COMPLIANCE ADVISER

We have appointed Zhongtai International Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction being contemplated, which might be a notifiable or connected transaction or will involve Shares issues and Share repurchases;

(c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results of our Company deviate from any forecast, estimate (if any) or other information in this prospectus; and

(d) where the Stock Exchange makes any inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

The authorised and issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme) will be as follows:

		Aggregate nominal value
Authorised share capital:		*HK$*
10,000,000,000	Shares of par value of HK$0.01 each	100,000,000
Shares issued and to be issued, fully paid or credited as fully paid:		
8,756,697	Shares in issue as at the Latest Practicable Date	87,566.97
1,269,500	Preference Shares in issue as at the Latest Practicable Date *(Note)*	12,695.00
(1,269,500)	Preference Shares to be redeemed upon conversion before Listing *(Note)*	(12,695.00)
1,269,500	Shares to be issued upon conversion of the Preference Shares before Listing *(Note)*	12,695.00
1,341,973,803	Shares to be issued pursuant to Capitalisation Issue	13,419,738.03
248,000,000	Shares to be issued pursuant to the Global Offering	2,480,000
1,600,000,000	Total Shares issued and to be issued upon completion of the Capitalisation Issue and the Global Offering	16,000,000

Note: All the Preference Shares shall automatically be converted into ordinary Shares no later than the date immediately before the date on which the listing of the Shares commences on the Main Board of the Stock Exchange. It is expected that one Preference Share will be converted into one ordinary Share based on the initial conversion price of the Preference Share.

ASSUMPTIONS

The above table assumes the Global Offering become unconditional and the issue of Shares pursuant thereto are made as described herein. It assumes the Over-allotment Option is not exercised and does not take into account of any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme, or any Shares which may be allotted and repurchased by our Company under the general mandates granted to our Directors as issue or repurchase Shares referred to below or otherwise.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total number of issued shares must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares and must have an expected market capitalisation at the time of listing of not less than HK$125 million.

Based on the information in the table above, our Company will meet the public float requirement under the Listing Rules after the completion of the Capitalisation Issue and the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

RANKING

The Offer Shares, including the Shares to be issued upon exercise of any options granted under the Pre-IPO Share Option Scheme, will rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and in particular, and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record rate which falls after the Listing Date save for the entitlements under the Capitalisation Issue.

PRE-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme on 24 September 2021 (as amended and restated on 11 September 2022). A summary of the principal terms of the Pre-IPO Share Option Scheme are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus. As at the Latest Practicable Date, save for the options granted under the Pre-IPO Share Option Scheme on 26 September 2021, no other option had been granted. For details, please refer to "Statutory and General Information – D. Pre-IPO Share Option Scheme – (u) Outstanding options granted under the Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 11 September 2022, subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 1,341,973,803 Shares credited as fully paid at par to the holders of Shares and Preference Shares as at the close of business on 11 September 2022 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of Capitalisation of the sum of HK$13,419,738.03 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of any options granted under the Pre-IPO Share Option Scheme); and

(b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the authority granted to our Directors referred to in the paragraph headed "General Mandate to repurchase Shares" in this section.

This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by applicable laws of the Cayman Islands or the Articles or the Cayman Companies Act; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate for the allotment and issue of Shares, please refer to "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our Shareholders" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of any options granted under the Pre-IPO Share Option Scheme.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "6. Repurchase by our Company of its own securities" in the section headed "Statutory and General Information – A. Further information about our Company" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until 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 laws of the Cayman Islands or the Articles or the Cayman Companies Act; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general repurchase mandate, please refer to the paragraphs headed "3. Written resolutions of our Shareholders" and "6. Repurchase by our Company of its own securities" in the section headed "Statutory and General Information – A. Further information about our Company" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING OF OUR COMPANY ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For details, please refer to "2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

The following discussion and our analysis should be read in conjunction with our consolidated financial information included in the Accountants' Report together with the accompanying notes as set out in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRS, 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 contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are one of the leading microwave ablation (MWA) medical device developers and providers in the PRC for minimally invasive treatment of tumours. Our proprietary MWA medical devices are used for treatment of malignant and benign tumours including liver cancer, thyroid nodules, lung cancer and breast lumps, which have experienced rising incidence rates in China. According to Frost & Sullivan, we ranked first among MWA medical device providers in the treatment for thyroid nodules and breast lumps in the PRC in terms of sales revenue and sales volume of MWA needles in 2021. Further, we were the third largest MWA medical device provider in the PRC in terms of sales revenue in 2021. We are the first company to have proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices, according to Frost & Sullivan. As at the Latest Practicable Date, we had obtained the Class III medical device registration certificate for our MWA medical devices specifically indicated for liver cancer and thyroid nodule.

We have experienced a strong growth in our business and financial results during the Track Record Period. Our revenue increased from RMB85.0 million in FY2019 to RMB118.3 million in FY2020, and further to RMB188.7 million in FY2021 at a CAGR of 49.0%. We turned from net loss of RMB49.7 million in FY2019 to net profit of RMB46.7 million and RMB74.9 million in FY2020 and FY2021, respectively. Our revenue and net profit amounted to RMB63.8 million and RMB21.1 million, respectively, for 5M2022. We had adjusted net profit (non-HKFRS measure) of RMB33.6 million, RMB52.0 million, RMB83.6 million and RMB30.4 million in FY2019, FY2020, FY2021 and 5M2022, respectively. Adjusted net profit is non-HKFRS financial measure. For details, please refer to "Description of certain components of our consolidated statements of profit or loss and other comprehensive income – Non-HKFRS measure" in this section.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 January 2021. In preparation for the Listing, our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. For details, please refer to "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus. Our Company was incorporated for the purpose of the Reorganisation and, save for the Reorganisation, has not carried out any business since the date of the incorporation.

Our historical financial information has been prepared in accordance with HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. All HKFRSs effective for the accounting period, beginning on or after 1 January 2021, together with the relevant transitional provisions, have been early adopted and consistently applied by our Group in the preparation of the historical financial information throughout the Track Record Period.

Our historical financial information has been prepared on the historical cost basis except for the Convertible Loans and Preference Shares which are measured at fair value. For more information on the basis of presentation of the historical financial information included in this section, please refer to "Accountants' Report – II. Notes to the historical financial information – 2. Basis of presentation and preparation" in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in the section headed "Risk Factors" in this prospectus and those set out below. Accordingly, our historical financial results may not be indicative of our future performance and the assessment of our prospects by the management. The key factors affecting our financial condition and results of operations include, among other factors, the following:

Regulatory environment in China

The medical industry in China is highly regulated. Government policies and regulations, and their implementation and enforcement, significantly impact the supply, demand and pricing of medical devices, as well as the cost of compliance for medical device companies in China. Medical devices must be filed or registered with the NMPA or its local branches at the provincial or prefectural city level before they can be manufactured or sold in China, and such filings and registrations must be renewed periodically. The regulatory requirements in connection with such filing and registrations may change, which could significantly increase the resources and time required to launch new products and renew registrations for existing products.

In recent years, the PRC Government has promulgated policies to encourage the development and innovation of medical devices, such as "Healthy China 2030", "13th Five-Year National Science and Technology Innovation Planning" and "13th Five-Year Special Plan for Medical Device Science and Technology Innovations", which have contributed to the growth of the medical device industry in China. Changes in policies and regulations may also affect our results of operations. In April 2017, the PRC Government announced a pilot programme in certain provinces in China to implement "two-invoice" policies, which only allows a single-layer of distributors for the sale of medical products from manufacturers to hospitals. Please refer to "Regulatory Overview – Two-invoice system" in this prospectus for details.

PRC regulations and the medical insurance reimbursement plans also exert influence over the pricing of our proprietary MWA medical devices, for example, by imposing reimbursement caps, which could at affect patients' access to and affordability of our products as well as our profitability. As at the Latest Practicable Date, our proprietary MWA medical devices were not covered by centralised national procurement and we do not expect our products to be covered by the centralised national procurement in the short-to-mid term. Please refer to "Risk Factors – Risks relating to our business and industry – Recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval of and commercialise our product candidates and affect the revenue we may obtain." in this prospectus for details. In addition, our proprietary MWA medical devices are currently covered by the national public medical insurance in Guangdong Province and the reimbursement rate is up to 80% of the total fee for employee insurance and up to 60% of the total fee for rural insurance, which can further decrease the payers medical expenses reimbursement. For further details, please refer to "Regulatory Overview – National medical insurance programme" in this prospectus.

Growth and competitive landscape of MWA medical device market in China

Our financial performance and future growth depend on the overall growth of MWA medical device market, as well as changes in its competitive landscape. In China, the MWA medical device market remains underserved but is fast growing with extensive potential to grow. The number of MWA procedures in PRC increased from 70,900 in 2016 to 181,200 in 2021 and it is expected to reach 660,000 in 2026, representing a CAGR of 29.6% from 2022 to 2026, according to Frost & Sullivan. As a result, the size of MWA market in China in terms of hospital-charge price is expected to experience a substantial growth from RMB3.0 billion in 2022 to RMB9.2 billion in 2026, representing a CAGR of 32.5%, according to Frost & Sullivan.

Despite the optimistic growth in the MWA medical device market in China, the growth of the MWA medical device industry in China may be negatively affected by a number of unexpected factors, including adverse macroeconomic conditions and delays in the implementation of favourable governmental policies. A slowdown of the growth of the MWA medical device industry in China will negatively impact our results of operations and financial condition.

In addition, changes in the competitive landscape in the MWA medical device market in China will also impact our results of operations. Our ability to compete successfully depends on our ability to differentiate our products from competing products based on product quality, price, customer service and other factors.

Recoverability of trade receivables

We are subject to credit risk associated with our trade debtors and our profitability and cash flow may be affected if our trade debtors failed to make timely payments. During the Track Record Period, a majority of our sales were made by selling our proprietary MWA medical devices to hospitals through deliverers or our distributors across China. We generally grant our trade debtors a credit period of 30 to 90 days. Our policy for impairment on trade receivables is based on the assessment of the recoverability of the trade receivables. If our trade debtors delay payment in part or at all, our cash flow and working capital may be adversely affected. Also, we may incur impairment loss which will adversely affect our financial position and results of operation. Adverse changes in the financial conditions of our trade debtors may negatively affect the length of time that it will take us to collect associated trade receivables or impact on the likelihood of ultimate collection, which would in turn have an adverse and material effect on our business, financial condition and results of operations.

Development and commercialisation of our pipeline products

Our business and results of operations depend on our ability to successfully advance the development of our pipeline products. As at the Latest Practicable Date, we had five types of pipeline products, all of which are expected to be registered as Class III medical devices. For more information on our pipeline products, please refer to "Business – Our businesses – Product pipeline" in this prospectus. Whether our pipeline products can demonstrate favourable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our pipeline products in time, are crucial for our business and results of operations.

Expansion of sales network

Our sales and distribution network coverage is critical to our ability to sell and promote our products. For 5M2022, through direct sales to hospitals and through deliverers and our distributors, our products were sold to 259 hospitals (including 150 Grade IIIA hospitals) across 22 provinces, municipalities and autonomous regions in China. Our ability to effectively manage our sales network and to expand hospital coverage of our domestic sales network is critical to our business performance.

We have endeavoured to expand our sales networks in China during the Track Record Period. Apart from continuous national expansion, we intend to (i) tap into suitable overseas markets such as the U.S. and Europe that we believe are with good market growth potential by establishing overseas offices to execute our business development strategy and

seek collaboration opportunities with local sales channels; (ii) hiring additional staff for our sales and marketing team, which is responsible for executing our overseas expansion plan; and (iii) participating in prominent international medical conferences, such as China International Medical Equipment Fair (中國國際醫療器械博覽會), MEDICA and Florida International Medical Expo (FIME). For details, please refer to "Business – Business strategies – Expand our presence in foreign and emerging markets by setting up overseas offices" in this prospectus. We believe that our efforts in expanding our sales network will enable us to increase sales and further enhance our results of operations.

Cost of direct materials and costs of other medical devices

Direct materials for our proprietary MWA medical devices accounted for 45.4%, 24.7%, 23.1% and 27.6% of our cost of sales in FY2019, FY2020, FY2021 and 5M2022, respectively; while the costs of other medical devices accounted for 27.7%, 56.2%, 62.1% and 49.4% of our cost of sales, respectively. Any unfavourable fluctuation in the market price of our direct materials and the costs of other medical devices may have an adverse impact on our cost of sales. If we are unable to pass the increased costs to our customers, our business, results of operations, financial position and profitability may be materially and adversely affected.

The following table sets forth, for illustrative purposes only, the sensitivity analysis of our (loss)/profit before taxation in FY2019, FY2020, FY2021 and 5M2022 in relation to changes in direct material costs and costs of other medical devices for the periods indicated, assuming all other variables remain constant.

Increase (+)/ decrease (-) of costs of direct materials	**FY2019 Change in loss before taxation** *(RMB'000)*	**FY2020 Change in profit before taxation** *(RMB'000)*	**FY2021 Change in profit before taxation** *(RMB'000)*	**5M2022 Change in profit before taxation** *(RMB'000)*
+/-5%	+/-205.2	-/+202.3	-/+368.0	-/+134.0
+/-10%	+/-410.3	-/+404.6	-/+736.0	-/+268.0

Increase (+)/ decrease (-) of costs of other medical devices	**FY2019 Change in loss before taxation** *(RMB'000)*	**FY2020 Change in profit before taxation** *(RMB'000)*	**FY2021 Change in profit before taxation** *(RMB'000)*	**5M2022 Change in profit before taxation** *(RMB'000)*
+/-5%	+/-125.1	-/+460.9	-/+991.9	-/+240.4
+/-10%	+/-250.2	-/+921.8	-/+1,983.8	-/+480.8

Product mix and sales channel mix

Our profitability is affected by our product mix, as the selling price, sales volume and gross profit margin of our products vary. The proportion of sales of our MWA needles and MWA therapeutic apparatus may vary from time to time. Also, as we only profit from the price difference between the selling price and purchase price for trading of other medical devices, the trading of other medical devices would generally result in a lower gross profit margin than the sales of our proprietary MWA medical devices. During the Track Record Period, the fluctuations in profitability of sales of other medical devices is also affected by the different product mix of our customers' orders from time to time. As a result, the fluctuation of the overall product mix would have an effect on our gross profit and gross profit margin in a single year.

Moreover, our profitability is also affected by our sales channels. The gross profit margin of sales to hospitals is generally higher than sales to distributors. Please refer to "Description of certain components of our consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" in this section for details. As a result, our profitability would be impacted by our product mix and sales channels mix. Going forward, we will evaluate and adjust our mix of products and sales channels from time to time to focus on products and sales channels with higher profit margins and potential to maintain or increase our profitability.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and critical accounting judgments and estimates that are significant to the preparation of our financial statements. Our significant accounting policies and critical accounting judgments and estimates, which are important for the understanding of our financial position and results of operations, are set forth in Note 4 and Note 5 of the Accountants' Report in Appendix I to this prospectus.

In the application of our Group's accounting policies, we are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our historical financial information.

Revenue recognition

We recognise revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, 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.

Depending on the terms of the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if our performance provides all of the benefits received and consumed simultaneously by the customer; creates or enhances an asset that the customer controls as we perform; or does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. If control of the goods or services transfers over time, our revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, our revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to us, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

A contract liability represents our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Sales of goods

Customers obtain control of goods when they are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods.

For contracts that contain more than one performance obligation (i.e. sales of MWA needles, MWA therapeutic apparatus and rights to acquire MWA therapeutic apparatus), we allocate the transaction price to each performance obligation on a relative stand-alone selling prices basis. The stand-alone selling price of the distinct goods underlying each performance obligation is determined at contract inception. It represents the price at which we would sell a promised goods separately to a customer. If a stand-alone selling price is not directly observable, we estimate it using appropriate techniques such that the transaction price ultimately allocated to

any performance obligation reflects the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods to the customer.

Some of our contracts with customers from the sale of goods provides customers a right of return. These rights of return allow the returned goods to be refunded in cash. The right of return gives rise to variable consideration, which is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. Some of our contract with customers from the sales of goods provides customers a right of return (a right to exchange for the same product due to faulty products). These rights of return do not allow the returned goods to be refunded in cash and our obligation to replace faulty products is recognised as a provision.

Rental income

Rental income (i.e. variable lease payment) is derived from the allocated consideration from a lease component of contract with customer and is recognised in which the changes in fact and circumstances on which those payments are based occur.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents 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.

Convertible loans

Convertible loans issued by our subsidiary can be converted into the share capital of the subsidiary at the option of the investors. We designate convertible loans denominated in the functional currency of our Group as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. In the subsequent measurement, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of convertible loans shall be presented in profit or loss.

The convertible loans are classified as current liabilities unless we have an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

If the convertible loans are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the convertible loans are recognised in profit or loss. If the convertible loans are redeemed, any difference between the amounts paid and the carrying amounts of the convertible loans are recognised in profit or loss.

Our Directors used judgement in selecting an appropriate valuation technique for our convertible loans which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of the convertible loans varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of the convertible loans.

Convertible Redeemable Preference Shares

On 30 June 2021, the Series C Investors entered into the Series C Investment Agreement with the Company, Tycoon Choice, Baide HK, the PRC Subsidiaries, Ms. Wu and Ms. Wu BVI Entity, pursuant to which the Series C Investors subscribed for an aggregate of 1,269,500 Convertible Redeemable Preference Shares at an aggregate subscription consideration of RMB94,400,000. On 5 July 2021, the Company allotted and issued all the 1,269,500 Convertible Redeemable Preference Shares to the Series C Investors at the subscription consideration of RMB94,400,000, which was fully settled in cash.

All of the issued and outstanding Convertible Redeemable Preference Shares shall be automatically converted into such number of our Shares no later than the date immediately before the date on which the listing of the Shares commence on a recognised stock exchange pursuant to a Qualified IPO.

R&D costs

Expenditure incurred to develop new products is capitalised and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Impairment loss on financial and contract assets

Our Group measured loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated expected credit loss based on lifetime expected credit loss model. Our Group has established a provision matrix that is based on our Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial assets measured at amortised cost, the expected credit loss is based on the 12-month expected credit loss model. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss model.

SALES THROUGH DELIVERERS

Please refer to "Business – Our sales channels" for the flow chart sets out the typical marketing, sales and logistical arrangement via sales through deliverers and other sales channels. Our revenue generated from sales through our deliverers is recognised only when our products are delivered to the hospital's designated premises and accepted by the hospital.

We have assessed the accounting treatment in accordance with HKFRS 15 in determining that (i) we are the principal to the sales arrangement and the deliverers are our agents; (ii) the sales arrangement constitutes consignment arrangements; and (iii) the relevant transactions through our deliverers are accounted for as sales to our designated end customers, i.e. the hospitals, rather than sales to our deliverers.

HKFRS 15 provides specific guidance on the principal versus agent consideration. In the sales through deliverer model, we, rather than the deliverer, retain control of our products before they are delivered to the hospital's designated premises and accepted by the hospital. The key indicators that demonstrate our control over the products include: (i) it is our primary responsibility to fulfill the promise of providing our products to the hospitals through deliverers, in which the deliverers are just acting on our behalf. The deliverers bear no rights and obligations on the medical devices and the deliverers do not take any responsibility on the product damage before and after the products are delivered to the hospital's designated premises and accepted by the hospital; (ii) we, instead of the deliverers, are subject to the inventory risk given that the deliverers are prohibited from delivering our products to end hospitals customers other than the designated hospitals (as designated through the authorisation letter); and (iii) the selling prices of our products are predetermined by us at tender price. The deliverers do not have pricing power and are only entitled to a specific service fee calculated as a fixed percentage of the relevant transaction of our products which is a commission or fee basis. From the above indicators, the deliverer does not obtain control of the medical devices and thus we still retain control over the products before the products are delivered to the hospital's designated premises and accepted by the hospital. Under such limitation, the deliverers does not act as the 'principal' in the sales through deliverer model and therefore the designated hospitals

are not the 'customer' of the deliverer. In other words, the deliverers are instructed by us to transfer the medical devices to the designated hospital. As such, it is determined that we are the principal and the deliverers are our agents.

HKFRS 15 provides specific guidance on the consignment arrangement and when should the revenue of a consignment arrangement be recognised. The following table shows (i) conditions under consignment arrangements from HKFRS 15; and (ii) the corresponding details of our business relationships with our deliverers:

Conditions under HKFRS 15	**Our Business Relationship with Deliverers**
The product is controlled by the entity until a specified event occurs, such as the sale of the product to a customer of the dealer or until a specified period expires.	Our deliverers do not have control to our products. They are prohibited from delivering our products to customers other than their designated hospitals (as identified by the authorisation letter issued by us) and the ownership of the products is transferred when our products are delivered to the hospital's designated premises and accepted by the hospital.
The entity is able to require the return of the product or transfer the product to a third party (such as another dealer).	We are entitled to request for return of our any unsold and/or undelivered products.
The dealer does not have an unconditional obligation to pay for the product (although it might be required to pay a deposit).	The deliverers usually pay us the agreed-upon portion of the selling price (i.e. net of the fixed percentage of service fee) once they have sold and delivered the products to the designated end customers. Therefore, they do not have an unconditional obligation to pay for the products until the product are delivered to the hospital's designated premises and accepted by the hospital.

Having considered all of the above indicators on a holistic basis, it is determined that the deliverers would not obtain control of the products under our sales arrangement and we would bear the significant risks and rewards associated with the sale of products through deliverers before the goods are accepted by the designated hospitals. Our customers are hospitals and revenue is recognised when the control of our products are transferred to hospitals. Deliverers are our agent that are responsible for the logistics arrangement function only. Hence, our arrangement with the deliverers constitutes consignment arrangements and our relationship is therefore deemed as a principal-agent relationship. To assess the power/responsibilities of our deliverers, having analysed the terms of applicable contracts as described in "Business – Sales

Channel – Sales to hospitals", the deliverers are responsible for logistics arrangement function to the designated hospitals. The deliverers do not take any responsibility on (i) quality acceptance of the medical devices; (ii) product damage before and after the products are delivered to the hospital's designated premises and accepted by the hospital; (iii) technical training support and clinical testing activities in connection to the medical devices; and (iv) the quality or safety matters, as well as after-sale repairs and maintenance services, for the medical devices.

HKFRS 15 provides guidance on the identification of customers. Under HKFRS 15, a "customer" is defined as a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Accordingly, our deliverers could not meet the element of having "contracted to obtain goods or services" under the definition of a customer as set out in HKFRS 15 as mentioned above. HKFRS 15 also provides specific guidance on demonstrating the existence of contracts with customers. In the sales through deliverer model, the key indicators that demonstrate our existence of contract with designated hospitals (and hence they are our customers) include: (i) the arrangement of our Group's sales through deliverer model is in line with industry norm, as we would enter into delivery agreements or provide sales guidelines to deliverers and issue authorisation letters to the designated hospitals to entrust the deliverers to deliver the products to the designated hospitals on our behalf; (ii) we take the responsibility on (a) quality acceptance of the medical devices; (b) product damage before and after the products are delivered to the hospital's designated premises and accepted by the hospital; (c) technical training support and clinical testing activities in connection with the medical devices; and (d) the quality or safety matters, as well as after-sale repairs and maintenance services, for the medical devices. All of these activities are required for the functioning or operation of the medical devices for the intended use of the end-user hospital. None of these responsibilities are assumed by our deliverers to the hospital as agreed in the delivery agreements signed with our deliverers, and thus implying we (as the seller party) are the responsible parties to take up such obligations. Combining all the relevant contractual arrangements, the terms have imposed us to be committed to or obliged to provide our products to the designated hospitals. Therefore, enforceable rights and obligations regarding the medical devices between us and the designated hospital in respect of our products has been established; (iii) the arrangement creates enforceable rights and obligations and has commercial substance; and (iv) the payment terms are typically stated in the delivery agreements and it is probable for our Group to collect the payment having considered the recoverability. Accordingly, the relevant transactions through our deliverers are accounted for as sales to our designated end customers, i.e. the hospitals, rather than sales to our deliverers. Such revenue is reported on a gross basis as we are the principal and is recognised when our products are delivered to the hospital's designated premises and accepted by the hospital.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our statements of profit or loss and other comprehensive income for the years/periods indicated, extracted from the Accountants' Report in Appendix I to this prospectus.

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	85,029	118,287	188,664	59,605	63,764
Cost of sales	(9,042)	(16,391)	(31,923)	(7,483)	(9,724)
Gross profit	75,987	101,896	156,741	52,122	54,040
Other income and gains	5,547	5,568	10,326	2,055	8,763
Selling and distribution expenses	(20,184)	(18,538)	(29,150)	(9,114)	(12,492)
Research and development expenses	(8,048)	(4,899)	(9,773)	(2,177)	(4,252)
Administrative expenses	(10,488)	(12,724)	(30,115)	(7,747)	(10,241)
Listing expenses	–	(4,974)	(15,860)	(4,712)	(2,554)
Reversal of impairment losses/(Impairment losses) on financial and contract assets, net	387	(2,442)	2,646	(2,278)	612
Fair value changes on convertible loans	(86,893)	(25,355)	–	–	–
Gains on redemption of convertible loans	3,620	25,047	–	–	–
Fair value change on convertible redeemable preference shares	–	–	7,100	–	(6,700)
Finance costs	(646)	(1,052)	(975)	(446)	(562)
(Loss)/Profit before income tax expense	(40,718)	62,527	90,940	27,703	26,614
Income tax expense	(8,943)	(15,835)	(16,083)	(5,570)	(5,468)
(Loss)/Profit for the year/period	(49,661)	46,692	74,857	22,133	21,146

	FY2019 *RMB'000*	FY2020 *RMB'000*	FY2021 *RMB'000*	5M2021 *RMB'000* (unaudited)	5M2022 *RMB'000*
Other comprehensive income					
Item that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation to presentation currency	–	–	–	–	(108)
Other comprehensive income for the year/period	–	–	–	–	(108)
Total comprehensive income for the year/period	(49,661)	46,692	74,857	22,133	21,038
(Loss)/Profit for the year/period attributable to:					
Owners of the Company	(50,021)	46,348	74,205	21,955	20,976
Non-controlling interests	360	344	652	178	170
	(49,661)	46,692	74,857	22,133	21,146
Total comprehensive income for the year/period attributable to:					
Owners of the Company	(50,021)	46,348	74,205	21,955	20,868
Non-controlling interests	360	344	652	178	170
	(49,661)	46,692	74,857	22,133	21,038

Note: Please refer to "Description of certain components of our consolidated statements of profit or loss and other comprehensive income – Non-HKFRS measure" in this section.

Non-HKFRS measure

To supplement our consolidated financial statements which are presented under HKFRSs, we also use adjusted net profit as an additional non-HKFRS financial measure, which is not required by, or presented in accordance with HKFRS. We believe that this non-HKFRS measure facilitates comparisons of operating performance from period to period and from company to company and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit may not be comparable to a similarly titled measure presented by other companies. The use of this non-HKFRS measure has limitations as analytical tools, and should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs. Adjusted net profits (non-HKFRS measure) for the Track Record Period are calculated by adding back the fair value changes on the Convertible Loans and the Listing expenses, as well as the subtraction of the gains on redemption of the Convertible Loans and the fair value changes on the Convertible Redeemable Preference Shares. As the conversion options associated with the Convertible Loans had been converted in full in FY2020, we do not expect to record further gains or losses in relation to valuation changes from the Convertible Loans or redemption of Convertible Loans thereafter. We do not expect to record any further fair value changes on the Convertible Redeemable Preference Shares as such Convertible Redeemable Preference Shares will be re-designated from liabilities to equity as a result of the automatic conversion into our Shares upon Listing. Further, the Listing expenses was added back to the adjusted net profits (non-HKFRS measure) as such item will not recur after the Listing.

The adjustment has been consistently made during the Track Record Period, which complies with guidance letter HKEX-GL103-19 issued by the Stock Exchange. Our presentation of these non-HKFRS measures should not be construed as an implication that our future results will be unaffected by items of similar natures.

The following table reconciles our adjusted net profit for the year/period (non-HKFRS measure) presented to the most directly comparable financial measure calculated and presented under HKFRSs.

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit for the year/period	(49,661)	46,692	74,857	22,133	21,146
Adjusted for:					
Add: Fair value changes on convertible loans	86,893	25,355	–	–	–
Add: Listing expenses	–	4,974	15,860	4,712	2,554
Less: Gains on redemption of Convertible Loans	(3,620)	(25,047)	–	–	–
(Less)/add: Fair value change on convertible redeemable preference shares	–	–	(7,100)	–	6,700
Adjusted net profit for the year/period (non-HKFRS measure) (unaudited)	33,612	51,974	83,617	26,845	30,400

Revenue

During the Track Record Period, we principally derived our revenue from the following two segments:

(1) **sales of MWA medical devices:** which include the sales of (i) our proprietary MWA needles and (ii) our proprietary MWA therapeutic apparatus that were designed, developed and manufactured by us; and

(2) **sales of other medical devices:** which include the trading of other medical devices, such as catheters, ventilators, operation tables, medical gloves, syringe and other large medical machines and system.

During the Track Record Period, we also leased our proprietary MWA therapeutic apparatus to our customers. Our management has assessed the arrangement and recognised relevant rental income from the lease component of the relevant contract with our customers under HKFRS 16.

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

	FY2019		**FY2020**		**FY2021**		**5M2021**		**5M2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales of MWA medical devices:										
– MWA needles	72,954	85.8	88,043	74.4	146,017	77.4	46,778	78.5	52,608	82.5
– MWA therapeutic apparatus	4,740	5.6	10,861	9.2	11,209	5.9	3,513	5.9	1,910	3.0
Subtotal	77,694	91.4	98,904	83.6	157,226	83.3	50,291	84.4	54,518	85.5
Sales of other medical devices	4,382	5.2	16,786	14.2	27,724	14.7	6,494	10.9	8,488	13.3
Other *(Note)*	2,953	3.4	2,597	2.2	3,714	2.0	2,820	4.7	758	1.2
Total	85,029	100.0	118,287	100.0	188,664	100.0	59,605	100.0	63,764	100.0

Note: Other represents the rental income recognised from leasing of our MWA therapeutic apparatus to customers. Our management has assessed the arrangement and recognised relevant rental income from the lease component of the relevant contract with our customers under HKFRS 16.

For FY2019, FY2020, FY2021 and 5M2022, the sales of our proprietary MWA medical devices accounted for 91.4%, 83.6%, 83.3% and 85.5% of our total revenue, respectively; our sales of other medical devices accounted for 5.2%, 14.2%, 14.7% and 13.3% of our total revenue, respectively; and our other revenue, representing the rental income from leasing of our proprietary MWA therapeutic apparatus accounted for 3.4%, 2.2%, 2.0% and 1.2% of our total revenue, respectively. The increase in revenue during the Track Record Period was primarily due to increased sales volume of our proprietary MWA needles and MWA therapeutic apparatus, as a result of the increase in demand of our products and the overall growth of the MWA medical device market. According to the Frost & Sullivan Report, the size of MWA market in China in term of hospital-charge price increased from RMB1.5 billion in 2019 to RMB2.3 billion in 2021 and is expected to experience strong growth from RMB3.0 billion in 2022 to RMB9.2 billion in 2026 at a CAGR of 32.5%. Please refer to "Significant factors affecting our financial condition and results of operations – Growth and competitive landscape of MWA medical device market in China" in this section for discussion on how the overall growth of the MWA medical device market and competitive landscape affect our results of operation. We expect to continue to generate a substantial portion of our revenue from the sales of our proprietary MWA medical devices in the near future.

The following table sets forth the price range, average selling price, sales revenue and sales volume of our proprietary MWA medical devices and other medical devices for the periods indicated:

	FY2019				FY2020				FY2021			
	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*
Sales of MWA needles	862–10,509	3,923	72,954	18,595	1,504–10,731	4,301	88,043	20,470	765–12,250	3,594	146,017	40,623
Sales of MWA therapeutic apparatus	3,103–301,724	22,465	4,740	211	3,186–230,088	63,891	10,861	170	3,982–176,991	63,330	11,209	177
Sales of other medical devices	52–710,398	4,009	4,382	1,093	244–3,525,664	5,417	16,786	3,099	71–1,792,035	2,029	27,724	13,666

	5M2021				5M2022			
	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*	Price range *RMB/Units*	Average Price *RMB/Units*	Revenue *RMB'000*	Quantity *units*
Sales of MWA needles	782–11,150	3,598	46,778	13,002	619–11,150	3,536	52,608	14,877
Sales of MWA therapeutic apparatus	3,982–172,566	61,626	3,513	57	7,080–172,566	37,458	1,910	51
Sales of other medical devices	71–29,115	2,810	6,494	2,311	177–29,115	1,783	8,488	4,759

MWA medical devices

Our proprietary MWA medical devices include our proprietary MWA needles and MWA therapeutic apparatus. The increase in sales volume of our proprietary MWA medical devices during the Track Record Period was mainly attributable to the increasing demand of our products and the overall growth of the MWA medical device market.

(a) MWA needles

For FY2019, FY2020, FY2021, 5M2021 and 5M2022, revenue from sales of our proprietary MWA needles was RMB73.0 million, RMB88.0 million, RMB146.0 million, RMB46.8 million and RMB52.6 million, respectively, representing 85.8%, 74.4%, 77.4%, 78.5% and 82.5% of our total revenue, respectively. The increase in revenue generated from our proprietary MWA needles was primarily driven by an increase in sales volume. In FY2019, FY2020, FY2021, 5M2021 and 5M2022, we sold 18,595, 20,470, 40,623, 13,002 and 14,877 units of MWA needles, respectively.

The average selling price of our proprietary MWA needles generally increased from FY2019 to FY2020. Such increase was primarily attributable to the higher average selling price of our proprietary MWA needles for sales to hospitals than sales to distributors, and was generally in line with the increase in proportion of our sales to hospitals which contributed 51.4% and 61.0% of our total revenue in FY2019 and FY2020, respectively. Please refer to "Business – Our sales channels" for more details. The average selling price of our proprietary MWA needles decreased from RMB4,301 in FY2020 to RMB3,594 in FY2021, which was primarily attributable to the packaged sales offer launched in early 2021 where we offered our proprietary MWA medical devices at discounted price to some of our selected customers in order to promote our products and increase our market competitiveness as well as the change of customer mix of our MWA needles. The average selling price of our proprietary MWA needles remained relatively stable at RMB3,598 for 5M2021 and RMB3,536 for 5M2022.

(b) MWA therapeutic apparatus

In FY2019, FY2020, FY2021, 5M2021 and 5M2022, revenue from sales of our proprietary MWA therapeutic apparatus amounted to RMB4.7 million, RMB10.9 million, RMB11.2 million, RMB3.5 million and RMB1.9 million, representing 5.6%, 9.2%, 5.9%, 5.9% and 3.0% of our total revenue, respectively. The increase in revenue of our proprietary MWA therapeutic apparatus from RMB4.7 million in FY2019 to RMB10.9 million in FY2020 was mainly due to our upward adjustment in their selling price in 2020. The revenue of our proprietary MWA therapeutic apparatus remained relatively stable in FY2020 and FY2021 amounting to RMB10.9 million and RMB11.2 million, respectively. The revenue of our proprietary MWA therapeutic apparatus decreased from RMB3.5 million for 5M2021 to RMB1.9 million for 5M2022, which was primarily attributable to the decrease in their average selling price. The average selling price of the MWA therapeutic apparatus was relatively low for FY2019 as it was our sales strategy to sell the MWA therapeutic apparatus at substantial discount to expand geographical coverage of our market. The average selling price of our proprietary therapeutic apparatus

increased from RMB22,465 per unit in FY2019 to RMB63,891 per unit in FY2020 and maintained relatively stable at RMB63,330 per unit in FY2021. The adjustment in selling price in 2020 was mainly driven by enhanced bargaining power on pricing as a result of strong demand of our proprietary MWA medical devices and the overall growth of China's MWA medical device market. The average selling price of our proprietary therapeutic apparatus decreased from RMB61,626 per unit for 5M2021 to RMB37,458 per unit for 5M2022. As the sales of MWA needles is our main revenue stream during the Track Record Period, we adopted sales strategy to offer discounted price on our therapeutic apparatus in 5M2022 to attract new customers and to increase our market competitiveness which led to the drop in the selling price for 5M2022.

Other medical devices

We engage in sales of other medical devices, such as catheters, ventilators, operation tables, medical gloves, syringe and other large medical machines and system.

For FY2019, FY2020, FY2021, 5M2021 and 5M2022, revenue from sales of other medical devices was RMB4.4 million, RMB16.8 million, RMB27.7 million, RMB6.5 million and RMB8.5 million, respectively, representing 5.2%, 14.2%, 14.7%, 10.9% and 13.3% of our total revenue, respectively. During the Track Record Period, the sales volume and average selling price of other medical devices fluctuated with the demand for such products and the different product mix of our customers' orders which vary from time to time.

Revenue by geographic location

The table below sets forth the breakdown of revenue based on locations of our direct customers during the periods indicated:

	FY2019		**FY2020**		**FY2021**		**5M2021**		**5M2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
China										
Greater Bay Area	30,303	35.6	52,425	44.3	95,300	50.5	29,499	49.5	30,909	48.5
South China region (excluding Greater Bay Area) *(Note 1)*	14,148	16.6	17,443	14.7	16,400	8.7	4,362	7.3	5,208	8.2
North China region *(Note 2)*	6,941	8.2	3,390	2.9	12,738	6.8	4,454	7.5	5,211	8.2
Eastern China region *(Note 3)*	28,416	33.4	34,287	29.0	53,284	28.2	18,480	31.0	18,096	28.4
Southwestern China region *(Note 4)*	4,484	5.3	9,705	8.2	7,900	4.2	1,940	3.3	3,463	5.4
Others *(Note 5)*	737	0.9	1,037	0.9	3,042	1.6	870	1.4	877	1.3
Total	85,029	100.0	118,287	100.0	188,664	100.0	59,605	100.0	63,764	100.0

Notes:

(1) Includes the remaining cities in Guangdong Province (aside from the nine cities of the Greater Bay Area), Guangxi Zhuang Autonomous, Hunan Province, Henan Province and Hubei Province.

(2) Includes Beijing, Tianjin, Shanxi Province and Hebei Province.

(3) Includes Shanghai, Jiangsu Province, Zhejiang Province, Shandong Province, Fujian Province, Jiangxi Province and Anhui Province.

(4) Includes Chongqing, Sichuan Province, Guizhou Province and Yunnan Province.

(5) Includes Shaanxi Province, Liaoning Province, Jilin Province, Xinjiang Uygur Autonomous Region and Heilongjiang Province.

During the Track Record Period, we derived all our revenue from customers located in the PRC, with the highest proportion of direct customers located in Greater Bay Area.

The following table sets forth a breakdown of our revenue by sales channels and by product types for the periods indicated:

	FY2019		**FY2020**		**FY2021**		**5M2021**		**5M2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales to hospitals	43,673	51.4	72,121	61.0	121,928	64.6	39,713	66.6	41,454	65.0
– Sales through deliverers	43,452	51.1	59,802	50.6	99,478	52.7	29,437	49.4	36,628	57.5
– MWA medical devices	40,644	47.7	49,118	41.6	84,339	44.7	29,435	49.4	29,951	47.0
– Other medical devices	2,808	3.4	10,684	9.0	15,139	8.0	2	0.0*	6,677	10.5
– Direct sales to hospitals	221	0.3	12,319	10.4	22,450	11.9	10,276	17.2	4,826	7.5
– MWA medical devices	211	0.3	8,710	7.3	12,286	6.5	4,726	7.9	4,825	7.5
– Other medical devices	10	0.0*	3,609	3.1	10,164	5.4	5,550	9.3	1	0.0*
Sales to distributors	38,403	45.2	43,569	36.8	63,022	33.4	17,072	28.7	21,552	33.8
– MWA medical devices	36,839	43.4	41,076	34.7	60,601	32.1	16,130	27.1	19,742	31.0
– Other medical devices	1,564	1.8	2,493	2.1	2,421	1.3	942	1.6	1,810	2.8
Subtotal	82,076	96.6	115,690	97.8	184,950	98.0	56,785	95.3	63,006	98.8
Other *(Note)*	2,953	3.4	2,597	2.2	3,714	2.0	2,820	4.7	758	1.2
Total	85,029	100.0	118,287	100.0	188,664	100.0	59,605	100.0	63,764	100.0

* *Represents negligible amount*

Note: Other represents the rental income recognised from leasing of our MWA therapeutic apparatus to customers. Our management has assessed the arrangement and recognised relevant rental income from the lease component of the relevant contract with our customers under HKFRS 16.

Our products are ultimately sold to hospitals by (i) sales to hospitals, either directly or through deliverers; or (ii) sales to distributors, which then on-sell our products to their designated hospitals with our authorisation.

For FY2019, FY2020, FY2021, 5M2021 and 5M2022, our sales through deliverers accounted for 51.1%, 50.6%, 52.7%, 49.4% and 57.5% of our total revenue respectively; our direct sales to hospitals accounted for 0.3%, 10.4%, 11.9%, 17.2% and 7.5% of our revenue respectively; and our sales to distributors accounted for 45.2%, 36.8%, 33.4%, 28.7% and 33.8% of our total revenue, respectively.

During the Track Record Period, we strengthened our sales and marketing efforts to establish and maintain direct contact with hospitals and doctors and keep us close to the frontline of medical practice and the application of our products, enabling us to obtain feedback from doctors, which helps us design new products, upgrade our existing product offering and form new strategies to adjust to market demands. Our revenue generated from sales to hospitals increased from to RMB43.7 million in FY2019 to RMB72.1 million in FY2020 and further to RMB121.9 million in FY2021. Our revenue generated from sales to hospital increased from RMB39.7 million in 5M2021 to RMB41.5 million in 5M2022. The increase was in line with our Group's sales and marketing strategy to adopt the direct sales model along with the distributorship model.

In line with the market practice, we engage qualified deliverers to fulfill our sales to hospitals, including certain hospitals that required selected deliverers for procurement of medical devices. During the Track Record Period, most of our deliverers were state-owned companies in the PRC or subsidiaries of listed companies which principally engaged in the distribution of medical devices and pharmaceutical products with wide distribution network in China.

Our relationship with our deliverers is deemed as a principal-agent relationship. Under HKFRS 15, although we only enter into delivery agreements with the deliverers, issue invoices and delivery notes to the deliverers, and receive payment from deliverers, and without entering into any direct written sales contract with the hospitals, the relevant transactions through our deliverers are accounted for as sales to hospitals rather than sales through deliverers. For details, please refer to "Sales through deliverers" in this section.

Cost of sales

Our cost of sales consists of (i) costs of other medical devices; (ii) direct material costs for our proprietary MWA medical devices; (iii) direct staff costs; (iv) production overheads; and (v) depreciation related to rental income. The following table sets forth the components of our cost of sales for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Costs of other medical devices	2,502	27.7	9,218	56.2	19,837	62.1	3,664	48.9	4,807	49.4
Direct materials	4,103	45.4	4,046	24.7	7,360	23.1	2,186	29.2	2,679	27.6
Direct staff costs	1,107	12.2	1,785	10.9	2,108	6.6	782	10.5	1,287	13.2
Production overheads	1,093	12.1	1,269	7.7	2,326	7.3	730	9.8	807	8.3
Depreciation related to rental income	237	2.6	73	0.5	292	0.9	121	1.6	144	1.5
Total cost of sales	9,042	100.0	16,391	100.0	31,923	100.0	7,483	100.0	9,724	100.0

Costs of other medical devices constitutes the largest component of our cost of sales during the Track Record Period. Since the acquisition of Nanjing Changcheng in 2017, we directed our resources to manufacturing and selling of our proprietary MWA medical devices, while continue to engage in trading of other medical devices such as catheters, ventilators, operation tables, medical gloves and syringe and other large medical machines and system during the Track Record Period. During the Track Record Period, the cost of other medical devices fluctuated as the demand of such medical devices and the product mix of our customers' orders vary from time to time.

Direct material costs consist primarily of raw material costs which include metal needles, needle connectors, plastic handles and coaxial cables for the manufacturing of MWA needles; and peristaltic pump, monitors and various components and accessories of computers for the manufacturing of MWA therapeutic apparatus. The direct materials costs remained stable at RMB4.1 million for FY2019 and RMB4.0 million for FY2020. The direct material costs increased from RMB4.0 million for FY2020 to RMB7.4 million for FY2021 and from RMB2.2 million for 5M2021 to RMB2.7 million for 5M2022, which was generally in line with our growth in sales volume during the period.

Direct staff costs consist primarily of salaries and benefits for production personnel. The increase in staff costs during the Track Record Period was primarily attributable to the expansion of our production team to meet the anticipated increase in sales demand of our proprietary MWA medical devices.

Production overheads consist primarily of depreciation, production management staff costs, utilities and maintenance costs. From FY2019 to FY2020, the production overheads were

relatively stable. Comparing with FY2020, the increase in production overheads for FY2021 was primarily attributable to the increases in rental expenses and depreciation charges for the Nanjing Plant 2.

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

	FY2019		FY2020		FY2021		5M2021		5M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales of medical devices										
– MWA needles	4,998	55.3	5,618	34.3	10,079	31.6	3,134	41.9	4,168	42.9
– MWA therapeutic apparatus	1,306	14.4	1,482	9.0	1,715	5.4	564	7.5	605	6.2
Subtotal	6,304	69.7	7,100	43.3	11,794	37.0	3,698	49.4	4,773	49.1
Sales of other medical devices	2,502	27.7	9,218	56.3	19,837	62.1	3,664	49.0	4,807	49.4
Other *(Note)*	236	2.6	73	0.4	292	0.9	121	1.6	144	1.5
Total cost of sales	9,042	100.0	16,391	100.0	31,923	100.0	7,483	100.0	9,724	100.0

Note: Other represents the depreciation incurred from the MWA therapeutic apparatus leased to customers.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by revenue stream for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales of MWA medical devices										
– MWA needles	67,956	93.1	82,425	93.6	135,938	93.1	43,644	93.3	48,440	92.1
– MWA therapeutic apparatus	3,434	72.4	9,379	86.4	9,494	84.7	2,949	83.9	1,305	68.3
Subtotal	71,390	91.9	91,804	92.8	145,432	92.5	46,593	92.6	49,745	91.2
Sales of other medical devices	1,880	42.9	7,568	45.1	7,887	28.4	2,830	43.6	3,681	43.4
Other *(Note)*	2,717	92.0	2,524	97.2	3,422	92.1	2,699	95.7	614	81.0
Total	75,987	89.4	101,896	86.1	156,741	83.1	52,122	87.4	54,040	84.8

Note: Other represents the gross profit and gross profit margin from leasing of our MWA therapeutic apparatus to customers.

We attained high gross profit margin during the Track Record Period, which was mainly attributable to, among other things, (a) our strong bargaining power on the pricing of MWA medical devices as we are one of the market leaders in the industry; (b) the adoption of direct sales to hospital model and sales through deliverers model with a relatively high selling price compared to distributorship model; and (c) the relatively low raw material costs.

Our Directors are of the view that the high gross profit margin we enjoyed are sustainable in the foreseeable future because, among other things,

(a) it is expected that we would increase our production volume to cope with the increasing market demand and such expansion in production scale would further drive down the production overhead cost;

(b) as one of the leading MWA medical device providers in China, we are well-positioned to ride on the positive MWA market trends such as rising number of tumour patients, expanding indications for MWA together with the increasing number of hospitals that can perform MWA procedures to further bolster our market position in the MWA market in China and maintain our selling price level; and

(c) we are the first company to have our proprietary MWA medical devices specifically indicated for thyroid nodules successfully registered as Class III medical devices, according to Frost & Sullivan. We also plan to expand the indication coverage of our Class III medical device registration certificates for our proprietary MWA medical devices specifically indicated for breast lumps, pulmonary nodules, varicose vein, bone tumours and uterine fibroid, etc. Such expansion of specific indications could increase the recognition and competitiveness of our MWA medical devices as it is a proof that our MWA products have been clinically tested for the treatments of the indicated diseases and help us to fence off from market competition of our industry peers and thus reduce the risk of subject to "cut-throat" price competition with our industry peers.

During the Track Record Period, the increase in gross profit of sales of our proprietary MWA medical devices was primarily driven by the growth of our overall business scale and the increase in sales volume. The gross profit generated from the sales of other medical devices fluctuates during the Track Record Period, as the demand of such medical devices and the product mix of our customers' orders vary from time to time.

For FY2019, FY2020, FY2021, 5M2021 and 5M2022, our proprietary MWA needles recorded a relatively stable gross profit margin at 93.1%, 93.6%, 93.1%, 93.3% and 92.1%, respectively.

The gross profit margin of MWA therapeutic apparatus increased from 72.4% in FY2019 to 86.4% in FY2020 and maintained steadily at 84.7% in FY2021, respectively, mainly due to our upward adjustment in the selling price of MWA therapeutic apparatus in FY2020. Such adjustment in selling price was mainly driven by enhanced bargaining power on pricing as a result of strong demand of our proprietary MWA medical devices and the overall growth of China's MWA medical device market. The gross profit margin of MWA therapeutic apparatus decreased to 68.3% for 5M2022 mainly due to the decrease in their average selling price from RMB61,626 per unit for 5M2021 to RMB37,458 per unit for 5M2022. As the sales of MWA needles is our main revenue stream during the Track Record Period, we adopted sales strategy to offer discounted price on our therapeutic apparatus in 5M2022 to attract new customers and to increase our market competitiveness which led to the drop in the selling price of our MWA therapeutic apparatus for 5M2022.

In contrast, the gross profit margin for sales of other medical devices was generally lower than the sales of our proprietary MWA medical devices as we only profit from the price difference between the selling price and purchase price for sales of other medical devices. Our profitability in this segment is also dependent on the demand of such other medical devices and the product mix of our customers' orders which vary from time to time. The gross profit margin of other medical devices remained relatively stable at 42.9%, 45.1%, 43.6% and 43.4% in FY2019, FY2020, 5M2021 and 5M2022, respectively. The gross profit margin of other medical devices decreased to 28.4% in FY2021 mainly due to sales of certain medical system and medical consumables including ultrasound therapy device and picture archiving and communication system with a lower gross profit margin in the second half of FY2021.

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channels and by product types for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales to hospitals	40,753	93.3	62,187	86.2	99,788	81.8	35,223	88.7	35,700	86.1
– Sales through deliverers	40,566	93.4	52,217	87.3	84,679	85.1	28,643	97.3	31,045	84.8
– MWA medical devices	39,404	96.9	47,578	96.9	81,987	97.2	28,643	97.3	28,937	96.6
– Other medical devices	1,162	41.4	4,639	43.4	2,692	17.8	–	–	2,108	31.6
– Direct sales to hospitals	187	84.6	9,970	80.9	15,109	67.3	6,580	64.0	4,655	96.5
– MWA medical devices	182	86.3	8,398	96.4	11,855	96.5	4,555	96.4	4,655	96.5
– Other medical devices	5	50.0	1,572	43.6	3,254	32.0	2,025	36.5	–	–
Sales to distributors	32,517	84.7	37,185	85.3	53,531	84.9	14,200	83.2	17,726	82.2
– MWA medical devices	31,804	86.3	35,828	87.2	51,590	85.1	13,395	83.0	16,153	81.8
– Other medical devices	713	45.6	1,357	54.4	1,941	80.2	805	85.5	1,573	86.9
Subtotal	73,270	89.3	99,372	85.9	153,319	82.9	49,423	87.0	53,426	84.8
Other *(Note)*	2,717		2,524		3,422		2,699		614	
Total	75,987		101,896		156,741		52,122		54,040	

Note: Other represents the gross profit and gross profit margin from leasing of our MWA therapeutic apparatus to customers.

During the Track Record Period, the gross profit generated from our sales to hospitals increased mainly due to the increase in our sales mainly attributable to our strengthened sales and marketing efforts to establish direct contact with more hospitals and the increasing demand of our products.

The gross profit margin from our sales to hospitals decreased from 93.3% in FY2019 to 86.2% in FY2020, which was mainly attributable to (i) the decrease in gross profit margin from our sales through deliverers from 93.4% in FY2019 to 87.3% in FY2020 resulting from the increase in proportion of sales of other medical devices with lower gross profit margin; and (ii) the decrease in gross profit margin of direct sales to hospitals from 84.6% in FY2019 to 80.9% in FY2020, which was mainly due to increase in sales of other medical devices with lower gross profit margin to Zhuhai People's Hospital.

The gross profit margin from our sales to hospitals further decreased from 86.2% in FY2020 to 81.8% in FY2021, which was mainly due to the sales of other medical devices with

lower gross profit margin to hospitals through deliverers and increased sales of other medical devices with lower gross profit margin directly to Zhuhai People's Hospital.

The gross profit margin from our sales to hospitals decreased from 88.7% in 5M2021 to 86.1% in 5M2022, which was mainly attributable to increased sales of other medical devices with lower gross profit margin.

The gross profit margin from sales to distributors remained relatively stable at 84.7%, 85.3%, 84.9%, 83.2% and 82.2% in FY2019, FY2020, FY2021, 5M2021 and 5M2022, respectively.

As the sales of our proprietary MWA medical needles to hospitals at the relevant selling price are higher than the prices we sell to distributors, the gross profit margins for the sales to hospitals are generally higher than that of the sales to distributors. Nonetheless, the gross profit margin from direct sales of MWA medical devices to hospitals of 86.3% in FY2019 was similar to that of the sales of MWA medical devices to distributors for the same period, which was mainly due to relatively low selling price charged to new hospital customers at the early stage of our adoption of direct sales model for our MWA medical devices. Nonetheless, our direct sales to hospitals had a lower overall gross profit margin than sales to distributors during the Track Record Period mainly because of different product mix. We engaged in the sales of other medical devices to the hospitals during the Track Record Period, which in general had a lower gross profit margin as compared to the sales of MWA products, leading to the lowered overall gross profit margin for the direct sales to hospitals. Normally, as we are responsible for the sales and marketing works and liaising with the hospitals for the sales arrangement ourselves, we would incur higher sales and marketing expenses and administrative expenses for our sales to hospitals. For further details, please refer to "Business – Our sales channels – Sales to hospitals" in this prospectus. In addition, our profitability generated from different sales channels are also affected by the product mix, as the selling price, sales volume and gross profit margin of our products vary.

Other income and gains

Our other income and gains mainly consist of (i) incentive from the local government authorities for encouragement of local investment; (ii) other government grants; (iii) immediate refund of VAT levied attributable to our self-developed MWA system and monitory software which are embedded into our proprietary MWA therapeutic apparatus sold; and (iv) subsidy of rental expenses by the local government authorities for encouragement of local investment.

The following table sets forth a breakdown of our net other income and gains for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Incentive from local government	5,522	99.5	1,647	29.6	4,333	42.0	718	34.9	7,384	84.3
Other government grants	–	–	2,187	39.3	2,242	21.7	–	–	1,296	14.7
Immediate refund of VAT levied	–	–	458	8.2	1,652	16.0	940	45.8	58	0.7
Interest income	22	0.4	11	0.2	15	0.1	4	0.2	10	0.1
Subsidy of rental expenses	–	–	1,134	20.4	1,005	9.7	–	–	–	–
Rental concession	–	–	–	–	341	3.3	190	9.2	–	–
Exchange gain	–	–	–	–	325	3.2	–	–	–	–
Others	3	0.1	131	2.3	413	4.0	203	9.9	15	0.2
Total	5,547	100.0	5,568	100.0	10,326	100.0	2,055	100.0	8,763	100.0

Selling and distribution expenses

Our selling and distribution expenses consist of (i) meeting expenses; (ii) staff costs of our sales and marketing personnel; (iii) service fees to deliverers; (iv) entertainment expenses; (v) travelling expenses; and (vi) others. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Meeting expenses	10,555	52.3	9,588	51.7	15,886	54.5	4,485	49.2	4,066	32.5
Staff costs	4,623	22.9	3,373	18.2	4,945	17.0	2,014	22.1	4,803	38.4
Service fees to deliverers	2,667	13.2	3,230	17.4	5,923	20.3	1,764	19.4	2,363	19.0
Entertainment expenses	677	3.4	921	5.0	648	2.2	265	2.9	680	5.4
Travel expenses	853	4.2	702	3.8	693	2.4	215	2.4	243	2.0
Others	809	4.0	724	3.9	1,055	3.6	371	4.0	337	2.7
Total	20,184	100.0	18,538	100.0	29,150	100.0	9,114	100.0	12,492	100.0

Meeting expenses consist of fees incurred for participating in different levels of medical conferences to promote our brands and products including those participated by us and by marketing service providers on our behalf, which are proportional to the number of medical conferences we participated in during the Track Record Period. During the Track Record Period, we adopted the direct sales model along with the distributorship model. As our deliverers mainly take up the logistics arrangement function but limited ancillary services, such as marketing services, we took the initiative to promote our brand and our products through medical conferences. Our meeting expenses decreased from RMB10.6 million in FY2019 to RMB9.6 million in FY2020 which was primarily attributable to the decrease in the number of medical conferences we participated in the first half of 2020 as a result of the COVID-19 pandemic. Our meeting expenses increased from RMB9.6 million for FY2020 to RMB15.9 million for FY2021, primarily due to our increased participation in medical conferences after the COVID-19 pandemic receded. Our meeting expenses remained relatively stable at RMB4.5 million in 5M2021 and RMB4.1 million in 5M2022. During the Track Record Period, we participated in more than 100 medical conferences. Please refer to "Business – Marketing" in this prospectus for details.

Staff costs consist primarily of salaries and benefits for sales and marketing personnel. The decrease in staff costs from FY2019 to FY2020 was primarily attributable to the decrease in the headcount of our sales and marketing department due to (i) our decrease in the trading of lower value medical consumables, the sales process of which involves more sales staff to administer; and (ii) our engagement of marketing service providers to a larger extent. Our staff cost increased from FY2020 to FY2021 and from 5M2021 to 5M2022, primarily due to the increase in the average salary and the average number of headcount of sales and marketing personnel.

Service fees to deliverers represent the service fees paid for deliverers to deliver our products to hospitals. The increase in service fees to deliverers during the Track Record Period was generally in line with our increase in sales to hospitals through deliverers during the same period.

R&D expenses

Our R&D expenses consist of (i) staff costs of our R&D personnel; (ii) service fees for engaging CROs for R&D activities; (iii) depreciation expenses; (iv) cost of materials used in our R&D efforts; and (v) others. In each period during the Track Record Period, all of our R&D expenses were recorded in the period that such expenses were incurred, and we did not capitalise any of our R&D expenses. The following table sets forth a breakdown of our R&D expenses for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff costs	2,524	31.3	2,371	48.4	3,425	35.0	1,383	63.5	1,541	36.2
Service fee	3,338	41.5	1,436	29.3	4,582	46.9	277	12.7	1,626	38.2
Depreciation expenses	568	7.1	742	15.2	834	8.5	276	12.7	324	7.6
Material costs	1,268	15.8	280	5.7	669	6.8	156	7.2	742	17.5
Others	350	4.3	70	1.4	263	2.8	85	3.9	19	0.5
Total	8,048	100.0	4,899	100.0	9,773	100.0	2,177	100.0	4,252	100.0

Staff costs consist primarily of salaries and benefits for our R&D personnel. The fluctuations in the staff costs during the Track Record Period was primarily attributable to the changes in our headcounts and the salaries and benefits of our R&D personnel.

Service fee consists primarily of the fees paid to CROs for R&D activities, which is proportional to the number of R&D tests conducted during the Track Record Period. Our service fee decreased from RMB3.3 million in FY2019 to RMB1.4 million in FY2020. This was mainly because we conducted less R&D tests in FY2020 in anticipation of entering into a five-year framework collaboration agreement with Nanjing Huitong by the end of 2020 for R&D services in relation to our proprietary MWA medical devices. For more details, please refer to "Business – R&D – R&D collaborations" in this prospectus. The increase in service fee from RMB1.4 million for FY2020 to RMB4.6 million for FY2021 was primarily attributable to the progressive completion of R&D services by Nanjing Huitong in relation to our pipeline products. The increase in service fee from RMB277,000 for 5M2021 to RMB1.6 million for 5M2022 was primarily attributable to the engagement of Nanjing Huitong for the application of Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles through clinical evaluation in 5M2022.

Administrative expenses

Our administrative expenses consist primarily of (i) depreciation; (ii) staff costs of our administrative personnel; (iii) legal and professional fee; (iv) other tax; (v) office supplies; (vi) travelling expense; (vii) utility expense; (viii) amortisation; (ix) donation; (x) loss on disposal on property, plant and equipment; and (xi) others. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Depreciation	3,027	28.9	4,954	38.9	6,146	20.4	2,531	32.7	2,425	23.7
Staff costs	2,591	24.7	2,883	22.7	6,958	23.1	2,236	28.9	4,670	45.6
Legal and professional fee	70	0.7	1,470	11.5	7,881	26.2	265	3.4	800	7.8
Other tax	792	7.6	1,237	9.7	1,983	6.6	689	8.9	691	6.7
Office supplies	348	3.3	348	2.7	599	2.0	768	9.9	114	1.1
Travelling expense	172	1.6	530	4.2	692	2.3	251	3.2	237	2.3
Utility expense	308	2.9	409	3.2	517	1.7	182	2.3	146	1.4
Amortisation	300	2.9	300	2.4	300	1.0	125	1.6	125	1.2
Donation	2,060	19.6	60	0.5	2,410	8.0	–	–	30	0.3
Loss on disposal on property, plant and equipment	–	–	–	–	355	1.2	–	–	–	–
Others	820	7.8	533	4.2	2,274	7.5	700	9.1	1,003	9.9
Total	10,488	100.0	12,724	100.0	30,115	100.0	7,747	100.0	10,241	100.0

Depreciation consists primarily of depreciation charge of our plant, property and equipment and right-of-use assets. The increase in depreciation from FY2019 to FY2021 was primarily attributable to our increase in acquisition of plant, property and equipment to support our business growth and the increase in the depreciation of right-of-use assets due to the new tenancy agreements we entered into for our offices and production facilities for the Nanjing Plant 2 and the Suzhou Plant.

Staff costs consist primarily of salaries and benefits for our administrative personnel. From FY2019 to FY2020, the staff costs were relatively stable. Comparing with FY2020, the increase in staff costs for FY2021 was primarily attributable to the increase in staff to support our business growth and increase in average staff salary. Comparing with 5M2021, the increase in staff costs for 5M2022 was primarily attributable to the increase in staff to support our business growth and increase in average staff salary.

Donation consists primarily of donations made to a university and a university foundation. The donation of RMB2.1 million in FY2019 was mainly for a scholarship donation, which was non-recurring in nature. In FY2020, we did not make any material donation, while in FY2021,

the donation of RMB2.4 million was mainly for a medical foundation, which was non-recurring in nature. In 5M2022, we did not make any material donation.

Impairment losses/(reversal of impairment losses) on financial and contract assets (net)

Our impairment losses/reversal of impairment losses on financial and contract assets (net) represents the expected credit losses on (i) trade receivables; (ii) contract assets; (iii) deposits and other receivables; (iv) amounts due from shareholders; and (v) amount due from a non-controlling interest. We conducted impairment analysis at the end of each year during the Track Record Period to measure expected credit losses. Our impairment loss on financial and contract assets was RMB2.4 million and RMB2.3 million for FY2020 and 5M2021, respectively, while we recorded reversal of impairment losses on financial and contract assets of RMB0.4 million, RMB2.6 million and RMB0.6 million for FY2019, FY2021 and 5M2022, respectively. For details, please refer to Note 43 of the Accountants' Report as set out in Appendix I to this prospectus.

The following table sets forth the details of impairment losses/(reversal of impairment losses) on financial and contract assets (net) for the periods indicated:

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Provision for/(reversal of) trade receivables	1,057	2,596	(2,650)	1,681	(844)
Provision for/(reversal of) contract assets	–	–	15	8	(15)
(Reversal of)/provision for deposits and other receivables	(1,103)	(154)	(78)	236	205
(Reversal of)/provision for amount due from shareholders	(119)	–	67	353	42
Reversal of amount due from a non-controlling interest	(222)	–	–	–	–
Total	(387)	2,442	(2,646)	2,278	(612)

Fair value changes on the Convertible Loans

Fair value changes on the Convertible Loans represent changes in fair value of the conversion option associated with zero coupon convertible loans with conversion option issued by Baide Suzhou to investors in 2018. For details of the Convertible Loans, please refer to "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series A Investors" in this prospectus and Note 31 of the Accountants' Report set out in Appendix I to this prospectus. The entire Convertible Loans were measured as financial liabilities at fair value

through profit or loss. Subsequent to initial recognition, the fair value change of Convertible Loans is recognised in profit or loss except for the portion attributable to credit risk change which will be recognised to other comprehensive income, if any. The conversion options associated with the Convertible Loans had been converted in full in FY2020 and we do not expect to recognise any further loss or gain on fair value changes from the Convertible Loans.For FY2019, FY2020, FY2021 and 5M2022, we recorded loss on fair value change on Convertible Loans of RMB86.9 million, RMB25.4 million, nil and nil, respectively.

Gain on redemption of the Convertible Loans

In FY2019 and FY2020, certain investors early redeemed their outstanding Convertible Loans with the amount of RMB2.0 million and RMB4.3 million respectively in cash, resulted in gains on early redemption which represented the difference between the redemption amounts and the carrying amounts of the Convertible Loans, of RMB3.6 million and RMB25.0 million, respectively. We did not record any gain on redemption of the Convertible Loans in FY2021 and 5M2022 as the conversion options associated with the Convertible Loans had been converted in full in FY2020.

Fair value changes on the Convertible Redeemable Preference Shares

Fair value changes on the Convertible Redeemable Preference Shares represent changes in fair value of the 1,269,500 Convertible Redeemable Preference Shares subscribed by the Series C Investors on 30 June 2021. For details of the Convertible Redeemable Preference Shares, please refer to "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series C Investors" in this prospectus and Note 32 of the Accountants' Report set out in Appendix I to this prospectus. The Convertible Redeemable Preference Shares that our Group has contractual obligation to redeem and the conversion option of which may be settled by the exchange of variable number of our Group's own equity are designated at fair value through profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of Convertible Redeemable Preference Shares is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

For FY2019, FY2020 and FY2021, we recorded gain on fair value change on Convertible Redeemable Preference Shares of nil, nil and RMB7.1 million, respectively. For 5M2022, we recorded loss on fair value change on Convertible Redeemable Preference Shares of RMB6.7 million.

Fair value of financial liabilities measured within level 3 fair value measurement

Our Company has issued the Convertible Loans and the Convertible Redeemable Preference Shares to investors during the Track Record Period as set out in "History, Reorganisation and Corporate Structure – The pre-IPO investments" and in Notes 31 and 32 of the Accountants' Report as set out in Appendix I to this prospectus. The Convertible Loans and the Convertible Redeemable Preference Shares are designated as a whole as financial liabilities measured at fair value through profit or loss (FVTPL) of which no quoted prices in an active market exist. The fair values of Convertible Loans was established by using Binomial Option Pricing Model up to the conversion date during the Track Record Period and using income approach of discounted cash flow method for the remaining balance on the maturity date of the Convertible Loans and for FY2020. The fair value of Convertible Redeemable Preference Shares was established by using the discounted cash flow and back-solve method to determine the underlying share value of our Company and performed an equity allocation based on the Black-Scholes Option Pricing Model and weighted-probabilities of scenarios as at the date of issuance and at the end of each year comprising the Track Record Period. However, it should be noted that some inputs, such as expected volatility, risk-free interest rate, discount rate and time to liquidation, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair values of the Convertible Loans and the Convertible Redeemable Preference Shares.

In relation to the valuation of the financial liabilities measured within level 3 fair value measurement, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the Series A Investment Agreements, other investment agreements to subscribe for the Convertible Loans and the Series C Investment Agreement; (ii) engaged independent professionally qualified valuers (the "**Valuers**"), and provided necessary financial and non-financial information to enable the Valuers to perform valuation procedures and discussed with the Valuers on their relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as fair value of our Shares, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the Valuers. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the Valuers is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial liabilities measured within level 3 fair value measurement, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 43(f) of the Accountants' Report 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 prospectus.

For the Reporting Accountants' opinion on the Historical Financial Information of our Group during the Track Record Period, please refer to the Accountants' Report as set out in Appendix I to this prospectus.

In relation to the valuation analysis performed by the Valuers on financial liabilities measured within level 3 fair value measurement, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewed relevant notes to the Accountants' Report as contained in Appendix I to this prospectus and the relevant documents provided by the Valuers; and (ii) discussed with the Directors, the Reporting Accountants and the Valuers about the key basis and assumptions for the valuations of financial liabilities measured within level 3 fair value measurement. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence works as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the Valuers on the financial liabilities.

Finance costs

Our finance cost represents the interest expenses incurred as a result of our bank borrowings, other payables and lease liabilities. The following table sets forth a breakdown of our finance cost for the periods indicated:

	FY2019		FY2020		FY2021		5M2021		5M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Interests on bank borrowings	–	–	232	22.0	581	59.6	218	48.9	442	78.6
Interests expenses on other payables	426	65.9	426	40.5	–	–	–	–	–	–
Interests on lease liabilities	220	34.1	394	37.5	394	40.4	228	51.1	120	21.4
Total finance costs	646	100.0	1,052	100.0	975	100.0	446	100.0	562	100.0

We incurred interests on bank borrowings of nil, RMB0.2 million and RMB0.6 million in FY2019, FY2020 and FY2021, respectively. The interests on bank borrowings increased from RMB0.2 million for 5M2021 to RMB0.4 million for 5M2022. The increase is in line with the increase in bank borrowing balances.

We incurred interest expenses on other payables of RMB0.4 million in FY2019 and FY2020, representing the interest payable for an amount payable in relation to our acquisition of 49% interest of Nanjing Changcheng. Interest expenses on other payables decreased from RMB0.4 million in FY2020 to nil in FY2021 as the consideration for such acquisition has been fully settled in FY2020.

We incurred interest expense on lease liabilities of RMB0.2 million, RMB0.4 million, RMB0.4 million, RMB0.2 million and RMB0.1 million for FY2019, FY2020, FY2021, 5M2021 and 5M2022, respectively. The interest on lease liabilities increased from FY2019 to FY2020, primarily because we entered into the tenancy agreement for the Nanjing Plant 2 in FY2020.

The decrease of interest expense on lease liabilities from 5M2021 to 5M2022 is mainly due to the expiration of tenancy agreement of the Nanjing Plant 1 at the end of FY2021 and hence no such interest expenses were incurred during 5M2022.

For details on our lease liabilities and bank borrowings, please refer to "Indebtedness – Bank borrowings" and "Indebtedness – Lease liabilities" in this section.

Income tax expense

We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, our Group entities incorporated in the Cayman Islands and the British Virgin Islands are not subject to any income tax. Our subsidiary incorporated in Hong Kong is not liable for income tax as it did not generate any assessable profits arising in Hong Kong during the Track Record Period.

Our income tax provision in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits, if applicable, based on the existing legislation, interpretations and practice in respect thereof. Nanjing Changcheng and Baide Suzhou, our principal operating subsidiaries, have been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulations and was entitled to a preferential tax treatment of 15% since FY2020 and FY2021, respectively, which is lower than the statutory rate of 25%. Some expenses of our Group were not deductible for tax purposes for the Track Record Period, which mainly include (i) fair value change on Convertible Loans; (ii) unrealised profit for the inter-company transactions; (iii) Listing expenses; and (iv) expenses incurred by investment holdings companies which have no taxable profit. Moreover, according to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in R&D activities are entitled to claim 175% of their R&D expenses incurred as tax deductible expenses in determining tax assessable profits ("**Super Deduction**") from 1 January 2018 to 31 October 2023. From 2021 onwards, the Super Deduction ratio has increased to 200%.

Our income tax consists of current income tax and deferred income tax. The following table sets forth a breakdown of our income tax for the periods indicated:

	FY2019	FY2020	FY2021	5M2021	5M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current income tax	8,921	16,295	14,889	5,344	5,480
Deferred income tax	22	(460)	1,194	226	(12)
Total income tax expense	8,943	15,835	16,083	5,570	5,468

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

5M2022 compared with 5M2021

Revenue

Revenue increased from RMB59.6 million for 5M2021 to RMB63.8 million for 5M2022, mainly reflecting an increase of RMB4.2 million in revenue generated from the sales of our proprietary MWA medical devices.

Revenue generated from the sales of our proprietary MWA needles increased by RMB5.8 million from RMB46.8 million in 5M2021 to RMB52.6 million in 5M2022. The revenue growth was primarily driven by an increase in sales volume, which was primarily attributable to (i) an increase in demand of our proprietary MWA needles; and (ii) according to Frost & Sullivan, the overall growth of China's MWA medical device market and favourable industry trends which benefit us, such as the rising trend in adopting MWA therapy.

Revenue generated from the sales of our proprietary MWA therapeutic apparatus decreased by RMB1.6 million from RMB3.5 million in 5M2021 to RMB1.9 million in 5M2022. The decrease in revenue was primarily driven by a decrease in average selling price of our MWA therapeutic apparatus. The average selling price of our proprietary MWA therapeutic apparatus decreased from RMB61,626 per unit to RMB37,458 per unit. As the sales of MWA needles is our main revenue stream during the Track Record Period, we adopted sales strategy to offer discounted price on our therapeutic apparatus in 5M2022 to attract new customers and to increase our market competitiveness which led to the drop in the selling price for 5M2022.

Revenue generated from the sales of other medical devices increased by RMB2.0 million from RMB6.5 million in 5M2021 to RMB8.5 million in 5M2022, which was primarily attributable to the fluctuations in the demand and product mix of our customers' orders for such medical devices.

Cost of sales

Cost of sales increased by RMB2.2 million from RMB7.5 million for 5M2021 to RMB9.7 million for 5M2022. The increase in cost of sales was mainly due to the increase in the costs of other medical devices by RMB1.1 million in 5M2022.

The increase was also caused by the increase in our direct material cost and direct staff cost by RMB0.5 million and RMB0.5 million, respectively, which were generally in line with the increase in our revenue generated from the sales of our proprietary MWA needles.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by RMB1.9 million from RMB52.1 million for 5M2021 to RMB54.0 million for 5M2022, primarily reflecting an increase of RMB3.2 million in gross profit from the sales of our proprietary MWA medical devices, partially offset by the decrease in the rental income recognised from leasing of our MWA therapeutic apparatus to our customers. The increase in gross profit was primarily driven by an increase in the sales volume of our MWA medical devices. Our gross profit margin slightly decreased by 2.6 percentage points from 87.4% for 5M2021 to 84.8% for 5M2022 primarily because of the increase in proportion of sales of our other medical devices from 10.9% to 13.3% to the total revenue which had a lower gross profit margin, and the decreased gross profit margin of the sales of MWA therapeutic apparatus.

Other income and gains

Other income and gains increased by RMB6.7 million from RMB2.1 million for 5M2021 to RMB8.8 million for 5M2022. The increase was mainly because of an increase of RMB6.7 million in incentive from local government which mainly represents the tax refund received from local government authorities for encouragement of local investment.

Selling and distribution costs

Selling and distribution costs increased by RMB3.4 million from RMB9.1 million for 5M2021 to RMB12.5 million for 5M2022. The increase was primarily driven by increase in the number of sales and marketing staff in order to cope with the growth of MWA products demand.

R&D expenses

R&D expenses increased by RMB2.1 million from RMB2.2 million for 5M2021 to RMB4.3 million for 5M2022. The increase was primarily attributable to the increase of service fee for the engagement of Nanjing Huitong for the application of Class III medical device registration certificates specifically indicated for liver cancer and thyroid nodules for all existing models of our Class II MWA needles through clinical evaluation.

Administrative expenses

Administrative expenses increased by RMB2.5 million from RMB7.7 million for 5M2021 to RMB10.2 million for 5M2022. The increase was primarily attributable to an increase in staff costs by RMB2.4 million mainly for support of business growth.

Fair value change on Convertible Redeemable Preference Shares

Fair value changes on the Convertible Redeemable Preference Shares represent changes in fair value of the 1,269,500 Convertible Redeemable Preference Shares subscribed by the Series C Investors on 30 June 2021. For details of the Convertible Redeemable Preference Shares, please refer to "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series C Investors" in this prospectus and Note 32 of the Accountants' Report set out in Appendix I to this prospectus.

We recorded loss on fair value changes on Convertible Redeemable Preference Shares of RMB6.7 million for 5M2022, primarily due to re-valuation of the business value of our Group as at 31 May 2022, in which certain changes in the parameters and inputs were made in our back-solve method and equity allocation based on the Black-Scholes Option Pricing Model and weighted probabilities of scenarios taking into account, among other things, the changes of economic environment, our marketing plan and R&D plan after the date of the issuance of the Convertible Redeemable Preference Shares. The nature of such changes was non-operating and has no cash flow effect.

Finance costs

Finance costs remained relatively stable at RMB0.4 million for 5M2021 and RMB0.6 million for 5M2022.

Income tax expense

Income tax expense remained relatively stable at RMB5.6 million for 5M2021 and RMB5.5 million for 5M2022.

Profit for the period

As a result of the foregoing, our net profit decreased by RMB1.0 million from RMB22.1 million for 5M2021 to RMB21.1 million for 5M2022.

FY2021 compared with FY2020

Revenue

Revenue increased by RMB70.4 million from RMB118.3 million for FY2020 to RMB188.7 million for FY2021, mainly reflecting an increase of RMB58.3 million in revenue generated

from the sales of our proprietary MWA medical devices, together with the increase of RMB10.9 million in revenue generated from the sales of other medical devices.

Revenue generated from the sales of our proprietary MWA needles increased significantly by RMB58.0 million from RMB88.0 million in FY2020 to RMB146.0 million in FY2021. The revenue growth was primarily driven by an increase in sales volume, which was primarily attributable to (i) increasing demand of our proprietary MWA needles; and (ii) according to Frost & Sullivan, the overall growth of China's MWA medical device market and favourable industry trends which benefit us, such as the rising trend in adopting MWA therapy. The increase in revenue was partially offset by the decrease in the average selling price of our proprietary MWA needles from RMB4,301 per unit to RMB3,594 per unit, which was mainly attributable to the packaged sales offer launched in 2021 where we offered our proprietary MWA medical devices at discounted price to some of our selected customers in order to promote our products and increase our market competitiveness as well as the change of customer mix of our MWA needles.

Revenue generated from the sales of our proprietary MWA therapeutic apparatus remained relatively stable at RMB10.9 million in FY2020 and RMB11.2 million in FY2021.

Revenue generated from the sales of other medical devices increased by RMB10.9 million from RMB16.8 million in FY2020 to RMB27.7 million in FY2021, which was primarily attributable to the fluctuations in the demand and product mix of our customers' orders for such medical devices.

Cost of sales

Cost of sales increased by RMB15.5 million from RMB16.4 million for FY2020 to RMB31.9 million for FY2021. The increase in cost of sales was mainly due to the increase in the sales of other medical devices which resulted in the increase in the costs of other medical devices by RMB10.6 million in FY2021.

The increase was also caused by the increase in our direct material cost, direct staff cost and production overheads by RMB3.3 million, RMB0.3 million and RMB1.1 million, respectively, which were generally in line with the increase in our revenue generated from the sales of our proprietary MWA medical devices. The increase in production overheads was mainly arising from rental expenses and depreciation charges resulting from the operation of the Nanjing Plant 2.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by RMB54.8 million from RMB101.9 million for FY2020 to RMB156.7 million for FY2021, primarily reflecting an increase of RMB53.6 million in gross profit from the sales of our proprietary MWA medical devices. The increase in gross profit was primarily driven by an increase in the sales volume of our MWA medical devices which led to an increase in our revenue and gross profit. Our gross profit margin decreased by three percentage points from

86.1% for FY2020 to 83.1% for FY2021 primarily because of the increased sales of our other medical devices which had a lower gross profit margin.

Other income and gains

Other income and gains increased significantly by RMB4.7 million from RMB5.6 million for FY2020 to RMB10.3 million for FY2021. The increase was mainly because of an increase of RMB2.7 million in incentive from local government which mainly represents the tax refund received from local government authorities for encouragement of local investment and increase of immediate refund of VAT levied by RMB1.2 million.

Selling and distribution costs

Selling and distribution costs increased significantly by RMB10.7 million from RMB18.5 million for FY2020 to RMB29.2 million for FY2021. The increase was primarily driven by (i) an increase in meeting expenses of RMB6.3 million, because of our increased participation in medical conferences after the local COVID-19 situation receded; (ii) an increase in the average number of headcount and average salaries and benefits for our sales and marketing personnel; and (iii) an increase in service fees to deliverers which was generally in line with our increase in sales through deliverers.

R&D expenses

R&D expenses increased by RMB4.9 million from RMB4.9 million for FY2020 to RMB9.8 million for FY2021. The increase was primarily attributable to our service fee paid to Nanjing Huitong for R&D services and increase in staff cost which was in line with increase of average number of headcount and average salary.

Administrative expenses

Administrative expenses increased by RMB17.4 million from RMB12.7 million for FY2020 to RMB30.1 million for FY2021. The increase was primarily attributable to (i) an increase in legal and professional fee by RMB6.4 million mainly for professional fees in relation to equity financing; (ii) an increase of RMB4.1 million in staff cost as a result of the increase in the number of administrative staff to support our business growth; and (iii) an increase in donations by RMB2.4 million mainly for a medical foundation which was non-recurring in nature.

Fair value changes on the Convertible Loans

Fair value changes on the Convertible Loans decreased from a loss of RMB25.4 million for FY2020 to nil for FY2021, as the conversion options associated with the Convertible Loans had been converted in full in FY2020.

Gain on redemption of the Convertible Loans

Our gain on redemption of the Convertible Loans changed from RMB25.0 million for FY2020 to nil for FY2021. We did not record any gain on redemption of the Convertible Loans in FY2021 as the conversion options associated with the Convertible Loans had been converted in full in FY2020.

Fair value changes on the Convertible Redeemable Preference Shares

Fair value changes on the Convertible Redeemable Preference Shares represent changes in fair value of the 1,269,500 Convertible Redeemable Preference Shares subscribed by the Series C Investors on 30 June 2021. For details of the Convertible Redeemable Preference Shares, please refer to "History, Reorganisation and Corporate Structure – The pre-IPO investments – The Series C Investors" in this prospectus and Note 32 of the Accountants' Report set out in Appendix I to this prospectus.

We recorded gain on fair value changes on Convertible Redeemable Preference Shares of RMB7.1 million for FY2021, representing the gain from the latest valuation of the Convertible Redeemable Preference Shares. The changes in valuation as at 31 December 2021 were mainly due to the change in the business valuation of our Group taking into account the economic environment, our marketing plan and R&D plan after the date of the issuance of the Convertible Redeemable Preference Shares. The nature of such changes was non-operating and has no cash flow effect.

Finance costs

Finance costs remained relatively stable at RMB1.1 million for FY2020 and RMB1.0 million for FY2021 as the decrease in interests expenses on other payables was offset by the increase in interests in bank borrowings which is in line with increase in bank borrowing balances.

Income tax expense

Income tax expense increased by RMB0.3 million from RMB15.8 million for FY2020 to RMB16.1 million for FY2021, primarily due to an increase in our assessable profit and offset by the new preferential tax treatment of 15% (which is lower than the statutory rate of 25%) that Baide Suzhou entitled to since FY2021 as it has been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulations.

Profit for the year

As a result of the foregoing, our net profit increased by RMB28.2 million from RMB46.7 million for FY2020 to RMB74.9 million for FY2021.

FY2020 compared with FY2019

Revenue

Revenue increased by RMB33.3 million from RMB85.0 million for FY2019 to RMB118.3 million for FY2020, reflecting an increase of RMB21.2 million in revenue generated from the sales of our proprietary MWA medical devices and an increase of RMB12.4 million in revenue generated from the sales of other medical devices.

Revenue generated from the sales of our proprietary MWA needles increased by RMB15.0 million from RMB73.0 million in FY2019 to RMB88.0 million in FY2020. The growth in revenue was primarily driven by an increase in sales volume, which was primarily attributable to (i) increasing demand of our proprietary MWA needles; and (ii) according to Frost & Sullivan, the overall growth of China's MWA medical device market and favourable industry trends which benefit us, such as the rising trend in adopting MWA therapy. The increase in revenue was also contributed by an increase in the average selling price of our proprietary MWA needles from RMB3,923 per unit in FY2019 to RMB4,301 per unit in FY2020. Such increase was mainly attributable to the increase in the proportion of sales to hospitals comparing to FY2019, which are generally at higher selling prices than sales to distributors.

Revenue generated from the sales of our proprietary MWA therapeutic apparatus increased significantly by RMB6.2 million from RMB4.7 million in FY2019 to RMB10.9 million in FY2020. The growth in revenue was primarily driven by a significant increase in the average selling price of our proprietary MWA therapeutic apparatus from RMB22,465 per unit to RMB63,891 per unit, primarily due to the upward adjustment in their selling price in 2020. Such adjustment in selling price was mainly driven by enhanced bargaining power on pricing as a result of strong demand of our proprietary MWA medical devices and the overall growth of China's MWA medical device market. Our revenue increased despite there was a decrease in sales volume from 211 units in FY2019 to 170 units in FY2020, as the effect of increase in selling price driven by the strong demand of our products outweighed the effect of decrease in sales volume.

Revenue generated from the sales of other medical devices increased by RMB12.4 million from RMB4.4 million in FY2019 to RMB16.8 million in FY2020, which was primarily attributable to the increase in orders of high value medical devices placed by our customers.

Cost of sales

Cost of sales increased by RMB7.4 million from RMB9.0 million for FY2019 to RMB16.4 million for FY2020. The increase in cost of sales was mainly driven by the significant increase in the costs of other medical devices from RMB2.5 million to RMB9.2 million. Excluding the effect of other medical devices, the direct staff costs and production overheads for our proprietary MWA medical devices increased in line with the increase in their sales volume, while our direct material costs decreased by RMB0.1 million due to the cable recycling campaign launched since FY2020 which reduced our direct material costs.

Gross profit and gross profit margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by RMB25.9 million from RMB76.0 million for FY2019 to RMB101.9 million for FY2020, primarily reflecting an increase of RMB14.5 million in gross profit from the sales of our proprietary MWA needles; an increase of RMB5.9 million in gross profit from the sales of our proprietary MWA therapeutic apparatus; and an increase of RMB5.7 million in gross profit from the trading of other medical devices. The increase in gross profit was primarily driven by (i) an increase in the sales volume of our proprietary MWA needles; and (ii) the upward adjustment of the selling price of our proprietary MWA therapeutic apparatus in FY2020, which led to an increase in our revenue and gross profit. Our gross profit margin decreased by 3.3 percentage points from 89.4% in FY2019 to 86.1% in FY2020 primarily because of the increase in proportion in sales of our other medical devices which are with lower gross profit margin comparing to sales of MWA medical devices.

Other income and gains

Other income and gains remained stable and amounted to RMB5.5 million and RMB5.6 million for FY2019 and FY2020, respectively.

Selling and distribution costs

Selling and distribution costs decreased by RMB1.7 million from RMB20.2 million for FY2019 to RMB18.5 million for FY2020. The decrease was mainly because of (i) decrease in meeting expenses of RMB1.0 million due to the decrease in the number of medical conferences participated in the first half of 2020 as a result of the COVID-19 pandemic; and (ii) decrease in staff costs by RMB1.2 million mainly due to a decrease in the average number of staff, partially offset by the increase in service fees to deliverers by RMB0.6 million.

R&D expenses

R&D expenses decreased by RMB3.1 million from RMB8.0 million for FY2019 to RMB4.9 million for FY2020. The decrease was mainly because of (i) the decrease in the service fee by RMB1.9 million; and (ii) the decrease in cost of materials used in our R&D by RMB1.0 million, as less R&D activities were conducted in FY2020.

Administrative expenses

Administrative expenses increased by RMB2.2 million from RMB10.5 million for FY2019 to RMB12.7 million for FY2020. The increase was mainly because of (i) an increase in legal and professional fee by RMB1.4 million mainly for professional fees in relation to equity financing; and (ii) an increase in depreciation of our property, plant and equipment and the depreciation of our right-of-use assets by RMB1.9 million in relation to our leasing of Suzhou Plant and Nanjing Plant 2. The increase was partially offset by the decrease in donation by RMB2.0 million.

Fair value changes on the Convertible Loans

Fair value changes of the Convertible loans changed from a loss of RMB86.9 million in FY2019 to a loss of RMB25.4 million in FY2020, resulting from smaller increment in the valuation of our Group in FY2020 as compared to FY2019. The nature of such fair value changes was non-recurring and has no cash flow effect.

Gain on redemption of the Convertible Loans

Our gain on redemption of the Convertible Loans increased by RMB21.4 million from RMB3.6 million in FY2019 to RMB25.0 million in FY2020 due to increase in the amount of Convertible Loans redeemed by certain investors from RMB2.0 million in FY2019 to RMB4.3 million in FY2020 which has a higher fair value on the relevant redemption date. The nature of such changes was non-recurring and has no cash flow effect.

Finance costs

Finance costs increased by RMB0.5 million from RMB0.6 million for FY2019 to RMB1.1 million for FY2020. The increase was primarily because of the increase in interest expense on bank borrowings and the increase in the interest on lease liabilities primarily as a result of the new tenancy agreements of Nanjing Plant 2 and our staff quarter in Guangzhou.

Income tax expense

Income tax expense increased by RMB6.9 million from RMB8.9 million for FY2019 to RMB15.8 million for FY2020. The increase was mainly because of the increase in our assessable profit.

Profit for the year

As a result of the foregoing, we recorded a net profit of RMB46.7 million for FY2020 as compared to a net loss of RMB49.7 million for FY2019.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our purchase of property, plant and equipment, R&D and manufacturing of our products, the acquisition of Nanjing Changcheng, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our operations, bank borrowings and the issuance of Convertible Loans and Convertible Redeemable Preference Shares to investors.

Our anticipated cash needs primarily include cost associated with the R&D of our products and business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the net proceeds from the Global Offering, and when necessary, bank and other borrowings. As at 31 July 2022, being the latest

practicable date for determining our indebtedness, we had cash and cash equivalents of RMB35.3 million. Our Group's cash and bank balances are substantially held in HKD and RMB. Taking into account our internal resources, our cash flow from operations and net proceeds from the Global Offering, our Directors confirm that our working capital is sufficient for at least the next 12 months from the date of this prospectus.

Cash flows

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

	FY2019	**FY2020**	**FY2021**	**5M2021**	**5M2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating profit before movements in working capital	47,408	73,295	97,154	33,642	38,251
Changes in working capital	(905)	(41,117)	(28,962)	23,759	(36,401)
Income tax paid	(15,791)	(6,674)	(22,124)	(13,439)	(5,630)
Net cash generated from/(used in) operating activities	30,712	25,504	46,068	43,962	(3,780)
Net cash generated from/(used in) investing activities	8,234	(14,177)	1,493	5,938	(5,663)
Net cash (used in)/generated from financing activities	(39,819)	(5,869)	(33,734)	(56,690)	12,821
Net (decrease)/increase in cash and cash equivalents	(873)	5,458	13,827	(6,790)	3,378
Cash and cash equivalents at the beginning of the year/period	2,408	1,535	6,993	6,993	20,820
Effect of foreign exchange rate changes, net	–	–	–	–	(108)
Cash and cash equivalents at the end of the year/period	1,535	6,993	20,820	203	24,090

Operating activities

We derive our cash inflow from the receipt of payments from our sale of our proprietary MWA medical devices and other medical devices. Our cash used in operations principally comprises purchase of direct materials, purchase of other medical devices, selling and distribution expenses, R&D expenses and administrative expenses.

For 5M2022, our net cash used in operating activities was RMB3.8 million, which was primarily attributable to our profit before tax of RMB26.6 million mainly adjusted by (i) initial payments of RMB19.3 million paid for broadening and deepening our product portfolio and upgrading our medical licences, including the application of FDA registration and CE Marks for our proprietary MWA medical devices specifically indicated for liver cancer and thyroid nodules and expanding the indication coverage of our MWA therapeutic apparatus and MWA needles and developing our pipeline products. The initial payments of RMB19.3 million were made pursuant to our business strategies as set forth in "Business – Business Strategies – Broaden and deepen our product portfolio, upgrade our medical licences and expand our R&D team" in this prospectus. We believe that such short-term net operating cash outflow shall not continuous material impact on our working capital in the long run. We expect to improve our net operating cash outflow position through our improved R&D capabilities and revenue to be generated from our sales of medical devices; and (ii) the increase in government incentive receivables amounting to RMB7.3 million, which was subsequently received in full in July 2022. Despite the net operating cash outflow position, taking into account the financial resources available to us, including the internally generated funds, available credit facilities and net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

For FY2021, our net cash generated from operating activities was RMB46.1 million, which was primarily attributable to our profit before tax of RMB90.9 million, partially offset by (i) income tax payment of RMB22.1 million; and (ii) an increase in trade receivables of RMB22.1 million.

For FY2020, our net cash generated from operating activities was RMB25.5 million, which was primarily attributable to our profit before tax of RMB62.5 million, as further adjusted by (i) the gains on redemption of Convertible Loans of RMB25.0 million, (ii) an increase in trade receivables of RMB24.6 million, (iii) a decrease in trade and other payables and accruals of RMB15.5 million, and (iv) income tax of RMB6.7 million paid. Such adjustments were partially offset by addition of the fair value changes on the Convertible Loans of RMB25.4 million.

For FY2019, our net cash generated from operating activities was RMB30.7 million, which was primarily attributable to our loss before tax of RMB40.7 million, as further adjusted by (i) the addition of the fair value on the Convertible Loans of RMB86.9 million, and (ii) the increase in trade and other payables and accruals of RMB10.6 million. Such adjustments were partially offset by (i) the gains on redemption of Convertible Loans of RMB3.6 million, (ii) an increase of prepayments, deposits and other receivables of RMB11.4 million, and (iii) income tax of RMB15.8 million paid.

We have closely monitored our liquidity position to ensure that we have sufficient funds to meet obligations as they become due by adopting the following measures:

- our senior management conducts preview of our financial position in the coming year in order to pre-empt potential liquidity problem;

- our Directors review the quarterly cash flow variance report and seek explanations for major variance in order to determine any adjustments need to be made in the cash flow forecast for the coming quarter;

- re-negotiate payment terms with our suppliers to allow our Group to postpone settlement, or arrange interim financing to cover the cash flow deficit in case we see our customers are expected to be slow in settling their bills in the coming quarter; and

- our Directors review the monthly forecast outlining major cash inflow and outflow items for the month to alert our sales and marketing personnel to follow up on recovery of receivables and to ensure cash outflows are budged before approval for payment.

Since we have implemented the above liquidity management measures during the Track Record Period, we have not encountered any liquidity issue since FY2019. If there is any need for liquidity, our Company will consider to seek bank borrowings to ensure our operations would not be affected.

Investing activities

For 5M2022, we had net cash used in investing activities of RMB5.7 million, mainly due to our prepayment for purchase of property, plant and equipment of RMB5.6 million.

For FY2021, we had net cash generated from investing activities of RMB1.5 million, mainly due to decrease in the amounts due from shareholders of RMB9.9 million and partially offset by the payment for purchase of property, plant and equipment of RMB8.2 million.

For FY2020, we had net cash used in investing activities of RMB14.2 million, mainly due to the increase in the amounts due from shareholders of RMB9.9 million and the prepayment made for property, plant and equipment of RMB3.7 million.

For FY2019, we had net cash generated from investing activities of RMB8.2 million, which was principally attributable to the decrease in the amounts due from shareholders and amount due from a non-controlling interest of RMB5.2 million and RMB9.7 million, respectively, partially offset by increase in prepayment made for property, plant and equipment of RMB6.2 million.

Financing activities

For 5M2022, we had net cash generated from financing activities of RMB12.8 million, mainly due to the receipt of funds from bank borrowing of RMB24.0 million, partially offset by the repayment of bank borrowings of RMB9.0 million.

For FY2021, we had net cash used in financing activities of RMB33.7 million, mainly due to (i) consideration for repurchase of Shares of RMB66.8 million; (ii) dividend paid to the

shareholders of the subsidiaries of RMB35.0 million, (iii) consideration paid arising from the Reorganisation of RMB20.9 million; and (iv) repayment of bank borrowings of RMB19.0 million, partially offset by proceeds from the issuance of the Convertible Redeemable Preference Shares of RMB94.4 million and proceeds from bank borrowings of RMB23.0 million.

For FY2020, we had net cash used in financing activities of RMB5.9 million, which was principally attributable to the repayment of the Convertible Loans to certain investors of RMB13.2 million and decrease in the amounts due to a shareholder of RMB12.5 million, partially offset by the contribution from shareholders arising from the Reorganisation of RMB19.3 million and proceeds from bank borrowings of RMB9.0 million.

For FY2019, we had net cash used in financing activities of RMB39.8 million, mainly due to the consideration paid for acquisition of remaining 49% equity interest of Nanjing Changcheng of RMB46.0 million (which was determined with reference to the historical financial performance and prospects of Nanjing Changcheng), partially offset by the increase in the amounts due to a shareholder of RMB12.5 million.

DISCUSSION ON SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Our consolidated statements of financial position as at each of the year/period end during the Track Record Period set forth below are extracted from the Accountants' Report set out in Appendix I to this prospectus:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	5,471	9,146	15,489	13,562
Right-of-use assets	6,098	9,409	5,652	4,237
Intangible asset	1,000	700	400	275
Goodwill	422	422	422	422
Prepayment and deposits	6,512	3,797	566	6,145
Deferred tax assets	2,026	2,411	1,142	1,123
Total non-current assets	21,529	25,885	23,671	25,764
CURRENT ASSETS				
Inventories	4,940	5,288	10,635	11,456
Trade receivables	31,747	53,725	78,483	84,309
Contract assets	–	–	621	–
Prepayments, deposits and other receivables	19,018	19,192	26,768	57,392
Amounts due from shareholders	–	–	2,212	1,840
Current tax assets	3,110	–	2,795	2,029
Cash and cash equivalents	1,535	6,993	20,820	24,090
Total current assets	60,350	85,198	142,334	181,116

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES				
Trade payables	698	399	2,168	815
Other payables and accruals	29,163	27,725	20,704	21,667
Bank borrowings	–	9,000	13,000	28,000
Lease liabilities	1,080	4,090	2,369	1,997
Contract liabilities	6,884	5,089	4,067	3,799
Convertible loans	182,864	4,572	–	–
Convertible redeemable preference shares	–	–	87,300	94,000
Amounts due to a director	249	–	–	–
Amounts due to a shareholder	12,467	2,417	–	–
Current tax liabilities	593	7,104	2,664	1,748
Total current liabilities	233,998	60,396	132,272	152,026
NET CURRENT (LIABILITIES)/ASSETS	(173,648)	24,802	10,062	29,090
TOTAL ASSETS LESS CURRENT LIABILITIES	(152,119)	50,687	33,733	54,854
NON-CURRENT LIABILITIES				
Lease liabilities	4,821	6,360	2,832	2,090
Deferred tax liabilities	250	175	100	69
Total non-current liabilities	5,071	6,535	2,932	2,159
Net (liabilities)/assets	(157,190)	44,152	30,801	52,695
(Capital deficiency)/Equity attributable to owners of the Company	(152,429)	47,081	33,068	54,792
Non-controlling interests	(4,761)	(2,929)	(2,267)	(2,097)
Total (deficiency)/equity	(157,190)	44,152	30,801	52,695

Property, plant and equipment

Our property, plant and equipment comprised plant and machinery, furniture, fixtures and equipment, motor vehicles, medical equipment, and leasehold improvements during the Track Record Period.

Our property, plant and equipment increased by RMB3.6 million from RMB5.5 million as at 31 December 2019 to RMB9.1 million as at 31 December 2020, primarily due to increase in leasehold improvement and furniture, fixtures and equipment for the Suzhou Plant.

Our property, plant and equipment increased by RMB6.4 million from RMB9.1 million as at 31 December 2020 to RMB15.5 million as at 31 December 2021, primarily due to increase in leasehold improvement and furniture, fixture and equipment for the Suzhou Plant and the commencement of operation of the Nanjing Plant 2.

Our property, plant and equipment decreased by RMB1.9 million from RMB15.5 million as at 31 December 2021 to RMB13.6 million as at 31 May 2022, primarily due to the depreciation charged for the period.

Right-of-use assets

Our right-of-use assets are primarily related to our leased properties used in our operations during the Track Record Period.

Our right-of-use assets increased by RMB3.3 million from RMB6.1 million as at 31 December 2019 to RMB9.4 million as at 31 December 2020. The increase in the balance was primarily because we entered into a new tenancy agreement in relation to Nanjing Plant 2 and our staff quarter in Guangzhou.

Our right-of-use assets decreased by RMB3.7 million from RMB9.4 million as at 31 December 2020 to RMB5.7 million as at 31 December 2021, primarily due to depreciation charged for the period.

Our right-of-use assets decreased by RMB1.5 million from RMB5.7 million as at 31 December 2021 to RMB4.2 million as at 31 May 2022, primarily due to depreciation charged for the period. For details, please refer to Note 16 of the Accountants' Report as set out in Appendix I to this prospectus.

Intangible asset

Our intangible asset consisted primarily of patent during the Track Record Period.

We had intangible asset of RMB1.0 million, RMB0.7 million, RMB0.4 million and RMB0.3 million as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. The changes

represents the amortisation of such intangible asset for each year. For details, please refer to Note 17 of the Accountants' Report as set out in Appendix 1 to this prospectus.

Goodwill

As at 31 May 2022, we recorded goodwill of RMB0.4 million arising from obtaining controlling interest of Nanjing Changcheng in 2017. The impairment assessment was based on the recoverable amount of the cash-generating unit. In the opinion of our Directors, there is no impairment of the above cash-generating unit to which goodwill is allocated for the Track Record Period.

The impairment assessment was based on the recoverable amount of the cash-generating unit (the "**CGU**"). In the opinion of our Directors, there is no impairment of the above CGU to which goodwill is allocated for the Track Record Period. The recoverable amount of the above CGU is determined based on a value-in-use calculation performed by an independent professional qualified valuer. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and operating expenses during the forecast period. Our Directors estimate discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the CGU. The growth rates are by reference to industry growth forecasts. Changes in selling prices and operating expenses are based on past practices and expectations of future changes in the market.

The major underlying assumptions are summarised below:

The value-in-use calculations use cash flow projections based on financial budgets approved by our Directors covering five-year period and pre-tax discount rates of 19.17%, 17.57%, 20.32% and 18.86% for FY2019, FY2020, FY2021 and 5M2022, respectively. Cash flows beyond that five-year period have been extrapolated using an estimated growth rate. These growth rates do not exceed the long-term average growth rates for the market in which our Group operates during the Track Record Period.

Our Directors have determined the values assigned to each of the key assumptions as follows:

Assumptions:	Approach used to determine values
Revenue growth rate:	Average revenue growth rate over the five-year forecast period is based on past performance and management's expectation of market development.
Operating expenses:	The bases used to determine the values assigned are cost of inventories, staff costs, depreciations and other operating expenses. The value assigned to operating expenses reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Terminal growth rate:	The terminal growth rate was estimated on the basis of the long-term inflation rate in the PRC. It is a commonly used valuation assumption that the long-term growth rate of a company will make reference to the long-term growth rate of the country in which it operates.
Pre-tax discount rate:	The rate used reflects specific risks relating to the CGU and the countries in which it operates.

Based on the assessment result, the recoverable amounts of CGU of approximately RMB44,610,000, RMB48,620,000, RMB178,270,000 and RMB161,967,000 as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively, were greater than its carrying amounts of approximately RMB6,014,000, RMB8,531,000, RMB12,595,000 and RMB11,163,000 as at the corresponding dates.

The following table sets forth, for illustrative purposes only, the sensitivity analysis of the headroom in relation to changes in the estimated key assumptions during the forecast period, assuming all other variables remain constant:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in revenue growth rate by:				
– 5%	31,122	32,882	153,166	139,998
– 10%	23,649	25,674	140,657	129,191
Increase in operating expenses by:				
– 5%	34,241	35,889	162,063	146,686
– 10%	29,886	31,689	158,451	142,567
Decrease in terminal growth rate by:				
– 5%	38,215	39,638	164,302	149,584
– 10%	37,840	39,194	162,948	148,380
Increase in pre-tax discount rate by:				
– 5%	36,035	37,227	157,470	143,000
– 10%	33,734	34,657	150,063	135,974

Our Directors believe that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the carrying amount of CGU to exceed its recoverable amount. No impairment loss on its goodwill has been recognised during the Track Record Period.

Prepayment and deposits (non-current)

Our prepayment and deposits (non-current) mainly included (i) rental deposits of our leased properties; and (ii) prepayments for property, plant and equipment.

Our prepayment and deposits (non-current) decreased from RMB6.5 million as at 31 December 2019 to RMB3.8 million as at 31 December 2020 primarily due to the transfer of prepayment of RMB3.0 million to property, plant and equipment relating to the Suzhou Plant, partially offset by the increase in rental deposit for the Nanjing Plant 2.

Our prepayment and deposits (non-current) decreased from RMB3.8 million as at 31 December 2020 to RMB0.6 million as at 31 December 2021, primarily due to the commencement of operation of the Nanjing Plant 2, resulting in the transfer of prepayment of property, plant and equipment relating to the Nanjing Plant 2 into property, plant and equipment.

Our prepayment and deposits (non-current) increased from RMB0.6 million as at 31 December 2021 to RMB6.1 million as at 31 May 2022 mainly due to prepayment for purchase of property, plant and equipment amounting to RMB5.6 million.

For details, please refer to Note 23 of the Accountants' Report as set out in Appendix I to this prospectus.

Inventories

Our inventories consisted of raw materials, work-in-progress and finished goods during the Track Record Period. Under our inventory control policy, we require our deliverers and distributors to provide us with reports on their inventory levels and sales performance on a monthly basis to understand the sales trend and project the demand and formulate our production plan. We maintain our inventories of finished goods and procure raw materials according to the projected demand from our customers and the estimated production time. Our Directors are of the view that our sales to hospitals and distributors during the Track Record Period reflected genuine market demand rather than an accumulation of inventory in our distribution channel, and that there was effective management and control over our deliverers and distributors and their respective inventory levels.

The following table sets forth the components of our inventories net of provision as at the dates indicated and inventory turnover days for the years/period indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,510	1,198	3,320	3,881
Work-in-progress	621	1,384	2,462	2,519
Finished goods	4,309	3,462	5,609	5,812
	6,440	6,044	11,391	12,212
Less: provision for impairment	(1,500)	(756)	(756)	(756)
Total	4,940	5,288	10,635	11,456

	FY2019	FY2020	FY2021	5M2022
Average inventory turnover days *(Note)*	168	114	91	172

Note: Average inventory turnover days were calculated as the average of the beginning and ending of inventories balance of the respective period divided by cost of sales of the respective year/period and multiplied by 365 days for FY2019, FY2020 and FY2021 and by 151 days for 5M2022.

Our inventories balance was in an increasing trend amounting to RMB4.9 million, RMB5.3 million, RMB10.6 million and RMB11.5 million, as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 May 2022, respectively. The increasing inventories balance was primarily due to the increase in production in response to the overall growth of the MWA device market and increasing demand of our proprietary MWA medical devices.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and/or disposal. As at 31 December 2019, 2020 and 2021 and 31 May 2022, provision for impairment of inventories amounted to RMB1.5 million, RMB0.8 million, RMB0.8 million and RMB0.8 million respectively. The provision for impairment was mainly related to certain slow moving inventories in relation to other medical devices. The decrease in provision for impairment of inventories in 2020 was mainly due to written off of obsolete inventories.

Our inventory turnover days decreased from 168 days for FY2019 to 114 days for FY2020 and further decreased to 91 days for FY2021, primarily because we optimised our inventory level in order to align with the target average inventory turnover days of around 90 days that we aim to achieve. For 5M2022, the turnover days increased to 172 days mainly due to our

intention to keep a higher inventory level to ensure stable supply of our products in case there are any unforeseeable measures to contain COVID-19 outbreak that may hinder our production.

As at the Latest Practicable Date, RMB9.5 million or 78.0% of our inventories before provision as at 31 May 2022 have been utilised.

Trade receivables

Our trade receivables primarily represented the balances due from certain trade debtors during the Track Record Period.

While we generally allow for a credit period of 30 to 90 days for our trade debtors, we consider a number of factors in determining the credit term of a trade debtor, including its cash flow conditions and creditworthiness as well as the market environment. We do not hold any collateral or other credit enhancements over our trade receivable balance and such receivables are non-interest bearing.

The following table sets forth our trade receivables net of provision as at the dates indicated and average trade receivable turnover days for the years/period indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	37,748	62,322	83,173	88,155
Less: impairment loss allowance	(6,001)	(8,597)	(4,690)	(3,846)
Total	31,747	53,725	78,483	84,309

Our trade receivables increased from RMB31.7 million as at 31 December 2019 to RMB53.7 million as at 31 December 2020 and RMB78.5 million as at 31 December 2021 and further to RMB84.3 million as at 31 May 2022, which grew along with our increased revenue.

We use a provision matrix to calculate ECLs for trade receivables. As at 31 December 2019, 2020 and 2021 and 31 May 2022, we recorded impairment loss allowance of RMB6.0 million, RMB8.6 million, RMB4.7 million and RMB3.8 million, respectively. Our management performed the following procedures on ECL assessment of trade receivables to ensure the provision of ECL subjected to trade receivables is sufficient: (i) assessing the reliability of related accounting policies and historical judgements adopted in ECL by reviewing the actual write-offs or losses of receivables during the historical period; (ii) assessing the collectability of trade receivables by making regular aging analyses and taking into consideration of both current and future economic conditions including the historical recoverability of the trade receivables; (iii) assessing these trade receivables based on the financial and non-financial conditions of the

trade debtors and other external evidence and considerations; and (iv) evaluating forward-looking macroeconomic data used in ECL model of trade receivables. In particular, our management noted that approximately 54.3% of the unsettled trade receivables as at 31 May 2022 came from our sales to hospitals (either directly or through deliverers). Given that (i) most of our hospital customers are public hospitals with stringent internal control policies and recognised reputation and credibility; and (ii) our deliverers mainly comprise state-owned companies in the PRC or subsidiaries of listed companies with large scales of operation and wide distribution networks, our Directors consider that the risk of default in payment by our trade debtors is very remote. In light of the above, our Directors believe that there is no recoverability issue for our trade receivables, and that sufficient provision has been made. For details on the ECL rates applied on each group of trade debtors and on each aging group and the corresponding impairment loss allowance recorded, please refer to Note 43 of the Accountants' Report as set out in Appendix I to this prospectus.

The table below sets out the average trade receivable turnover days for the years indicated:

	FY2019	**FY2020**	**FY2021**	**5M2022**
Average trade receivables turnover days *(Note)*	139	132	128	193

Note: The average trade receivable turnover days is calculated as the average of the beginning and ending of trade receivables balance divided by revenue of the respective year/period and multiplied by 365 days for FY2019, FY2020 and FY2021 and by 151 days for 5M2022.

Our trade receivables turnover days remained relatively stable in FY2019, FY2020 and FY2021. The increase in trade receivables turnover days to 193 days for 5M2022 was mainly due to the increase in our trade receivables balance as at 31 May 2022, which was mainly as a result of (i) generally slower collection of trade receivables caused by the impact of COVID-19; and (ii) the higher revenue in May 2022 recorded by our Group as negative impact of COVID-19 outbreak has been eased and there was an increase in the sales of our products.

The following table sets forth an aging analysis of our trade receivables based on the due date and net of loss allowance, as at the dates indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet past due	10,002	25,646	44,593	43,374
1–90 days past due	19,216	14,765	29,177	20,829
91–180 days past due	1,896	3,606	3,462	18,783
181–365 days past due	605	9,677	1,251	1,323
Over 1 year past due	28	31	–	–
Total	31,747	53,725	78,483	84,309

The overdue trade receivables balance was RMB21.7 million, RMB28.1 million, RMB33.9 million and RMB40.9 million as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. Specifically, the overdue trade receivables balance from deliverers amounted to RMB14.2 million, RMB12.9 million, RMB8.5 million and RMB24.1 million as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively, representing 65.4%, 45.9%, 25.1% and 58.9% of total overdue trade receivables in the same period. In line with market practice, we engaged deliverers during the Track Record Period, which mainly include state-owned companies in the PRC or subsidiaries of listed companies to facilitate our sales to hospitals. According to Frost & Sullivan, the credit period of public hospitals are normally longer, as the internal procedures of public hospitals regarding decision making and approval, and reconciliation and settlement typically take a longer period of time and thus would affect the collection of trade receivables of deliverers from hospitals and in turn affect our collection of trade receivables from our deliverers.

As at the Latest Practicable Date, we had received trade receivables of RMB37.2 million, representing 42.2% of our gross trade receivables outstanding as at 31 May 2022.

Prepayments, deposits and other receivables (current)

The following table sets forth a breakdown of our prepayments, deposits and other receivables (current) as at the dates indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other receivables	12,669	1,416	1,844	8,996
Deposits	255	425	1,039	1,678
Less: impairment loss allowance	(596)	(434)	(361)	(567)
	12,328	1,407	2,522	10,107
Prepaid listing expenses	–	1,487	5,742	6,245
Trade deposits to suppliers	6,030	1,584	3,424	2,357
Other prepayments	660	14,714	15,080	38,683
	19,018	19,192	26,768	57,392

Our prepayments, deposits and other receivables (current) remained stable at RMB19.0 million as at 31 December 2019 and RMB19.2 million as at 31 December 2020, primarily due to a significant increase in other prepayments, which mostly consist of our prepayments to Nanjing Huitong in relation to a five-year framework collaboration agreement entered into in December 2020 for its R&D services on product development and registration of our proprietary MWA medical devices. For details, please refer to "Business – R&D" in this prospectus. The increase was offset by the decrease in other receivables mainly due to the settlement of expenses paid on behalf of the vendor of Nanjing Changcheng and the utilisation of trade deposits to suppliers mentioned above.

Our prepayments, deposits and other receivables increased by RMB7.6 million from RMB19.2 million as at 31 December 2020 to RMB26.8 million as at 31 December 2021, primarily due to (i) the increase in trade deposits to suppliers for procurement; and (ii) the increase in prepaid Listing expenses by RMB4.2 million.

Our prepayments, deposits and other receivables further increased by RMB30.6 million from RMB26.8 million as at 31 December 2021 to RMB57.4 million as at 31 May 2022, primarily due to (i) initial payments of RMB19.3 million paid for broadening and deepening our product portfolio and upgrading our medical licences, including the application of FDA registration and CE Marks for our proprietary MWA medical devices specifically indicated for liver cancer and thyroid nodules and expanding the indication coverage of our MWA therapeutic apparatus and MWA needles and developing our pipeline products; and (ii) the increase of

RMB7.3 million of government incentive receivables which such government incentive was subsequently received in full in July 2022.

Amounts due from shareholders

The amounts due from shareholders amounted to RMB2.2 million as at 31 December 2021 and RMB1.8 million as at 31 May 2022. The balance was non-trade in nature, unsecured, interest-free and repayable on demand. The balances were fully settled subsequently.

Trade payables

Our trade payables primarily represented our obligations to pay for raw materials and other medical devices that have been acquired in the ordinary course of business from our suppliers. In general, our suppliers grant us a credit term of 0 to 30 days and our trade payables are non-interest-bearing.

Our trade payables decreased by RMB0.3 million, from RMB0.7 million as at 31 December 2019 to RMB0.4 million as at 31 December 2020, as certain balances of trade payables incurred at the year end of 2019 were settled in 2020.

Our trade payables increased by RMB1.8 million, from RMB0.4 million as at 31 December 2020 to RMB2.2 million as at 31 December 2021, primarily due to our increase in procurement of raw materials in anticipation of higher product demand.

Our trade payables decreased by RMB1.4 million from RMB2.2 million as at 31 December 2021 to RMB0.8 million as at 31 May 2022 as certain balances of trade payables incurred at the year end of 2021 were settled in 5M2022.

The table below sets out the average trade payables turnover days for the years/period indicated:

	FY2019	FY2020	FY2021	5M2022
Average trade payables turnover days *(Note)*	22	12	15	23

Note: Average trade payable turnover days were calculated as the average of the beginning and ending trade payables balances of the respective year divided by cost of sales of the respective year/period and multiplied by 365 days for FY2019, FY2020 and FY2021 and by 151 days for 5M2022.

Since 2019, our main suppliers included suppliers of direct raw materials for production of our proprietary MWA medical devices. Such suppliers generally granted us a credit period of 30 days. Our average trade payable turnover days remained stable for FY2019, FY2020, FY2021 and 5M2022 at 22 days, 12 days, 15 days and 23 days, respectively, all of which were within the credit period our suppliers granted to us.

As at the Latest Practicable Date, RMB0.6 million, or 75.0% of our trade payables as at 31 May 2022 has been settled.

The following table sets forth the ageing analysis of trade payables based on the invoice date as at the dates indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	604	216	2,049	624
91 to 180 days	84	133	29	44
181 to 365 days	–	–	78	79
Over 1 year	10	50	12	68
Total	698	399	2,168	815

Other payables and accruals

Our other payables and accruals consisted of (i) accrued salaries and allowance; (ii) accrued expenses; (iii) accrued Listing expenses; (iv) other payables; and (v) withholding tax payable.

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued salaries and allowance	4,644	4,522	4,383	3,505
Accrued expenses	8,822	68	189	535
Accrued Listing expenses	–	4,561	3,626	3,535
Other payables	15,697	18,574	5,761	7,306
Withholding tax payable	–	–	6,745	6,786
	29,163	27,725	20,704	21,667

Other payables and accruals decreased by RMB1.5 million from RMB29.2 million as at 31 December 2019 to RMB27.7 million as at 31 December 2020. The decrease was mainly due to the (i) decrease in accrued expenses by RMB8.8 million as a result of the settlement of our accrued meeting expenses; and (ii) settlement of consideration payable to the vendor of Nanjing Changcheng amounting to RMB12.9 million in relation to the acquisition of Nanjing

Changcheng, partially offset by an increase in accrued Listing expenses of RMB4.6 million and the payable of RMB13.3 million in relation to our Reorganisation.

Other payables and accruals decreased from RMB27.7 million as at 31 December 2020 to RMB20.7 million as at 31 December 2021, which was mainly attributable to (i) the decrease in other payables by RMB12.8 million due to the decrease of the payable of RMB12.7 million in relation to the Reorganisation; and (ii) the decrease in accrued Listing expenses by RMB1.0 million; partially offset by increase in withholding tax payable in relation to Repurchase of Shares by RMB6.7 million.

Other payables and accruals remained relatively stable at RMB20.7 million as at 31 December 2021 and RMB21.7 million as at 31 May 2022.

Contract liabilities

Contract liabilities represent our obligations to provide the contracted products to customers. Our contract liabilities mainly arise from the advance payment or deposits made by customers before our Group provides the underlying products. We require a prepayment for sales from some of our customers. This will give rise to contract liabilities at the start of a contract, until the revenue recognised on the contract exceeds the amount of the prepayment received or advance payments from customers.

Our contract liabilities remained relatively stable at RMB5.1 million, RMB4.1 million and RMB3.8 million as at 31 December 2020, 31 December 2021 and 31 May 2022, respectively.

These amounts represent revenue expected to be recognised in the future. Our Group will recognise the expected revenue in future when performance obligation is completed, which is expected to occur in one to two years.

The following tables set forth the movement in contract liabilities as at the dates indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year	4,635	6,884	5,089	4,067
Increase in contract liabilities as a result of receiving advances from customers	4,656	2,829	1,820	204
Decrease in contract liabilities as a result of recognising revenue or loss during the year	(2,407)	(4,624)	(2,842)	(472)
Contract liabilities	6,884	5,089	4,067	3,799

NET CURRENT ASSETS AND LIABILITIES

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

	As at 31 December			As at 31 May	As at 31 July
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	4,940	5,288	10,635	11,456	9,327
Trade receivables	31,747	53,725	78,483	84,309	85,679
Contract assets	–	–	621	–	–
Prepayments, deposits and other receivables	19,018	19,192	26,768	57,392	48,696
Amounts due from shareholders	–	–	2,212	1,840	1,905
Current tax assets	3,110	–	2,795	2,029	82
Cash and cash equivalents	1,535	6,993	20,820	24,090	35,293
	60,350	85,198	142,334	181,116	180,982
Current liabilities					
Trade payables	698	399	2,168	815	1,157
Other payables and accruals	29,163	27,725	20,704	21,667	23,083
Bank borrowings	–	9,000	13,000	28,000	38,000
Lease liabilities	1,080	4,090	2,369	1,997	3,885
Contract liabilities	6,884	5,089	4,067	3,799	4,018
Convertible loans	182,864	4,572	–	–	–
Convertible redeemable preference shares	–	–	87,300	94,000	96,000
Amounts due to a director	249	–	–	–	–
Amounts due to a shareholder	12,467	2,417	–	–	–
Current tax liabilities	593	7,104	2,664	1,748	1,681
	233,998	60,396	132,272	152,026	167,824
Net current (liabilities)/assets	(173,648)	24,802	10,062	29,090	13,158

We recorded net current liabilities of RMB173.6 million as at 31 December 2019, net current assets of RMB24.8 million, RMB10.1 million, RMB29.1 million and RMB13.2 million as at 31 December 2020, 31 December 2021, 31 May 2022 and 31 July 2022, respectively.

Our net current liabilities position as at 31 December 2019 turned into net current assets of RMB24.8 million as at 31 December 2020, primarily attributable to (i) an increase in trade receivables; (ii) a significant decrease in the balance of Convertible Loans of RMB178.3 million due to exercise of conversion option in FY2020; and (iii) a decrease in the amounts due to a shareholder.

Our net current assets decreased from RMB24.8 million as at 31 December 2020 to RMB10.1 million as at 31 December 2021, primarily attributable to the issuance of Convertible Redeemable Preference Shares in FY2021 and partially offset by (i) an increase in trade receivables; (ii) an increase in prepayment, deposits and other receivables; (iii) an increase in cash and cash equivalents; (iv) a decrease in the balance of Convertible Loans; and (v) a decrease in other payables and accruals; and (vi) a decrease in current tax liabilities.

Our net current assets increased from RMB10.1 million as at 31 December 2021 to RMB29.1 million as at 31 May 2022, primarily attributable to the increase of prepayments, deposits and other receivables, and partially offset by the increase of bank borrowings.

Our net current assets decreased from RMB29.1 million as at 31 May 2022 to RMB13.2 million as at 31 July 2022, primarily attributable to the decrease of prepayments, deposits and other receivables and the increase of bank borrowings, and partially offset by the increase of cash and cash equivalents.

INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the dates indicated.

	As at 31 December			As at 31 May	As at 31 July
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Non-current					
Lease liabilities	4,821	6,360	2,832	2,090	3,107
Current					
Bank borrowings	–	9,000	13,000	28,000	38,000
Lease liabilities	1,080	4,090	2,369	1,997	3,885
Convertible loans	182,864	4,572	–	–	–
Convertible redeemable preference shares	–	–	87,300	94,000	96,000
Amounts due to a director	249	–	–	–	–
Amounts due to a shareholder	12,467	2,417	–	–	–
	196,660	20,079	102,669	123,997	137,885
	201,481	26,439	105,501	126,087	140,992

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 July 2022 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, save for the unutilised banking facilities, we did not have any immediate plan for additional material external debt financing.

Convertible Loans

In 2018, Baide Suzhou, entered into the Series A Investment Agreements with the Series A Investors for issuing the Convertible Loans with aggregated principal amount of RMB34,856,000 with a conversion option to convert the Convertible Loans into the shares of Baide Suzhou up to an aggregate amount of RMB10,754,000. The conversion options associated with the Convertible Loans had been converted in full in FY2020 and the Convertible Loan has been repaid in full in FY2021. Accordingly, as at 31 July 2022, the non-current and current liabilities relating to the Convertible Loans of our Group was nil and nil, respectively.

For details, please refer to Note 31 of the Accountants' Report set out in Appendix I to this prospectus.

Convertible Redeemable Preference Shares

On 30 June 2021, the Series C Investors entered into the Series C Investment Agreement, pursuant to which the Series C Investors subscribed for an aggregate of 1,269,500 Preference Shares at an aggregate subscription consideration of RMB94.4 million. The subscription consideration was fully settled in cash and the Preference Shares were issued on 5 July 2021. All of the issued and outstanding Preference Shares shall be automatically converted into such number of ordinary Shares no later than the date immediately before the date on which the Listing of the Shares commence on a recognised stock exchange pursuant to a Qualified IPO.

We designated the Preference Shares as financial liabilities at fair value through profit or loss. We applied the discounted cash flow method to determine our underlying equity value and adopted option-pricing method and equity allocation model to determine the fair value of the Preference Shares. The outstanding Preference Shares amounted to RMB96.0 million as at 31 July 2022. For details, please refer to Note 32 of the Accountants' Report set out in Appendix I to this prospectus.

Bank borrowings

As at 31 December 2019, 2020 and 2021, 31 May 2022 and 31 July 2022, our Group had bank borrowings of nil, RMB9.0 million, RMB13.0 million, RMB28.0 million and RMB38.0 million, respectively.

Our bank borrowings during the Track Record Period were primarily used to supplement our working capital. As at 31 December 2020 and 2021, 31 May 2022 and 31 July 2022, bank borrowings bear interest at effective interest rates of 4.35%, 4.35%, 4.35% and ranged from 2.71% to 4.35% per annum, respectively. Certain bank borrowings were guaranteed by corporate guarantee provided by our Group's subsidiaries in the PRC. For more details, please see Note 28 of the Accountants' Report as set out in Appendix I to this prospectus. As at 31 July 2022, the outstanding balance of our bank borrowings was RMB38.0 million, and will mature within one year. We primarily used the proceeds of our bank borrowings for our daily operations.

As at 31 July 2022, the latest practicable date for the purpose of indebtedness statement of this prospectus, we had unutilised banking facilities of RMB50.0 million.

Our Directors confirm that we did not have any material default in payment of bank borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors have confirmed that there was no material covenant on any of our outstanding debt that would materially limit our ability to undertake additional debt or equity financing and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not experience any difficulty in obtaining bank loans.

Lease liabilities

Our lease liabilities are related to the properties we lease for operations, which mainly include our offices and production plants.

Our lease liabilities amounted to RMB5.9 million, RMB10.5 million, RMB5.2 million, RMB4.1 million and RMB7.0 million as at 31 December 2019, 2020 and 2021, 31 May 2022 and 31 July 2022, respectively.

Our lease liabilities increased by RMB4.6 million from RMB5.9 million as at 31 December 2019 to RMB10.5 million as at 31 December 2020 primarily due to a tenancy agreement we entered into in relation to the Nanjing Plant 2.

Our lease liabilities decreased by RMB5.3 million from RMB10.5 million as at 31 December 2020 to RMB5.2 million as at 31 December 2021 and further decreased to RMB4.1 million as at 31 May 2022, reflecting mainly the lease payments during the periods.

Our lease liabilities increased by RMB2.9 million from RMB4.1 million as at 31 May 2022 to RMB7.0 million as at 31 July 2022 primarily due to renewal of tenancy agreement we entered into in relation to the Suzhou Plant.

For further information regarding our lease liabilities, please refer to Note 29 to the Accountants' Report in Appendix I to this prospectus.

Amounts due to a director

The amounts due to a director represented an amount due to Ms. Qiu, which amounted to RMB0.2 million, nil, nil, nil and nil as at 31 December 2019, 2020 and 2021, 31 May 2022 and 31 July 2022.

The amount of RMB0.2 million due to Ms. Qiu as at 31 December 2019 was related to certain expenses paid by Ms. Qiu on behalf of our Group in relation to our operating expenses, which was fully settled as at 31 December 2020 and 2021, 31 May 2022 and 31 July 2022.

During the Track Record Period, all of the balance owed to a director was non-trade in nature, unsecured, interest-free and repayable on demand. All of such balance owed will be settled before Listing. For further details, please refer to Note 24 of the Accountants' Report as set out in Appendix I to this prospectus.

Amounts due to a shareholder

The amounts due to a shareholder represented an amount due to Ms. Wu, our Controlling Shareholder, which amounted to RMB12.5 million, RMB2.4 million, nil, nil and nil as at 31 December 2019, 2020 and 2021, 31 May 2022 and 31 July 2022.

The amount of RMB12.5 million due to Ms. Wu as at 31 December 2019 were related to certain expenses paid by Ms. Wu on behalf of our Group. Such balance decreased to RMB2.4 million in 31 December 2020 due to our repayment made during the year, and such balance was fully settled as at 31 December 2021, 31 May 2022 and 31 July 2022.

During the Track Record Period, all of the amounts due to a shareholder was non-trade in nature, unsecured, interest-free and repayable on demand. All of such balance owed will be settled before Listing. For further details, please refer to Note 24 of the Accountants' Report as set out in Appendix I to this prospectus.

Contingent liabilities and other indebtedness

Save as disclosed in the paragraph headed "Indebtedness" in this section, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, or other similar indebtedness, or hire purchase commitments, liabilities under acceptances or acceptance credits, any guarantees or other material contingent liabilities.

We are not currently involved in any material legal, arbitration or administrative proceedings that if adversely determined, would materially and adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

Our Directors have confirmed that except as disclosed in this prospectus, there has not been any material changes in our indebtedness or contingent liabilities since the Latest Practicable Date.

CAPITAL COMMITMENTS

Our capital expenditures during the Track Record Period were primarily related to purchases of property, plant and equipment that had been contracted but not provided for. As at 31 December 2019, 2020 and 2021 and 31 May 2022, our Group had outstanding capital commitments on property, plant and equipment of RMB2.8 million, RMB0.8 million, nil and RMB1.0 million, respectively. For further details of our capital commitments, please refer to Note 37 of the Accountants' Report as set out in Appendix I to this prospectus.

MAJOR FINANCIAL RATIOS

The table below sets forth our major financial ratios as at the dates and for the periods indicated:

	Year ended/As at 31 December			Five months ended/As at 31 May
	2019	2020	2021	2022
Profitability Ratio:				
Gross profit margin *(Note 1)*	89.4%	86.1%	83.1%	84.8%
Net profit margin *(Note 2)*	N/A	39.5%	39.7%	33.2%
Return on assets *(Note 3)*	N/A	42.0%	45.1%	N/A *(Note 9)*
Return on equity *(Note 4)*	N/A	105.8%	243.0%	N/A *(Note 9)*
Liquidity Ratio:				
Current ratio *(Note 5)*	0.3 times	1.4 times	1.1 times	1.2 times
Quick ratio *(Note 6)*	0.2 times	1.3 times	1.0 times	1.1 times
Solvency Ratio:				
Interest coverage ratio *(Note 7)*	N/A	60.4	94.3	48.4
Gearing ratio *(Note 8)*	346.6%	36.0%	76.1%	69.7%

Notes:

1. Gross profit margin = gross profit for the year ÷ revenue × 100%
2. Net profit margin = profit for the year ÷ revenue × 100%
3. Return on assets = profit for the year ÷ total assets × 100%
4. Return on equity = profit for the year ÷ total equity × 100%
5. Current ratio = total current assets ÷ total current liabilities
6. Quick ratio = (total current assets – inventories) ÷ total current liabilities
7. Interest coverage ratio = profit before interest expenses and income tax expense ÷ interest expenses
8. Gearing ratio = total debts ÷ (equity attributable to the owners + total debt) × 100%. Total debts include lease liabilities, convertible loans, other payables with interest bearing, convertible redeemable preference shares, amounts due to a director, amounts due to a shareholder and bank borrowings.
9. Such ratio is not meaningful as it is not comparable to annual numbers.

Gross profit margin

We recorded gross profit margin of 89.4%, 86.1%, 83.1% and 84.8% for FY2019, FY2020, FY2021 and 5M2022, respectively. For details on our gross profit margin, please refer to "Description of certain components of our consolidated statements of profit or loss and other comprehensive income" in this section.

Net profit margin

Net profit margin was not applicable for FY2019 as we recorded net loss for the year. We turned from net loss position for FY2019 to net profit margin of 39.5% for FY2020, primarily attributable to the continuous growth of our business scale and the increase in our revenue. Our net profit margin maintained relatively stable from 39.5% in FY2020 to 39.7% in FY2021. Our net profit margin slightly decreased to 33.2% for 5M2022, which was mainly due to the fair value changes on Convertible Redeemable Preference Shares and increase in selling and distribution expenses for 5M2022.

Return on assets

Return on assets was not applicable for FY2019 as we recorded net loss for the year. Our return on assets amounted to 42.0% and 45.1% for FY2020 and FY2021 respectively, which is in line with our business growth during the Track Record Period.

Return on equity

Return on equity was not applicable for FY2019 as we recorded net loss for the year. We recorded return on equity of 105.8% and 243.0% for FY2020 and FY2021 respectively, the increase in return on equity in FY2021 was primarily attributable to the increase in our net profit, our Repurchase of Shares and the distribution of RMB35.0 million of dividends in FY2021.

Current ratio

We recorded current ratio of 0.3 times, 1.4 times, 1.1 times and 1.2 times as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. Our current ratio increased from 0.3 times as at 31 December 2019 to 1.4 times as at 31 December 2020, primarily as a result of the decrease in the balance of the Convertible Loans due to exercise of conversion option in FY2020. Our current ratio decreased from 1.4 times as at 31 December 2020 to 1.1 times as at 31 December 2021 mainly due to the issuance of Convertible Redeemable Preference Shares in FY2021 and partly offset by (i) an increase in prepayments, deposits and other receivables; (ii) an increase in trade receivables which is in line with the increase in revenue for FY2021; and (iii) an increase in cash and cash equivalents. Our current ratio remained relatively stable at 1.1 times as at 31 December 2021 and 1.2 times as at 31 May 2022.

Quick ratio

Our quick ratio increased from 0.2 times as at 31 December 2019 to 1.3 times for as at 31 December 2020, decreased to 1.0 times as at 31 December 2021, and slightly increased to 1.1 times as at 31 May 2022. The trend of our quick ratio was generally in line with that of our current ratio as disclosed above.

Interest coverage ratio

Our interest coverage ratio was not applicable for FY2019 as we recorded loss before interest and tax for the year. Our interest coverage ratio increased from 60.4 for FY2020 to 94.3 for FY2021 due to increase in profit before interest expenses and income tax expenses. Our interest coverage ratio decreased to 48.4 for 5M2022 mainly due to the increase in bank borrowings resulting in the increase in interest expenses during the period.

Gearing ratio

We recorded gearing ratio of 346.6%, 36.0%, 76.1% and 69.7% as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. Our gearing ratio decreased from 346.6% as at 31 December 2019 to 36.0% as at 31 December 2020 as a result of the decrease in the balance of the Convertible Loans due to exercise of conversion option in FY2020. Our gearing ratio increased from 36.0% as at 31 December 2020 to 76.1% as at 31 December 2021, mainly due to the issuance of Convertible Redeemable Preference Shares in FY2021. Our gearing ratio decreased from 76.1% as at 31 December 2021 to 69.7% as at 31 May 2022, mainly due to the increase of equity attributable to the owners of our Group.

WORKING CAPITAL

Taking into account the financial resources available to us, including the internally generated funds, available credit facilities and net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital for the present requirements and for at least the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group did not have any related party transactions.

OFF-BALANCE SHEET TRANSACTIONS

Our Group has not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

DIVIDEND

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that it may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the Memorandum and Articles of Association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy. During the Track Record Period, we declared dividends of RMB35.0 million for FY2021 and the full amount of which had been paid.

DISTRIBUTABLE RESERVES

As at 31 May 2022, we did not have any distributable reserves.

LISTING EXPENSES

The total estimated Listing expenses primarily consist of underwriting commission in addition to the professional fees paid to the Joint Sponsors, legal advisers and the reporting accountants for their services rendered in relation to the Global Offering.

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.56, being the mid-point of our indicative price range for the Global Offering, the total Listing expenses is estimated to be RMB76.5 million (equivalent to HK$86.7 million) (including underwriting commission), representing approximately 22.4% of gross proceeds of approximately RMB341.6 million, among the Listing expenses, RMB30.0 million (equivalent to HK$34.0 million) is directly attributable to the issue of the Offer Shares in the Global Offering and is expected to be accounted for as a deduction from equity upon Listing in accordance with relevant accounting standards. The remaining expenses of RMB46.5 million (equivalent to HK$52.7 million) were or are expected to be charged as expenses to our consolidated statements of profit or loss, of which RMB5.0 million (equivalent to HK$5.7 million), RMB15.9 million (equivalent to HK$18.0 million) and RMB2.6 million (equivalent to HK$2.9 million) was charged for FY2020, FY2021 and 5M2022, respectively, while the balance of RMB23.0 million (equivalent to HK$26.1 million) is expected to be charged in the remaining months of FY2022. The above total Listing expenses are the latest practicable estimates and for reference only. The final amount to be recognised may differ from these estimates.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The main risk arising from our financial instruments are credit risk and liquidity risk. As our exposure to these risks is kept to minimum, we have not used any derivatives and other instruments for hedging purposes. We do not hold or issue derivative financial instruments for

trading purposes. Our Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, contract assets and financial assets included in prepayments, other receivables and other assets represent our Group's maximum exposure to credit risk in relation to financial assets. Substantially all of our Group's cash and cash equivalents, pledged deposits are held in financial institutions located in the PRC, which our Directors believe are of high credit quality. Our Group has policies to control the size of the deposits to be placed with various financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

Our Company trades only with customers with no requirement for collateral. It is our Group's policy that all hospitals, distributors and deliverers who trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant.

Our Company has concentration of credit risk with respect to trade receivables and contract assets. The carrying amount of the trade receivables and contract assets represents our Company's maximum exposure to credit risk in relation to such financial assets. Our Company has policies to ensure that sales are made to hospitals and distributors with an appropriate credit history, and through deliverers with an appropriate credit history.

The credit risk of our Company's other financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Our Group actively manages cash inflows from operations so as to ensure our Group's operating, investing and financing needs are met. Our Group primarily maintains liquidity by monitoring the realisation of receivables.

Liquidity risk

In management of the liquidity risk, our Group monitors and maintains levels of cash and cash equivalents deemed adequate by our Directors to finance our Group's operations and mitigate the effects of fluctuations in cash flows in the short and long term. For further details, please refer to Note 41 of the Accountants' Report as set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For further details, please refer to "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, after performing all the due diligence work which the Directors consider appropriate, since 31 May 2022 and up to the date of this prospectus, (i) there has been no material adverse change in the operation or financial position or prospects of our Group; and (ii) no event has occurred that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

Please refer to "Business – Business strategies" in this prospectus for a detailed description of our future plans and strategies.

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$1.56 per Share, being the mid-point of the indicative range of the Offer Price of HK$1.40 to HK$1.72 per Share, and assuming the Over-allotment Option is not exercised) will be HK$300.2 million (equivalent to RMB265.1 million). Our Directors intend to apply the net proceeds from the Global Offering as follows:

(1) HK$123.1 million (equivalent to RMB108.7 million), representing 41.0% of the net proceeds, will be used for broadening and deepening our product portfolio, upgrading our medical licences, and expanding our R&D team, among which,

   (i) HK$26.6 million (equivalent to approximately RMB23.5 million), representing 8.9% of the net proceeds, will be used to finance the application for FDA registration and CE Marks respectively for our MWA medical devices;

   (ii) HK$54.9 million (equivalent to approximately RMB48.5 million), representing 18.3% of the net proceeds, will be used to expand the indication coverage of our Class III medical device registration certificate to other diseases and our product offering as follows:

   Expansion of indication coverage of our Class III medical device registration certificate to other diseases

Pulmonary nodules	:	HK$14.6 million (equivalent to approximately RMB12.9 million) mainly for clinical trial and NMPA registration
Varicose veins	:	HK$11.3 million (equivalent to approximately RMB10.0 million) mainly for clinical trial and NMPA registration
Bone tumours	:	HK$8.8 million (equivalent to approximately RMB7.8 million) mainly for clinical trial and NMPA registration
Uterine fibroid	:	HK$5.7 million (equivalent to approximately RMB5.0 million) mainly for clinical trial and NMPA registration

Prostate cancer	:	HK$6.2 million (equivalent to approximately RMB5.5 million) mainly for clinical trial and NMPA registration
Other diseases	:	HK$5.7 million (equivalent to approximately RMB5.0 million) mainly for clinical trial and NMPA registration

Expansion of our product offering

MWA-ultrasound integrated therapeutic apparatus	:	HK$2.6 million (equivalent to approximately RMB2.3 million) mainly for pre-clinical R&D, prototype manufacturing, product registration testing, clinical trial and NMPA registration

(iii) HK$25.9 million (equivalent to approximately RMB22.9 million), representing 8.6% of the net proceeds, will be used to finance the study and R&D of MWA intelligence; and

(iv) HK$15.7 million (equivalent to approximately RMB13.8 million), representing 5.2% of the net proceeds, will be used to finance our expansion of R&D team at different levels.

(2) HK$114.0 million (equivalent to RMB100.8 million), representing 38.0% of the net proceeds, will be used for selectively pursuing strategic acquisitions, investment or synergistic business cooperation opportunities that could complement our existing product portfolio, sales and distribution network, technology and bring synergy effect to our business growth, including:

- companies that offer laser ablation products and technologies which potentially enable us to laterally expand our product offering particularly to the treatment of prostate cancer and brain cancer;
- companies that offer MWA products and technologies which potentially enable us to laterally expand and/or upgrade our product offering;
- companies that offer microbubble ultrasound cavitation enhanced MWA products and technologies which potentially enable us to upgrade our product offering to improve the efficiency of the treatment of hepatocellular carcinoma (the most common type of primary liver cancer); and
- companies that focus on the development of AI and/or are in possession of the relevant products and technologies which potentially enable us to develop AI robotic surgery assistance which provide precision in the MWA or other ablation clinical application;

(3) HK$24.0 million (equivalent to RMB21.2 million), representing 8.0% of the net proceeds, will be used for expanding our presence in foreign and emerging markets by setting up overseas offices;

(4) HK$9.1 million (equivalent to RMB8.0 million), representing 3.0% of the net proceeds, will be used for acquiring automated machineries and equipment to improve the automation level of our production lines; and

(5) the remaining balance of HK$30.0 million (equivalent to RMB26.4 million), representing 10.0% of the net proceeds, will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK$1.72 per Share, the net proceeds we receive from the Global Offering will increase by HK$36.9 million. We intend to apply the additional net proceeds pro-rata to the abovementioned purposes. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK$1.40 per Share, the net proceeds we receive from the Global Offering will decrease by HK$36.9 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us will be HK$54.0 million, after deducting underwriting fees and estimated expenses payable by it, assuming an Offer Price of HK$1.56 per Share, being the mid-point of the indicative range of the Offer Price. Any additional proceeds received by us from the exercise of the Over-allotment Option will be applied pro-rata to the abovementioned purposes.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will apply the net proceeds into short-term interest bearing accounts and/or money market instruments with authorised financial institutions and/or licensed banks in Hong Kong or the PRC.

HONG KONG UNDERWRITERS

BOCI Asia Limited
Zhongtai International Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Cinda International Capital Limited
Huatai Financial Holdings (Hong Kong) Limited
Eddid Securities and Futures Limited
China Everbright Securities (HK) Limited
Guosen Securities (HK) Capital Company Limited
China Industrial Securities International Capital Limited
Valuable Capital Limited
ZMF Asset Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 21 September 2022. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 24,800,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the **GREEN** Application Form.

Subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe, or procure subscriptions for, their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) are entitled to terminate the Hong Kong Underwriting Agreement by giving written notice at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") to our Company if any of the following events shall occur prior to the Termination Time:

(a) there comes to the notice of any of the Joint Sponsors, the Joint Global Coordinators or the Hong Kong Underwriters:

    (i) that any statement contained in any of this prospectus, the Application Form and the formal notice required to be published in connection with the Hong Kong Public Offering in accordance with the Listing Rules (collectively, the "**Hong**

Kong Public Offering Documents") was, when it was issued, or has become or been discovered to be untrue, incorrect, inaccurate, incomplete in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents is not fair or honest in any material respect or based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), a material omission in any of the Hong Kong Public Offering Documents in the context of the Global Offering; or

(iii) any breach of any of the obligations imposed on any party to the Hong Kong Underwriting Agreement (other than those undertaken by the Joint Sponsors and/or any of the Hong Kong Underwriters) which, in any such case, is considered, in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), to be material and adverse in the context of the Global Offering; or

(iv) any event, act or omission which gives or could reasonably be expected to give rise to any material liability of our Company or any of our executive Directors and the Controlling Shareholders arising out of or in connection with any representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement; or

(v) any contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Companies Act or the Listing Rules which has resulted in or would result in a Material Adverse Change (as defined below); or

(vi) any material contravention by any member of our Group of, or non-compliance of any of the Hong Kong Public Offering Documents or any aspect of the Global Offering with, the Listing Rules or applicable laws; or

(vii) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, management, prospects, shareholders' equity, results of operations, or financial or trading position or condition of our Group taken as a whole (the "**Material Adverse Change**"); or

(viii) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company or any of our executive Directors and the Controlling Shareholders set out in the Hong Kong Underwriting Agreement; or

(ix) approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(x) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(xi) any expert (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in this prospectus or to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be); or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic (including without limitation SARS, MERS, COVID-19, H5N1, H1N1, swine or avian influenza or such related/mutated forms but excluding such outbreak of diseases, epidemics or pandemics in forms subsisting as of the date of this Agreement which have not materially escalated thereafter), outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof), or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of our Company or generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, Singapore, the Cayman Islands, New York (imposed at Federal or New York State level or by any other competent authority), London, or the European Union (or any member thereof), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(viii) any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman of the Board and/or chief executive officer of our Company vacating their offices; or

(x) an authority in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or

(xi) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xiv) any materialisation of any of the risks set out in "Risk Factors" in this prospectus or the occurrence of any such events therein; or

(xv) an order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will have or could reasonably be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or could reasonably be expected to have a material adverse effect on the success of the Global Offering as a whole, or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or could reasonably be expected to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or could reasonably be expected to have the effect of making any part of the Hong Kong Underwriting Agreement (including the underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Global Offering (including the exercise of the Over-allotment Option and the exercise of any options granted under the Pre-IPO Share Option Scheme) or in certain circumstances prescribed by Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option and the exercise of any options granted under the Pre-IPO Share Option Scheme) and the Stock Borrowing Agreement, she/it shall not, and shall procure that the relevant registered holder(s) of our Shares will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities of our Company in respect of which she/it is shown by this prospectus to be the beneficial owner; or

(ii) in the period of a further six months commencing on the date on which the period referred to (i) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities of our Company referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Note (2) to Rule 10.07(2) of the Listing Rules provides that the rule does not prevent our Controlling Shareholders from using the Shares beneficially owned by she/it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

In addition, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that she/it shall, within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months from the Listing Date (the "**Lock-up Period**"), she/it will:

(a) when she/it pledges or charges any of our Shares or securities of our Company beneficially owned by her/it in favour of any authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) (the "**Banking Ordinance**") pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of such Shares or securities of our Company so pledged or charged; and

(b) when she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Each of our Controlling Shareholders has provided further lock-up undertakings to each of our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters. Please refer to "Underwriting arrangements and expenses – Undertakings pursuant to the Hong Kong Underwriting Agreement – Undertakings by our Controlling Shareholders" in this section for details.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to and covenanted with each of the Joint Sponsors, the Joint Global Coordinators, and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and subject always to the requirements of the Stock Exchange, save for the offer and sale of the Offer Shares, the Capitalisation Issue, the grant of the Over-allotment Option, the issue of Shares upon the exercise of any options under the Pre-IPO Share Option Scheme, the issue of up to 37,200,000 additional new Shares upon the exercise of the Over-allotment Option, the issue of any Shares which may fall to be issued by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum and Articles of Association or any consolidation, sub-division or capital reduction of the Shares, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including the date that is six months after the Listing Date (the "**First Six-Month Period**"), we shall not:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any encumbrance over, or agree to transfer or dispose of or create any encumbrance over, either directly or indirectly, conditionally or unconditionally, any

Shares or any securities of our Company or any shares or other securities of such other Group company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable, with a depositary in connection with the issue of depositary receipts, or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group company, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i) or (ii) or (iii) above,

in each case, whether any of the transactions specified in (i) or (ii) or (iii) or (iv) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group company, as applicable, or in cash or otherwise, at any time during the First Six Month Period. If, during the period of six months commencing on the date on which the First Six-Month Period expires, our Company enters into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create any disorderly or false market in the Shares or any other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that, save as (i) pursuant to the Global Offering (including the Over-allotment Option) or the Stock

Borrowing Agreement; (ii) pursuant to the exercise of any options under the Pre-IPO Share Option Scheme; or (iii) permitted under the Listing Rules:

(i) she/it shall not, at any time during the Lock-up Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrance over, or agree to transfer or dispose of or create any encumbrance over (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)), either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible or exchangeable into or exercisable for, or that represents the right to receive, or any warrants or other rights to purchase, any such Shares or other securities of our Company or any interest therein) beneficially owned by her/it directly or indirectly through her/its controlled entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or (c) enter into or effect any transaction with the same economic effect as any transaction referred to (a) or (b) above; or (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in (a), (b) or (c) above, whether any of the foregoing transactions referred to in (a), (b), (c) or (d) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not any such arrangement or transaction will be completed within the Lock-up Period), provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (other than any Shares returned under the Stock Borrowing Agreement) and provided further that any such acquisition or disposal would not result in any breach of Rule 8.08 of the Listing Rules; and

(ii) until the expiry of the Lock-up Period, in the event that she/it enters into any of the transactions referred to sub-paragraph (i)(a), (b) or (c) above, or offers to or agrees to or announces any intention to effect any such transaction, she/it will take all reasonable steps to ensure that such a transaction will not create a disorderly or false market in the Shares or any other securities of the Company; and

(iii) she/it shall comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by her/it or by the registered holder(s) of the Shares or any other securities of our Company.

(iv) without prejudice to the undertakings as referred to in paragraph (i) above, at any time during the Lock-up Period, she/it will:

(a) when she/it pledges or charges or otherwise create any rights or encumbrances over any Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in writing of such pledge or charge or creation of the rights or encumbrances together with the number of the securities so pledged or charged and all other information as requested by our Company, the Joint Sponsors and/or the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters); and

(b) subsequent to the pledge or charge or creation of rights or encumbrances over the Relevant Securities as mentioned in sub-paragraph (a) above, when she/it receives any indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (a) above will be sold, transferred or disposed of, immediately inform us, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in writing of such indication(s).

Undertakings by the Series A Investors, the Series B Investors, and the Series C Investors

Each of the Series A Investors, the Series B Investors, and the Series C Investors has entered into a lock-up undertaking (the "**Lock-up Undertakings**") in favour of our Company and the Joint Global Coordinators. Pursuant to the Lock-up Undertakings, (i) each of the Series A Investors and the Series B Investors is subject to lock-up arrangements for a period of twelve (12) months from the Listing Date; and (ii) each of the Series C Investors is subject to lock-up arrangements for a period of six (6) months from the Listing Date.

Hong Kong Underwriters' interests in our Company

Save for their interests and obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

Independence of the Joint Sponsors

Immediately after the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme), BOCI Investment Limited will hold approximately 7.03% of the total number of issued shares of the Company.

BOCI Asia Limited, one of the Joint Sponsors, and BOCI Investment Limited, are both directly owned by BOC International Holdings Limited, and shall be seen as a sponsor group pursuant to Rule 3A.01(9) of the Listing Rules. As the sponsor group will hold more than 5% of the number of issued shares of the Company, BOCI Asia Limited is not an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. In addition, our non-executive Director, Ms. Liu Jiayi, was appointed by BOCI Investment Limited pursuant to the Series C Investment Agreement and the Series C Shareholders Agreement.

The other Joint Sponsor, Zhongtai International Capital Limited, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or purchase the International Placing Shares being offered pursuant to the International Placing or procure subscribers to subscribe for or purchasers to purchase such International Placing Shares.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until the date which is 30 days from the last date of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to and not more than 37,200,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover, among others, over-allocations in the International Placing.

Underwriting commission and expenses

Under the terms and conditions of the Underwriting Agreements, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) our Company shall pay or caused to be paid to an underwriting commission, in Hong Kong dollars, at the rate of 5.0% of the aggregate final Offer Price in respect of all of the Offer Shares ((including both the Hong Kong Offer Shares and the International Placing Shares (taking into account the maximum number of Shares that can be issued under the Over-allotment Option, regardless of whether

such option is exercised in full, in part or at all)). In addition, we may, at our sole and absolute discretion, pay to the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) an incentive fee, in Hong Kong dollars, of up to 2.0% of the aggregate final Offer Price in respect of all of the Hong Kong Offer Shares, such amount to be allocated to or among one or more of the Hong Kong Underwriter(s), and accordingly retained in full or in part and/or paid to the other Hong Kong Underwriter(s) by the Joint Global Coordinators, in such a manner as our Company may at our sole and absolute discretion determine.

Assuming the Over-allotment Option is not exercised at all, the aggregate commission and discretionary incentive fee payable to the International Underwriters and the Hong Kong Underwriters, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, the FRC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about RMB76.5 million (equivalent to approximately HK$86.7 million) in aggregate (based on an Offer Price of HK$1.56 per Share, being the mid-point of the stated range of the Offer Price between HK$1.40 and HK$1.72 per Share, and on the assumption that the Over-allotment Option is not exercised) is to be borne by our Company.

For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission and discretionary incentive fee at the rate applicable to the International Placing and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

The commissions and fees above were determined after arm's length negotiations between our Company and the Hong Kong Underwriters by reference to the current market conditions.

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company or our Controlling Shareholders of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure and Conditions of the Global Offering" in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 24,800,000 Hong Kong Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed "Hong Kong Public Offering" in this section; and

(ii) the International Placing of 223,200,000 International Placing Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S of the U.S. Securities Act as described in the paragraph headed "International Placing" in this section.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 15.5% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 17.42% of the enlarged issued share capital immediately after completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option in full as set out in the paragraphs headed "Over-allotment Option" in this section.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on Tuesday, 27 September 2022 and in any event, not later than Monday, 3 October 2022.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$1.72 per Offer Share and is expected to be not less than HK$1.40 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Reduction in the Offer Price range and number of Offer Shares

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on Tuesday, 27 September 2022, cause there to be published in on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **baidesz.com** notices of reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regarded to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **baidesz.com** of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the agreement to fix the Offer Price by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares is expected to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **baidesz.com**.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.72 per Offer Share and is expected to be not less than HK$1.40 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$1.72 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee, 0.0027% SFC transaction levy and FRC transaction levy of 0.00015%. That means a total of HK$3,474.67 is payable for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK$1.72 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee, the SFC transaction levy and the FRC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Offer Shares" of this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offering is conditional upon the following:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof;

- the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date; and

- the Offer Price having been determined and the execution of the agreement for such determination on or around the Price Determination Date, in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in "How to Apply for the Hong Kong Offer Shares – 13. Refund of application monies" in this prospectus.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving bank or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offering. A total of initially 248,000,000 Offer Shares will be made available under the Global Offering, of which 223,200,000 International Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 24,800,000 Hong Kong Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters are expected to severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" of this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

INTERNATIONAL PLACING

Our Company is expected to offer initially 223,200,000 International Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Reallocation

The total number of International Placing Shares to be transferred pursuant to the International Placing may change as a result of the clawback arrangement described in the "Hong Kong Public Offering – Reallocation and clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Placing.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offering. Our Company, our Directors, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offering.

The International Placing is expected to be subject to the conditions as stated in the paragraphs headed "Conditions of the Global Offering" in this section.

HONG KONG PUBLIC OFFERING

Our Company is initially offering 24,800,000 Hong Kong Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Hong Kong Public Offering, representing 10% of the total number of Offer Shares being initially offered under the Global Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the Offer Price being agreed on or before Price Determination Date. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK$1.72 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee, a 0.0027% SFC transaction levy and a FRC transaction levy of 0.00015%.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue, such applicant's application under the Hong Kong Public Offering is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 12,400,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK$5 million or less (excluding brokerage, Stock Exchange trading fee, SFC transaction levy and FRC transaction levy thereon). The Hong Kong Offer Shares available in pool B will consist of 12,400,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of more than HK$5 million (excluding brokerage, Stock Exchange trading fee, SFC transaction levy and FRC transaction levy thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. When there is over-subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and clawback

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering is subject to adjustment on the following basis:

(a) Where the International Placing Shares are fully subscribed or oversubscribed:

    (i) if the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deems appropriate;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 24,800,000 Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering may be increased to 49,600,000 Shares, representing 20% of the Offer Shares initially available for subscription under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 49,600,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 74,400,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 74,400,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 99,200,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Global Offering; and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 99,200,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 124,000,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Global Offering;

(b) Where the International Placing Shares are not fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are not fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 24,800,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering may be increased to 49,600,000 Shares, representing 20% of the Offer Shares initially available for subscription under the Global Offering.

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing in the circumstances where (A) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above, or (B) the International Placing Shares are not fully subscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.40 per Offer Share) stated in this prospectus.

In addition, subject to the requirements under Practice Note 18 of the Listing Rules and Guidance Letter HKEX-GL91-18, the Joint Global Coordinators may at their discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be available under the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 49,600,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering) and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.40 per Offer Share).

For reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the number of Offer Shares allocated to the International Placing will correspondingly be reduced and such additional Hong Kong Offer Shares will be allocated equally between pool A and pool B.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is the 30th day after the last date of lodging application under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to allot and issue up to and not more than 37,200,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing, if any. The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may also cover such over-allocations by, among other means,

purchasing Shares in the secondary market or through stock borrowing arrangements with Ms. Wu BVI Entity or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 37,200,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 37,200,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Ms. Wu BVI Entity or through a combination of these means or otherwise. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Stabilising Manager (for itself and on behalf of the Underwriters) may take all or any of the following actions ("**primary stabilising action**") with respect to any Shares during the stabilisation period, which should end on Thursday, 27 October 2022, being the 30th day after the last date for lodging application under the Hong Kong Public Offering:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Stabilising Manager (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:

(a) for the purpose of preventing or minimising any reduction in the market price of the Shares:

(i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

(ii) sell or agree to sell Shares so as to establish a short position in them;

(b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

(c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Stabilising Manager (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Stabilising Manager;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last date for the lodging of applications under the Hong Kong Public Offering on Thursday, 27 October 2022, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 37,200,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilising Manager may borrow up to 37,200,000 Shares from Ms. Wu BVI Entity, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the stock borrowing agreement to be entered into with Ms. Wu BVI Entity.

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed from Ms. Wu BVI Entity will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

- the same number of Shares so borrowed will be returned to Ms. Wu BVI Entity or its nominees (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full; the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to Ms. Wu BVI Entity in relation to such stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 5 October 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 5 October 2022. The Shares will be traded in board lots of 2,000 Shares each under the stock code 6678.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and our website at baidesz.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar Tricor Investor Services Limited, at +852 3907 7333 on the following dates:

Thursday, 22 September 2022 – 9:00 a.m. to 6:00 p.m.
Friday, 23 September 2022 – 9:00 a.m. to 6:00 p.m.
Monday, 26 September 2022 – 9:00 a.m. to 6:00 p.m.
Tuesday, 27 September 2022 – 9:00 a.m. to 12:00 noon

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- apply online via the **HK eIPO White Form** Service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or download at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

- apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **HK eIPO White Form** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant) and (ii) provide a valid e-mail address and a contact telephone number.

If an application is made by a person duly authorised under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions if thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- a close associate of any of the above; and

- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified above, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the Laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
2,000	3,474.67	60,000	104,240.10	600,000	1,042,401.01	6,000,000	10,424,010.12
4,000	6,949.34	70,000	121,613.45	700,000	1,216,134.52	7,000,000	12,161,345.14
6,000	10,424.02	80,000	138,986.81	800,000	1,389,868.01	8,000,000	13,898,680.16
8,000	13,898.68	90,000	156,360.15	900,000	1,563,601.52	9,000,000	15,636,015.18
10,000	17,373.35	100,000	173,733.50	1,000,000	1,737,335.02	10,000,000	17,373,350.20
20,000	34,746.70	200,000	347,467.01	2,000,000	3,474,670.04	12,400,000*	21,542,954.25
30,000	52,120.05	300,000	521,200.50	3,000,000	5,212,005.06		
40,000	69,493.40	400,000	694,934.01	4,000,000	6,949,340.08		
50,000	86,866.75	500,000	868,667.51	5,000,000	8,686,675.10		

* Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING BY USING HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraphs headed "2. Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at **www.hkeipo.hk** or the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or the **IPO App**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 22 September 2022 until 11:30 a.m. on Tuesday, 27 September 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 27 September 2022 or such later time under the paragraphs headed "10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

If you are a nominee, in the box marked "For nominees" you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details.

If you do not include this information, the application will be treated as being made for your benefit.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Joint Sponsors encourage you to utilise this application channel should you desire the Hong Kong Offer Shares to be issued under your own name.

6. APPLYING THROUGH CCASS EIPO SERVICES

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if electronic applications are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- **confirm** that you understand that our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of applying through CCASS EIPO service

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for inputting electronic application instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 22 September 2022 – 9:00 a.m. to 8:30 p.m.
Friday, 23 September 2022 – 8:00 a.m. to 8:30 p.m.
Saturday, 24 September 2022 – 8:00 a.m. to 1:00 p.m.
Monday, 26 September 2022 – 8:00 a.m. to 8:30 p.m.
Tuesday, 27 September 2022 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 22 September 2022 until 12:00 noon on Tuesday, 27 September 2022 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 27 September 2022, the last application day or such later time as described in the paragraphs headed "10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" in this section.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and the Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the Hong Kong Branch Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Register of Members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by our Company and the Hong Kong Branch Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

Our Company and the Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in the "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection with CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 27 September 2022.

8. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$1.72 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Hong Kong Offer Shares, you will pay HK$3,474.67.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in "4. Minimum application amount and permitted numbers" in this section, or as otherwise specified on the designated website at **www.hkeipo.hk** or the **IPO App**.

If your application is successful, brokerage will be paid to the participants of the Sock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to "Structure and Conditions of the Global Offering – Determination of the Offer Price" of this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 27 September 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 27 September 2022 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 3 October 2022 on our Company's website at **baidesz.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **baidesz.com**, and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, 3 October 2022;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult** or from "IPO Results" function in the **IPO App**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 3 October 2022 to 12:00 midnight on Monday, 10 October 2022;

- by telephone enquiry line by calling **(852) 3691 8488**, between 9:00 a.m. and 6:00 p.m. from Monday, 3 October 2022 to Friday, 7 October 2022 (excluding Saturday, Sunday and public holiday in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company, the Joint Global Coordinators, the HK eIPO White Form Service Provider or our or their respective agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and our or their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk** or the **IPO App**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.72 per Offer Share (excluding brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering – Conditions of the Global Offering" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 3 October 2022.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 3 October 2022. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 5 October 2022 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

(b) If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraphs headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 3 October 2022 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 3 October 2022, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 3 October 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 3 October 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraphs headed "11. Publication of results" above on Monday, 3 October 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 3 October 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 3 October 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 3 October 2022.

15. ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

The following is the text of a report, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BETTERS MEDICAL INVESTMENT HOLDINGS LIMITED, BOCI ASIA LIMITED, AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Betters Medical Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-4 to I-100, which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the statements of financial position of the Company as at 31 December 2021 and 31 May 2022 and 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 and the five months ended 31 May 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-100 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 22 September 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting 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 presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2021 and 31 May 2022, the Group's financial position as at 31 December 2019, 2020 and 2021 and 31 May 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2021 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Corresponding Financial Information in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on

Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividend

We refer to Note 13 to the Historical Financial Information which contains information about the dividend declared by the Company's subsidiary and states that no dividend have been declared or paid by the Company in respect of the Track Record Period.

No audited statutory financial statements for the Company

No audited statutory financial statements have been prepared for the Company since its date of incorporation.

BDO Limited
Certified Public Accountants
Ho Yee Man
Practising Certificate no.: P07395
Hong Kong
22 September 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The functional currency of the Company is Hong Kong Dollars ("HK$"). The Historical Financial Information is presented in Renminbi ("RMB") because the main operations of the Group are located in the PRC and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	6	85,029	118,287	188,664	59,605	63,764
Cost of sales		(9,042)	(16,391)	(31,923)	(7,483)	(9,724)
Gross profit		75,987	101,896	156,741	52,122	54,040
Other income and gains	7	5,547	5,568	10,326	2,055	8,763
Selling and distribution expenses		(20,184)	(18,538)	(29,150)	(9,114)	(12,492)
Research and development expenses		(8,048)	(4,899)	(9,773)	(2,177)	(4,252)
Administrative expenses		(10,488)	(12,724)	(30,115)	(7,747)	(10,241)
Listing expenses		–	(4,974)	(15,860)	(4,712)	(2,554)
Reversal of impairment losses/(Impairment losses) on financial and contract assets, net		387	(2,442)	2,646	(2,278)	612
Fair value changes on convertible loans	31	(86,893)	(25,355)	–	–	–
Gains on redemption of convertible loans	31	3,620	25,047	–	–	–
Fair value change on convertible redeemable preference shares	32	–	–	7,100	–	(6,700)
Finance costs	8	(646)	(1,052)	(975)	(446)	(562)
(Loss)/Profit before income tax expense	9	(40,718)	62,527	90,940	27,703	26,614
Income tax expense	12	(8,943)	(15,835)	(16,083)	(5,570)	(5,468)
(Loss)/Profit for the year/period		(49,661)	46,692	74,857	22,133	21,146

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Other comprehensive income						
Item that will not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation to presentation currency		–	–	–	–	(108)
Other comprehensive income for the year/period		–	–	–	–	(108)
Total comprehensive income for the year/period		(49,661)	46,692	74,857	22,133	21,038
(Loss)/Profit for the year/period attributable to:						
Owners of the Company		(50,021)	46,348	74,205	21,955	20,976
Non-controlling interests		360	344	652	178	170
		(49,661)	46,692	74,857	22,133	21,146
Total comprehensive income for the year/period attributable to:						
Owners of the Company		(50,021)	46,348	74,205	21,955	20,868
Non-controlling interests		360	344	652	178	170
		(49,661)	46,692	74,857	22,133	21,038

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2019	2020	2021	As at 31 May 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	15	5,471	9,146	15,489	13,562
Right-of-use assets	16	6,098	9,409	5,652	4,237
Intangible asset	17	1,000	700	400	275
Goodwill	18	422	422	422	422
Prepayment and deposits	23	6,512	3,797	566	6,145
Deferred tax assets	19	2,026	2,411	1,142	1,123
		21,529	25,885	23,671	25,764
Current assets					
Inventories	20	4,940	5,288	10,635	11,456
Trade receivables	21	31,747	53,725	78,483	84,309
Contract assets	22	–	–	621	–
Prepayments, deposits and other receivables	23	19,018	19,192	26,768	57,392
Amounts due from shareholders	24	–	–	2,212	1,840
Current tax assets		3,110	–	2,795	2,029
Cash and cash equivalents	25	1,535	6,993	20,820	24,090
		60,350	85,198	142,334	181,116

	Notes	As at 31 December 2019	2020	2021	As at 31 May 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade payables	26	698	399	2,168	815
Other payables and accruals	27	29,163	27,725	20,704	21,667
Bank borrowings	28	–	9,000	13,000	28,000
Lease liabilities	29	1,080	4,090	2,369	1,997
Contract liabilities	30	6,884	5,089	4,067	3,799
Convertible loans	31	182,864	4,572	–	–
Convertible redeemable preference shares	32	–	–	87,300	94,000
Amounts due to a director	24	249	–	–	–
Amounts due to a shareholder	24	12,467	2,417	–	–
Current tax liabilities		593	7,104	2,664	1,748
		233,998	60,396	132,272	152,026
Net current (liabilities)/assets		(173,648)	24,802	10,062	29,090
Total assets less current liabilities		(152,119)	50,687	33,733	54,854
Non-current liabilities					
Lease liabilities	29	4,821	6,360	2,832	2,090
Deferred tax liabilities	19	250	175	100	69
		5,071	6,535	2,932	2,159
Net (liabilities)/assets		(157,190)	44,152	30,801	52,695

	Notes	As at 31 December 2019	2020	2021	As at 31 May 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Share capital	33	–	–	74	74
Reserves	34	(152,429)	47,081	32,994	54,718
(Capital deficiency)/Equity attributable to owners of the Company		(152,429)	47,081	33,068	54,792
Non-controlling interests		(4,761)	(2,929)	(2,267)	(2,097)
Total (deficiency)/equity		(157,190)	44,152	30,801	52,695

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021 RMB'000	As at 31 May 2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary	38	*	*
Amounts due from subsidiaries	24	8,938	5,737
		8,938	5,737
Current assets			
Prepayments	23	4,255	4,757
Amount due from shareholders	24	1,723	1,678
Cash and cash equivalents	25	1,498	622
		7,476	7,057
Current liabilities			
Other payables and accruals	27	10,155	10,106
Convertible redeemable preference shares	32	87,300	94,000
		97,455	104,106
Net current liabilities		(89,979)	(97,049)
Net liabilities		(81,041)	(91,312)
EQUITY			
Share capital	33	74	74
Reserves	34	(81,115)	(91,386)
Total deficiency		(81,041)	(91,312)

* The balance represents an amount less than RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Merger reserve*	Capital reserve*	Statutory surplus reserve*	Accumulated losses*	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 34)	*(Note 34)*	*(Note 34)*				
At 1 January 2019	11,000	1,454	727	(59,823)	(46,642)	(2,087)	(48,729)
(Loss)/Profit and total comprehensive income for the year	–	–	–	(50,021)	(50,021)	360	(49,661)
Transfer of profit appropriations to statutory surplus reserve	–	–	979	(979)	–	–	–
Acquisition of non-controlling interests *(Note 36)*	–	(55,766)	–	–	(55,766)	(3,034)	(58,800)
At 31 December 2019 and 1 January 2020	11,000	(54,312)	1,706	(110,823)	(152,429)	(4,761)	(157,190)
Profit and total comprehensive income for the year	–	–	–	46,348	46,348	344	46,692
Transfer of profit appropriations to statutory surplus reserve	–	–	3,204	(3,204)	–	–	–
Contributions from shareholders arising from group reorganisation	30,005	–	–	–	30,005	–	30,005
Deemed distributions arising from group reorganisation	(25,671)#	–	–	–	(25,671)	–	(25,671)
Conversion of shares from convertible loans *(Note 31)*	148,828	–	–	–	148,828	1,488	150,316
At 31 December 2020	164,162	(54,312)	4,910	(67,679)	47,081	(2,929)	44,152

	Attributable to owners of the Company									
	Share capital *RMB'000 (Note 33)*	Share premium *RMB'000 (Note 34)*	Merger reserve* *RMB'000 (Note 34)*	Capital reserve* *RMB'000 (Note 34)*	Share option reserve* *RMB'000 (Note 35)*	Statutory surplus reserve* *RMB'000 (Note 34)*	Accumulated losses* *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2021	–	–	164,162	(54,312)	–	4,910	(67,679)	47,081	(2,929)	44,152
Profit and total comprehensive income for the year	–	–	–	–	–	–	74,205	74,205	652	74,857
Transfer of profit appropriations to statutory surplus reserve	–	–	–	–	–	14,868	(14,868)	–	–	–
Issue of shares *(Note 33)*	84	–	–	–	–	–	–	84	–	84
Repurchase of shares *(Note 33)*	(10)	(66,764)	–	–	–	–	–	(66,774)	–	(66,774)
Dividend declared to shareholders of a subsidiary *(Note 13)*	–	–	–	–	–	–	(35,000)	(35,000)	–	(35,000)
Contributions from shareholders arising from group reorganisation	–	–	12,930	–	–	–	–	12,930	10	12,940
Recognition of equity-settled share-based payments *(Note 35)*	–	–	–	–	542	–	–	542	–	542
At 31 December 2021	74	(66,764)	177,092	(54,312)	542	19,778	(43,342)	33,068	(2,267)	30,801
At 1 January 2021	–	–	164,162	(54,312)	–	4,910	(67,679)	47,081	(2,929)	44,152
Profit and total comprehensive income for the period	–	–	–	–	–	–	21,955	21,955	178	22,133
Transfer of profit appropriations to statutory surplus reserve	–	–	–	–	–	10,647	(10,647)	–	–	–
Issue of shares *(Note 33)*	84	–	–	–	–	–	–	84	–	84
Dividend declared to shareholders of a subsidiary *(Note 13)*	–	–	–	–	–	–	(35,000)	(35,000)	–	(35,000)
Contributions from shareholders arising from group reorganisation	–	–	12,930	–	–	–	–	12,930	10	12,940
At 31 May 2021 (Unaudited)	84	–	177,092	(54,312)	–	15,557	(91,371)	47,050	(2,741)	44,309

	Attributable to owners of the Company										
	Share capital *RMB'000 (Note 33)*	Share premium *RMB'000 (Note 34)*	Merger reserve* *RMB'000 (Note 34)*	Capital reserve* *RMB'000 (Note 34)*	Share option reserve* *RMB'000 (Note 35)*	Statutory surplus reserve* *RMB'000 (Note 34)*	Translation reserve* *RMB'000 (Note 34)*	Accumulated losses* *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2022	74	(66,764)	177,092	(54,312)	542	19,778	–	(43,342)	33,068	(2,267)	30,801
Profit for the period	–	–	–	–	–	–	–	20,976	20,976	170	21,146
Other comprehensive income for the period:											
Exchange difference on translation to presentation currency	–	–	–	–	–	–	(108)	–	(108)	–	(108)
Total comprehensive income for the period	–	–	–	–	–	–	(108)	20,976	20,868	170	21,038
Transfer of profit appropriations to statutory surplus reserve	–	–	–	–	–	2,856	–	(2,856)	–	–	–
Recognition of equity-settled share-based payments *(Note 35)*	–	–	–	–	856	–	–	–	856	–	856
At 31 May 2022	74	(66,764)	177,092	(54,312)	1,398	22,634	(108)	(25,222)	54,792	(2,097)	52,695

* These reserve accounts comprise the consolidated reserves as at 31 December 2019, 2020 and 2021 and 31 May 2022 in the consolidated statements of financial position.

The deemed distribution comprises (i) an amount of RMB14,671,000, being the difference between the investment costs in subsidiaries paid to the vendors and the share capital of certain entities arising from the equity transfer in Baide (Suzhou) Medical Company Limited ("Baide Suzhou"), the subsidiaries of the Group; and (ii) share capital of Baide Suzhou of RMB11,000,000, pursuant to group reorganisation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities						
(Loss)/Profit before income tax expense		(40,718)	62,527	90,940	27,703	26,614
Adjustments for:						
Interest income	7	(22)	(11)	(15)	(4)	(11)
Depreciation of property, plant and equipment	9	2,131	3,679	4,882	1,601	2,602
Depreciation of right-of-use assets	9	2,012	2,998	3,757	1,673	1,415
Amortisation of intangible asset	9	300	300	300	125	125
Recognition of equity-settled share-based payments	35	–	–	542	–	856
Finance costs	8	646	1,052	975	446	562
Covid-19-related rent concessions from a lessor	7	–	–	(341)	(180)	–
Fair value changes on convertible loans	31	86,893	25,355	–	–	–
Gains on redemption of convertible loans	31	(3,620)	(25,047)	–	–	–
Fair value change on convertible redeemable preference shares	32	–	–	(7,100)	–	6,700
Transaction costs directly attributable to the issuance of convertible redeemable preference shares	32	–	–	5,505	–	–
(Reversal of impairment losses)/Impairment losses on financial and contract assets, net	9	(387)	2,442	(2,646)	2,278	(612)
Loss on disposals of property, plant and equipment	9	173	–	355	–	–

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating profit before working capital changes		47,408	73,295	97,154	33,642	38,251
Increase in inventories		(2,730)	(400)	(5,530)	(375)	(1,070)
Decrease/(Increase) in trade receivables		413	(24,574)	(22,108)	16,892	(4,982)
(Increase)/Decrease in contract assets		–	–	(636)	(195)	636
(Increase)/Decrease in prepayments, deposits and other receivables		(11,441)	1,158	(2,977)	(5,742)	(30,327)
Increase/(Decrease) in trade and other payables and accruals		10,604	(15,506)	3,311	12,716	(390)
Increase/(Decrease) in contract liabilities		2,249	(1,795)	(1,022)	463	(268)
Cash generated from operations		46,503	32,178	68,192	57,401	1,850
Income tax paid		(15,791)	(6,674)	(22,124)	(13,439)	(5,630)
Net cash generated from/(used in) operating activities		30,712	25,504	46,068	43,962	(3,780)
Cash flows from investing activities						
Interest received		8	11	15	4	11
Payment for purchase of property, plant and equipment		(603)	(550)	(8,175)	(784)	(368)
Prepayment for purchase of property, plant and equipment		(6,247)	(3,728)	(258)	(3,192)	(5,636)
Repayments from/(Advance to) shareholders		5,214	(9,910)	9,910	9,910	330
Repayment from a non-controlling interest		9,690	–	–	–	–
Proceeds from disposal of property, plant and equipment		172	–	1	–	–
Net cash generated from/(used in) investing activities		8,234	(14,177)	1,493	5,938	(5,663)

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from financing activities						
Proceeds from issue of shares of the Company		–	–	84	84	–
Consideration for repurchase of shares of the Company		–	–	(66,774)	–	–
Proceeds from issue of convertible redeemable preference shares	40	–	–	94,400	–	–
Transaction costs directly attributable to the issuance of convertible redeemable preference shares paid	40	–	–	(5,505)	–	–
Interest paid on other payable	40	(426)	–	–	–	–
Interest paid on bank borrowings	40	–	(232)	(581)	(218)	(442)
Repayment of obligations under lease liabilities	40	(2,751)	(1,760)	(4,908)	(2,160)	(1,114)
Interest paid on obligations under lease liabilities	40	(220)	(394)	(394)	(228)	(120)
Payment of deferred listing expenses		–	(1,487)	(4,255)	(918)	(503)
Repayment to a director	40	–	(249)	–	–	–
Advance from/(Repayments to) shareholders	40	12,467	(12,467)	(2,279)	(11,728)	–
Early redemption of convertible loans	40	(2,000)	(4,300)	–	–	–
Repayment of convertible loans	40	–	(13,230)	(4,572)	(4,572)	–
Proceeds from bank borrowings	40	–	9,000	23,000	19,000	24,000
Repayment of bank borrowings	40	(849)	–	(19,000)	(13,000)	(9,000)
Dividend paid to the shareholders of a subsidiary	40	–	–	(35,000)	(35,000)	–
Proceeds paid for acquisition of non-controlling interests	36	(46,040)	–	–	–	–
Consideration paid arising from group reorganisation	40	–	–	(20,890)	(20,890)	–
Contribution from shareholders arising from group reorganisation		–	19,250	12,940	12,940	–
Net cash (used in)/generated from financing activities		(39,819)	(5,869)	(33,734)	(56,690)	12,821

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net (decrease)/increase in cash and cash equivalents		(873)	5,458	13,827	(6,790)	3,378
Cash and cash equivalents at the beginning of the year/period		2,408	1,535	6,993	6,993	20,820
Effect of foreign exchange rate changes, net		–	–	–	–	(108)
Cash and cash equivalents at the end of the year/period	25	1,535	6,993	20,820	203	24,090

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 22 January 2021. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2861, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at Unit 901, 9/F, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong.

The Company is principally engaged in investment holding. The principal business activities of the Group during the Track Record Period is engaged in research and development, manufacture and sales of microwave ablation ("MWA") and other medical devices in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent a group reorganisation (the "Reorganisation") as set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company had not commenced any business or operation since its incorporation.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place and date of incorporation or establishment/and type of legal entity	Place of operation	Particulars of issued ordinary/ paid-up share capital	Percentage of ownership interests attributable to the Company				Principal activities
				As at 31 December			As at 31 May	
				2019	2020	2021	2022	
Held by the Company								
Tycoon Choice Global Limited ("Tycoon Choice") *(Note (a))*	The British Virgin Islands (the "BVI"), 8 January 2021, limited liability company	The BVI	Ordinary shares of US$1	N/A	N/A	100%	100%	Investment holding
Held by the subsidiaries								
百德醫療投資有限公司 Baide Medical Investment Company Limited ("Baide HK") *(Note (b))*	Hong Kong, 29 January 2021, limited liability company	Hong Kong	Ordinary shares of HK$1	N/A	N/A	100%	100%	Investment holding
百德(廣東)資本管理有限公司 Baide (Guangdong) Capital Management Company Limited* *(Note (e))*	The PRC, 3 March 2021, limited liability company/wholly foreign owned enterprise	The PRC	Paid up capital of RMB5,000,000	N/A	N/A	100%	100%	Sales of MWA medical devices and investment holding
廣州德道資本管理有限公司 Guangzhou Dedao Capital Management Company Limited* *(Note (b))*	The PRC, 4 March 2021, limited liability company	The PRC	Paid up capital of RMB10,100	N/A	N/A	99%	99%	Investment holding
廣州百輝企業管理有限公司 Guangzhou Baihui Corporate Management Company Limited* *(Note (b))*	The PRC, 4 December 2020, limited liability company	The PRC	Paid up capital of RMB19,250,300	N/A	99%	99%	99%	Investment holding

Name	Place and date of incorporation or establishment/and type of legal entity	Place of operation	Particulars of issued ordinary/ paid-up share capital	Percentage of ownership interests attributable to the Company				Principal activities
				As at 31 December			As at 31 May	
				2019	2020	2021	2022	
廣州正德企業管理有限公司 Guangzhou Zhengde Corporate Management Company Limited* *(Note (b))*	The PRC, 4 December 2020, limited liability company	The PRC	Paid up capital of RMB11,369,300	N/A	99%	99%	99%	Investment holding
廣州易德資本管理有限公司 Guangzhou Yide Capital Management Company Limited* *(Note (b))*	The PRC, 10 December 2020, limited liability company	The PRC	Paid up capital of Nil	N/A	99%	99%	99%	Investment holding
百德(蘇州)醫療有限公司 Baide Suzhou* *(Note (c))*	The PRC, 5 June 2012, limited liability company	The PRC	Paid up capital of RMB40,985,000	99%	99%	99%	99%	Research and development, sales of MWA and other medical devices and investment holding
河南瑞德醫療器械有限公司 Henan Ruide Medical Instrument Company Limited* *(Note (e))*	The PRC, 6 July 2018, limited liability company	The PRC	Paid up capital of RMB1,000,000	99%	99%	99%	99%	Sales of MWA and other medical devices
南京長城醫療設備有限公司 Nanjing Changcheng Medical Equipment Company Limited ("Nanjing Changcheng")* *(Note (d))*	The PRC, 28 January 2016, limited liability company	The PRC	Paid up capital of RMB5,000,000	99%	99%	99%	99%	Research and development, manufacture and sales of MWA and other medical devices
貴州百源醫療有限公司 Guizhou Baiyuan Medical Company Limited* *(Note (e))*	The PRC, 21 September 2017, limited liability company	The PRC	Paid up capital of RMB1,000,000	99%	99%	99%	99%	Sales of other medical devices
國科百德(廣東)醫療有限公司 Guoke Baide (Guangdong) Medical Company Limited* *(Note (e))*	The PRC, 5 July 2019, limited liability company	The PRC	Paid up capital of RMB3,770,000	99%	99%	99%	99%	Sales of MWA medical devices
湖南百德醫療科技有限公司 Hunan Baide Medical Technology Company Limited* *(Note (e))*	The PRC, 26 November 2019, limited liability company	The PRC	Paid up capital of RMB1,701,000	99%	99%	99%	99%	Sales of MWA medical devices
瑞科德生物科技(廈門)有限公司 Ruikede Biological Technology (Xiamen) Company Limited* *(Note (b))*	The PRC, 17 July 2019, limited liability company	The PRC	Paid up capital of RMB3,120,000	79%	79%	79%	79%	Inactive

* *The English names of the subsidiaries represent the best efforts made by the directors of the Company in translating the Chinese names of these subsidiaries as they do not have official English names.*

Notes:

(a) No audited financial statements have been prepared for this subsidiary as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(b) No audited financial statements have been prepared for these subsidiaries as they have not carried out any business since the date of incorporation.

(c) The statutory financial statements of this subsidiary for the year ended 31 December 2019 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by Beijing Runpengjineng Certified Public Accountants Firm.

(d) The statutory financial statements of this subsidiary for the year ended 31 December 2019 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by Suzhou Xinyu Certified Public Accountants Firm.

(e) No audited financial statements have been prepared for these subsidiaries for the years ended 31 December 2019, 2020 and 2021, as these subsidiaries were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation/registration.

2. BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 23 March 2021. The companies now comprising the Group were under common control of Ms. Wu Haimei ("Ms. Wu") (the "Controlling Shareholder") immediately before and after the completion of the Reorganisation. The Company was newly incorporated as part of the Reorganisation and did not carried out any business or operation since its incorporation. The Reorganisation only involved inserting the Company as holding company of companies now comprising the Group, which has no substance. The Company has not been involved in any business and do not meet the definition of a business. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principle of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

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 Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to recognise any new assets or liabilities as a result of the Reorganisation and no amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost at the time of the combination, to the extent of the continuation of the Controlling Shareholder's interest. Any differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognised directly in equity as part of reserve.

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC)-Int"). In preparing the Historical Financial Information, the Group has adopted, at the beginning of the Track Record Period, all the new or revised HKFRSs effective for annual period beginning on or after 1 January 2021, including the amendments to HKFRS 16 "COVID-19-Related Rent Concession beyond 2021", together with the relevant transitional provisions, have been early adopted and consistently applied by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. The Historical Financial Information also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements have been prepared on the historical cost basis except for convertible loans and convertible redeemable preference shares which are measured at fair value. The measurement bases are fully described in the accounting policies below.

The functional currency of the Company is HK$. The Historical Financial Information is presented in RMB because the main operations of the Group are located in the PRC. All values in the Historical Financial Information are rounded to the nearest thousand except when otherwise indicated.

3. NEW OR REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new or revised HKFRSs that have been issued and are potentially relevant to the Group's financial statements but are not yet effective:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation ("Int") 5 (2020) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Int 5 (2020) is revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the concept of changes in accounting estimates was retained following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Two examples (Example 4–5) were added to the Guidance on implementing HKAS 8, which accompanies the Standard and one example (Example 3) was deleted as it could cause confusion in light of the amendments.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset under HKFRS 16 at the commencement date of a lease. Following the amendments to HKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12. An illustrative example was also added to HKAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences, with the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the respective effective date of the pronouncements. The new or revised HKFRSs have been issued but are not yet effective and not adopted in advance are not expected to have a material impact on the Group's financial statements in the future periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of combination

The Historical Financial Information comprise the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Inter-company transactions and balances between group companies together with unrealised profits arising from inter-company transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from inter-company transactions are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in consolidated profit or loss.

4.2 Subsidiaries

Subsidiaries are investee over which the Company is able to exercise control. The Company controls an entity when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to affect those returns through its power over the investee. Control is reassessed when facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Company on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvement	Over the lease term or estimated useful lives of 5 years, whichever is shorter
Plant and machinery	3–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	4 years
Medical equipment	6 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net disposal proceeds, if any, and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date except for leases of low value assets and leases that have a lease term of twelve months or less and do not contain a purchase option in which the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

On initial recognition, the right-of-use asset is measured at the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement of the lease, plus any initial direct costs incurred and the amount of any provision recognised where the Group is contractually required to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date of the lease over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

As a practical expedient, the Group elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The lease liability is subsequently measured by (i) increasing the carrying amount to reflect interest on the lease liability and (ii) reducing the carrying amount to reflect the lease payments made. The Group remeasured the lease liability to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Rental income is the consideration in the contract with customer allocated to lease component. Rental income under operating leases that is variable and do not depend on an index or rate is recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

4.5 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment assessment of goodwill as at each reporting date. For the purpose of impairment assessment, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill is allocated. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

4.6 Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Patent	6 years

The estimates and associated assumptions of useful life determined by the Group are based on technical and commercial obsolescence, legal or contractual limits on the use of the asset and other relevant factors. Based on the functionalities and expiry date of the patent, the Group considers a useful life of 6 years to be their best estimation.

Both the period and method of amortisation are reviewed annually.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4.15).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4.7 Financial Instruments

(a) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment loss on financial assets

The Group recognises loss allowance for expected credit loss ("ECL") on trade receivables and other financial assets measured at amortised cost. The ECL is measured on either of the following bases: (1) 12 months ECL: this is ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: this is ECL that result from all possible

default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial assets measured at amortised cost, ECL is based on the 12-month ECL. However, when there has been a significant increase in credit risk since origination, the allowance will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables or trade-related amounts due from related parties, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(b) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Convertible loans

Convertible loans issued by the subsidiary of the Group can be converted into the share capital of the subsidiary at the option of the investor.

The Group designates convertible loans as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. In subsequent period, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, and the remaining amount of change in the fair value of convertible loans is recognised in profit or loss.

The convertible loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

If the convertible loans are converted, the shares issued are measured at fair value and any difference between the fair value of convertible loans at the date of conversion and the existing carrying amounts of the convertible loans are recognised in profit or loss. If the convertible loans are redeemed, any difference between the amounts paid and the carrying amounts of the convertible loans are recognised in profit or loss.

Puttable shares

A contract that contains an obligation for the Group to repurchase or redeem its own equity instruments for cash or another financial asset (i.e. puttable shares) upon exercising a share put option is classified as a financial liability. The financial liabilities are initially measured at the present value of the redemption amount.

Such financial liability is subsequently measured at amortised cost, using effective interest method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a finance cost. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Convertible redeemable preference shares

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. The convertible redeemable preference shares that the Group has contractual obligation to redeem and the conversion option of which may be settled by the exchange of variable number of the Group's own equity are designated

at fair value through profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of convertible redeemable preference shares is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in Note 32.

The convertible redeemable preference shares are classified as current liabilities unless the Company has the right to defer settlement of the liability for at least 12 months at each reporting period.

(c) Effective interest method

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record Period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(d) Equity instruments

Equity instruments issued by the entities are recorded at the proceeds received, net of direct issue costs.

(e) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents 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.

4.9 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents of the Group comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents of the Company and the Group comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4.10 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, 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.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. 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. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts

as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group acts as a principal in the sales of medical devices to hospitals (i.e. directly or through deliverers) and distributors as the Group controls the medical devices before that they are transferred to customers, and accordingly recognises the revenue which the Group expects to be entitled from the sales of goods to its end-customers.

Various sources of revenue of the Group is recognised on the following bases:

(i) Sales of goods (i.e. contracts with multiple performance obligations, including allocation of transaction price)

Customers obtain control of goods when they are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods.

For contracts that contain more than one performance obligation (i.e. sales of MWA needles, MWA therapeutic apparatus and rights to acquire MWA therapeutic apparatus), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling prices basis.

The stand-alone selling price of the distinct goods underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods to the customer.

Some of the Group's contracts with customers from the sale of goods provides customers a right of return. These rights of return allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

Some of the Group's contract with customers from the sales of goods provides customers a right of return (a right to exchange for the same product due to faulty products). These rights of return do not allow the returned goods to be refund in cash. The Group's obligation to replace faulty products is recognised as a provision as set out in Note 4.17.

(ii) Rental income

Rental income is the consideration in the contract with customer allocated to lease component. Rental income under operating leases that is variable and do not depend on an index or rate is recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

(iii) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment using HKFRS 9 simplified approach, details of which are included in the accounting policies for impairment loss on financial assets set out in Note 4.7(a).

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

4.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants for general purposes are recorded as income when the right to receive payment is established. Grants for specific purposes are initially recorded as deferred income and released to the consolidated statements of profit or loss and other comprehensive income as income when the related expenditure on the specific purposes are incurred.

4.12 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.13 Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities are translated into presentation currency of the Group (i.e. RMB) at the rate ruling at the end of the reporting period; and income and expenses are translated into RMB at average exchange rate for the year unless these do not approximate to the exchange rates ruling at the dates of the transactions in which case income and expenses are translated at the dates of the transactions; and all resulting exchange differences are recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into RMB at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interest as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4.14 Employee benefits

(a) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(b) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(c) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(d) Share-based compensation

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4.15 Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- intangible assets

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, 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 or CGU.

4.16 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

4.18 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 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 apply:

(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 the employees of 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 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 and include:

(i) Person's children and spouse or domestic partner;

(ii) Children of that person's spouse or domestic partner; and

(iii) Dependants of that person or that person's spouse or domestic partner.

4.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	quoted prices items in active markets for identical items;
Level 2	–	observable direct or indirect inputs other than Level 1 inputs; and
Level 3	–	unobservable inputs (i.e. not derived from market data)

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

(i) Critical judgments in applying accounting policies

(a) Determining performance obligations

The Group considers the detailed criteria for the recognition of revenue set out in HKFRS 15. In determining performance obligations, the Group considers whether the customer benefits from each goods or services on its own and whether it is distinct in the context of the contract with customer. Specifically, when concluding a contract has multiple performance obligations, the Group considers that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

(b) Determining the method to estimate variable consideration and assessing the constraint for the sale of goods

Certain contracts for the sale of goods include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method which better predicts the amount of consideration to which it will be entitled.

The Group determines that the expected value method is the appropriate method in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of revenue in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determines that the estimates of variable consideration are not constrained based on historical experience, business forecast and the current economic environment, as well as the uncertainty being resolved within a short period of time.

(ii) Key sources of estimation uncertainty

(a) Estimated useful lives and residual value of property, plant and equipment

The Group determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The depreciation charge will be increased where useful lives are less than previously estimated lives. It will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic view could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(b) Estimated useful lives of intangible asset

The Group determines the estimated useful lives and related amortisation charges for its intangible asset. The estimated useful live reflects the Group's estimates of the periods that the Group intends to derive future economic benefits from the use of the intangible asset.

(c) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated distribution and selling expenses. The Group reassesses the estimation at each reporting date to ensure inventories are shown at the lower of cost and net realisable value.

(d) Estimated impairment of goodwill

The Group assesses whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Estimated impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that the non-financial assets may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the CGUs to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(f) Impairment losses on trade receivables, contract assets and other financial assets measured at amortised cost

The measurement of impairment losses under HKFRS 9 of financial assets measure at amortised cost and contract assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(g) Income tax and deferred tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(h) Valuation of convertible loans and convertible redeemable preference shares

The directors of the Company use judgement in selecting an appropriate valuation technique for the Group's convertible loans and convertible redeemable preference shares which are not quoted in the active market. Valuation techniques commonly used by market practitioners are applied. The fair value of the convertible loans and convertible redeemable preference shares varies with different variables of certain subjective assumptions. Any change in these variables so adopted may materially affect the estimation of the fair value of the convertible loans and convertible redeemable preference shares.

6. SEGMENT INFORMATION AND REVENUE

(a) Operating segments

During the Track Record Period, the Group was principally engaged in research and development, manufacture and sales of MWA and other medical devices in the PRC. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

(b) Geographical information

The Group is domiciled in the PRC, which is the location of the Group's principal office. The Group's revenues from external customers are divided into the following geographical areas:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
The PRC	85,029	118,287	188,664	59,605	63,764

The Group's revenue information above is based on the delivery destinations of the Group's products and services requested by the customers. The geographical location of non-current assets is based on the physical location of the assets. As at 31 December 2019, 2020 and 2021 and 31 May 2022, all of the Group's non-current assets are located in the PRC.

(c) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A	11,701	14,072	#	#	#
Customer B	8,753	#	#	#	#
Customer C	#	#	27,742	8,301	7,184
Customer D	#	#	23,515	6,712	7,215

Nil/less than 10% of the Group's total revenue.

(d) Disaggregation of the Group's total revenue from major products and service

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods:					
– MWA needles	72,954	88,043	146,017	46,778	52,608
– MWA therapeutic apparatus	4,740	10,861	11,209	3,513	1,910
– Other medical devices	4,382	16,786	27,724	6,494	8,488
Other *(Note)*	2,953	2,597	3,714	2,820	758
	85,029	118,287	188,664	59,605	63,764
Timing of revenue recognition under HKFRS 15					
At a point in time	82,076	115,690	184,950	56,785	63,006

Note: Other mainly represents the rental income from leasing of medical equipment.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note 21)*	31,747	53,725	78,483	84,309
Contract assets *(Note 22)*	–	–	621	–
Contract liabilities *(Note 30)*	6,884	5,089	4,067	3,799

As at 31 December 2019, 2020 and 2021 and 31 May 2022, contract liabilities regarding unsatisfied performance obligations as at end of each reporting period resulting from sale of goods amounted RMB6,884,000, RMB5,089,000 and RMB4,067,000 and RMB3,799,000 respectively. These amounts represent revenue expected to be recognised in the future. The Group will recognise the expected revenue in future when performance obligation is completed, which is expected to occur in one to two years.

7. OTHER INCOME AND GAINS

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	22	11	15	4	11
Covid-19-related rent concession from a lessor	–	–	341	180	–
Government grants *(Note i)*	5,522	4,968	7,580	718	8,680
Immediate refund of Value-added Tax ("VAT") levied *(Note ii)*	–	458	1,652	939	58
Others	3	131	738	214	14
	5,547	5,568	10,326	2,055	8,763

Notes:

(i) Government grants mainly represent incentives offered by the PRC local government authorities to the Company's subsidiaries in the PRC for encouraging their local investments. There are no unfulfilled conditions or contingencies relating to these grants.

(ii) Immediate refund of VAT levied represented the refund of VAT from the PRC tax authorities attributable to the self-developed systems and monitoring software which are embedded into the MWA therapeutic apparatus sold by the Company's subsidiaries in the PRC as these subsidiaries had satisfied certain criteria to enjoy relevant tax refund laid down by the PRC tax authorities.

8. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings	–	232	581	218	442
Interest expense on other payables	426	426	–	–	–
Interest on lease liabilities	220	394	394	228	120
	646	1,052	975	446	562

9. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/Profit before income tax expense is arrived at after charging/(crediting):

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of inventories recognised as expenses	8,701	16,029	31,631	7,362	9,580
Employee cost *(Note 10)*	12,798	11,036	18,450	7,035	13,167
Depreciation on:					
– Property, plant and equipment *(Note 15)*	2,131	3,679	4,882	1,601	2,602
– Right-of-use assets *(Note 16)*	2,012	2,998	3,757	1,673	1,415
Amortisation of intangible asset *(Note 17)*	300	300	300	125	125
Impairment loss/(Reversal of impairment losses) on financial and contract assets, net:					
– Trade receivables	1,057	2,596	(2,650)	1,681	(844)
– Contract assets	–	–	15	8	(15)
– Deposits and other receivables	(1,103)	(154)	(78)	236	205
– Amounts due from shareholders	(119)	–	67	353	42
– Amount due from a non-controlling interest	(222)	–	–	–	–
	(387)	2,442	(2,646)	2,278	(612)
Loss on disposals of property, plant and equipment	173	–	355	–	–
Auditor's remuneration	20	31	40	–	–
Short-term leases charges	85	97	318	226	87

10. EMPLOYEE COSTS

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee costs (including directors' emoluments) comprise:					
Wages and salaries	10,279	9,578	15,520	5,784	10,405
Retirement benefits scheme contributions*	2,088	1,021	1,599	844	1,565
Equity-settled share-based payments *(Note 35)*	–	–	542	–	856
Other employee benefits	431	437	789	407	341
	12,798	11,036	18,450	7,035	13,167

* During the Track Record Period, the Group had no forfeited contributions available to reduce its contributions to the retirement benefits schemes in future years.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of emoluments paid by the entities comprising the Group to the directors of the Company are as follows:

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Executive directors					
Ms. Wu *(Note i)*	–	346	–	94	440
Ms. Qiu Quan ("Ms. Qiu") *(Note i)*	–	126	–	21	147
Mr. Hou Wei ("Mr. Hou") *(Note ii)*	–	214	200	54	468
	–	686	200	169	1,055
Non-executive director					
Ms. Liu Jiayi ("Ms. Liu") *(Note iii)*	–	–	–	–	–
Independent non-executive directors *(Note v)*					
Prof. Xing Michael Mingzhao ("Prof. Xing")	–	–	–	–	–
Mr. Chu Chun Ming ("Mr. Chu")	–	–	–	–	–
Prof. Ma Jianguo ("Prof. Ma")	–	–	–	–	–
	–	–	–	–	–
	–	686	200	169	1,055

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Executive directors					
Ms. Wu *(Note i)*	–	346	–	44	390
Ms. Qiu *(Note i)*	–	139	60	21	220
Mr. Hou *(Note ii)*	–	261	–	60	321
	–	746	60	125	931
Non-executive director					
Ms. Liu *(Note iii)*	–	–	–	–	–
Independent non-executive directors *(Note v)*					
Prof. Xing	–	–	–	–	–
Mr. Chu	–	–	–	–	–
Prof. Ma	–	–	–	–	–
	–	–	–	–	–
	–	746	60	125	931

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
Executive directors						
Ms. Wu *(Note i)*	–	346	–	45	290	681
Ms. Qiu *(Note i)*	–	277	–	18	68	363
Mr. Hou *(Note ii)*	–	259	–	39	18	316
	–	882	–	102	376	1,360
Non-executive director						
Ms. Liu *(Note iii)*	–	–	–	–	–	–
Independent non-executive directors *(Note v)*						
Prof. Xing	–	–	–	–	–	–
Mr. Chu	–	–	–	–	–	–
Prof. Ma	–	–	–	–	–	–
	–	–	–	–	–	–
	–	882	–	102	376	1,360

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Five months ended 31 May 2021 (Unaudited)					
Executive directors					
Ms. Wu *(Note i)*	–	124	–	10	134
Ms. Qiu *(Note i)*	–	65	54	6	125
Mr. Hou *(Note ii)*	–	98	–	6	104
	–	287	54	22	363
Non-executive director					
Ms. Liu *(Note iii)*	–	–	–	–	–
Independent non-executive directors *(Note v)*					
Prof. Xing	–	–	–	–	–
Mr. Chu	–	–	–	–	–
Prof. Ma	–	–	–	–	–
	–	–	–	–	–
	–	287	54	22	363

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Five months ended 31 May 2022						
Executive directors						
Ms. Wu *(Note i)*	–	113	126	23	458	720
Ms. Qiu *(Note i)*	–	104	45	17	107	273
Mr. Hou *(Note ii)*	–	80	45	20	29	174
	–	297	216	60	594	1,167
Non-executive director						
Ms. Liu *(Note iii)*	–	–	–	–	–	–
Independent non-executive directors *(Note v)*						
Prof. Xing	–	–	–	–	–	–
Mr. Chu	–	–	–	–	–	–
Prof. Ma	–	–	–	–	–	–
	–	–	–	–	–	–
	–	297	216	60	594	1,167

Notes:

(i) Ms. Wu and Ms. Qiu were appointed as directors of the Company on 22 January 2021 and were designated as executive directors on 9 September 2021.

(ii) Mr. Hou was appointed as a director of the Company on 24 September 2021 and was designated as an executive director on 24 September 2021.

(iii) Ms. Liu was appointed as a director of the Company on 5 July 2021 and was designated as a non-executive director on 9 September 2021.

(iv) The emoluments shown above represents emoluments received or receivable from the Group by these directors in their capacity as directors of companies comprising the Group during the Track Record Period.

(v) Independent non-executive directors of the Company were appointed on 11 September 2022 with the payment of their fees commencing upon the listing of the Company. There were no fees or other emoluments payable to them during the Track Record Period.

(vi) There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period. No emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, nor as compensation for loss of office.

(b) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments in the Group, included two, two, one, nil and one directors of the Company for each of the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022 respectively, whose emoluments are disclosed above. The emoluments of the remaining three, three, four, five and four individuals for each of the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022 respectively, whose emoluments are analysed below:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	Number of individuals				
				(Unaudited)	
Directors	2	2	1	–	1
Non-directors	3	3	4	5	4
	5	5	5	5	5

The emoluments payable to the remaining non-directors, highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and allowances	1,194	1,396	3,074	1,259	986
Discretionary bonus	–	–	69	69	472
Retirement benefit scheme contributions	81	64	98	22	51
Equity-settled share-based payments	–	–	54	–	85
	1,275	1,460	3,295	1,350	1,594

During the Track Record Period, no emolument was paid by the Group to the above remaining individuals as compensation for loss of office.

The emoluments of these remaining non-directors, highest paid individuals fell within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	Number of individuals				
				(Unaudited)	
Nil – HK$1,000,000	3	2	2	5	4
HK$1,000,001 – HK$1,500,000	–	1	2	–	–
	3	3	4	5	4

12. INCOME TAX EXPENSE

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax – PRC Enterprise Income Tax					
– Tax for the year/period	8,921	16,295	14,889	5,344	5,480
Deferred tax					
– Origination and reversal of temporary differences *(Note 19)*	22	(460)	1,194	226	(12)
Total income tax expense	8,943	15,835	16,083	5,570	5,468

The Group is subject to income tax on an entity basis on assessable profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax under these jurisdictions during the Track Record Period.

No provision for Hong Kong profit tax has been made as no assessable profits is derived from Hong Kong.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25% during the Track Record Period, except for Nanjing Changcheng who is registered as a High and New-Tech enterprises according to the PRC tax regulations and entitled to a preferential tax rate of 15% for the years ended 31 December 2020 and 2021 and the five months ended 31 May 2022; and Baide Suzhou who is registered as a High and New-Tech enterprises according to the PRC tax regulations and entitled to a preferential tax rate of 15% for the year ended 31 December 2021 and the five months ended 31 May 2022.

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/Profit before income tax expense	(40,718)	62,527	90,940	27,703	26,614
Tax calculated at PRC statutory tax rate of 25%	(10,180)	15,632	22,735	6,925	6,653
Tax effect of income not taxable for tax purposes	(1,952)	(9,628)	(3,418)	(488)	(1,042)
Tax effect of expenses not deductible for tax purposes	24,220	13,083	6,846	2,118	3,639
Tax effect of incentives for research and development expenses	(1,273)	(1,242)	(2,370)	(504)	(1,008)
Tax effect of tax exemptions and incentives granted to PRC subsidiaries	–	(2,801)	(8,908)	(3,091)	(3,821)
Utilisation of unrecognised tax loss	(2,443)	(30)	–	–	–
Tax effect of tax loss not recognised	571	821	1,198	610	1,047
	8,943	15,835	16,083	5,570	5,468

13. DIVIDEND

No dividend was declared or paid during the Track Record Period by the Company since its incorporation.

The dividend declared and paid by a subsidiary of the Company to the then shareholders during the Track Record Period before the completion of Reorganisation is as follow:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Baide Suzhou	–	–	35,000	35,000	–

14. (LOSS)/EARNINGS PER SHARE

No (loss)/earnings per share information is present as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation and preparation of the results for the Track Record Period as described in Note 2 to the Historical Financial Information.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Medical equipment *RMB'000*	Total *RMB'000*
Cost						
As at 1 January 2019	3,608	3,494	593	718	887	9,300
Additions	–	–	206	397	–	603
Disposals	–	–	–	(683)	–	(683)
Transfer from inventories	–	–	–	–	1,169	1,169
As at 31 December 2019 and 1 January 2020	3,608	3,494	799	432	2,056	10,389
Additions	6,398	11	628	265	–	7,302
Transfer from inventories	–	–	–	–	754	754
Transfer to inventories	–	–	–	–	(989)	(989)
As at 31 December 2020 and 1 January 2021	10,006	3,505	1,427	697	1,821	17,456
Additions	8,149	1,411	1,837	–	–	11,397
Disposals	–	(581)	(140)	–	–	(721)
Transfer from inventories	–	–	–	–	433	433
Transfer to inventories	–	–	–	–	(289)	(289)
As at 31 December 2021 and 1 January 2022	18,155	4,335	3,124	697	1,965	28,276
Additions	–	87	339	–	-	426
Transfer from inventories	–	–	–	–	394	394
Transfer to inventories	–	–	–	–	(165)	(165)
As at 31 May 2022	18,155	4,422	3,463	697	2,194	28,931
Accumulated depreciation						
As at 1 January 2019	2,104	345	254	344	78	3,125
Provided for the year	1,135	611	127	22	236	2,131
Eliminated on disposals	–	–	–	(338)	–	(338)
As at 31 December 2019 and 1 January 2020	3,239	956	381	28	314	4,918
Provided for the year	2,333	607	278	101	360	3,679
Eliminated on transfers	–	–	–	–	(287)	(287)
As at 31 December 2020 and 1 January 2021	5,572	1,563	659	129	387	8,310
Provided for the year	3,314	604	533	139	292	4,882
Eliminated on disposals	–	(255)	(111)	–	–	(366)
Eliminated on transfers	–	–	–	–	(39)	(39)
As at 31 December 2021 and 1 January 2022	8,886	1,912	1,081	268	640	12,787
Provided for the period	1,784	441	173	58	146	2,602
Eliminated on transfers	–	–	–	–	(20)	(20)
As at 31 May 2022	10,670	2,353	1,254	326	766	15,369

	Leasehold improvement *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Medical equipment *RMB'000*	Total *RMB'000*
Net carrying amount						
As at 31 December 2019	369	2,538	418	404	1,742	5,471
As at 31 December 2020	4,434	1,942	768	568	1,434	9,146
As at 31 December 2021	9,269	2,423	2,043	429	1,325	15,489
As at 31 May 2022	7,485	2,069	2,209	371	1,428	13,562

16. RIGHT-OF-USE ASSETS

The right-of-use assets represent the warehouses and office buildings leased for own use, carried at depreciated cost, reconciliation of the carrying amount is as follows:

	RMB'000
Cost	
As at 1 January 2019	2,488
Commencement of lease	4,127
Lease modification	2,852
Lease expiration	(2,189)
As at 31 December 2019 and 1 January 2020	7,278
Commencement of lease	6,309
As at 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 31 May 2022	13,587
Accumulated depreciation	
As at 1 January 2019	1,357
Provided for the year	2,012
Lease expiration	(2,189)
As at 31 December 2019 and 1 January 2020	1,180
Provided for the year	2,998
As at 31 December 2020 and 1 January 2021	4,178
Provided for the year	3,757
As at 31 December 2021 and 1 January 2022	7,935
Provided for the period	1,415
As at 31 May 2022	9,350

	RMB'000
Net carrying amount	
As at 31 December 2019	6,098
As at 31 December 2020	9,409
As at 31 December 2021	5,652
As at 31 May 2022	4,237

During the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2022, there is commencement of leases amounted to RMB4,127,000, RMB6,309,000, Nil and Nil respectively. Maturity analysis of lease liabilities are set out in Note 29. Total cash outflow for leases within operating and financing activities amounted to RMB3,056,000, RMB2,251,000, RMB5,620,000, RMB2,614,000 and RMB1,321,000 for each of the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022, respectively. The Group leases warehouses and office buildings under lease terms of 2 to 5 years. Some leases include an option to renew the lease with all terms subject to negotiation. None of the leases includes variable lease payments.

17. INTANGIBLE ASSET

	Patent *RMB'000*
Cost	
As at 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021, 1 January 2022 and 31 May 2022	1,800
Accumulated amortisation	
As at 1 January 2019	500
Provided for the year	300
As at 31 December 2019 and 1 January 2020	800
Provided for the year	300
As at 31 December 2020 and 1 January 2021	1,100
Provided for the year	300
As at 31 December 2021 and 1 January 2022	1,400
Provided for the period	125
As at 31 May 2022	1,525
Net carrying amount	
As at 31 December 2019	1,000
As at 31 December 2020	700
As at 31 December 2021	400
As at 31 May 2022	275

Patent is arising from the business combination of obtaining control of Nanjing Changcheng in April 2017. Amortisation on patent is charged on straight-line method over its estimated useful life of 6 years and is included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income. The remaining useful life is 3.3 years, 2.3 years, 1.3 years and 0.9 year as at 31 December 2019, 2020 and 2021 and 31 May 2022 respectively.

18. GOODWILL

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross and net carrying amount	422	422	422	422

Goodwill is arising from the business combination of Nanjing Changcheng in April 2017.

The impairment assessment was based on the recoverable amount of the CGU. In the opinion of the directors of the Company, there is no impairment of the above CGU to which goodwill is allocated for the Track Record Period. The recoverable amount of the above CGU is determined based on a value-in-use calculation performed by the directors of the Company with the assistance from APAC Asset Valuation and Consulting Limited, independent professional qualified valuers. The address of APAC Asset Valuation and Consulting Limited is 5th Floor, Blissful Building, 243–247 Des Voeux Road, Central, Hong Kong. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and operating expenses during the forecast period. The directors of the Company estimate discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the CGU. The growth rates are by reference to industry growth forecasts. Changes in selling prices and operating expenses are based on past practices and expectations of future changes in the market.

The major underlying assumptions are summarised below:

The value-in-use calculations use cash flow projections based on financial budgets approved by the directors of the Company covering five-year period and pre-tax discount rates of 19.17%, 17.57%, 20.32% and 18.86% as at 31 December 2019, 2020 and 2021 and 31 May 2022 respectively. Cash flows beyond that five-year period have been extrapolated using an estimated growth rate. These growth rates do not exceed the long-term average growth rates for the market in which the Group operates during the Track Record Period.

The directors of the Company have determined the values assigned to each of the key assumptions as follows:

Revenue growth rate:	Average revenue growth rate over the five-year forecast period is based on past performance and management's expectation of market development.
Operating expenses:	The bases used to determine the values assigned are cost of inventories, staff costs and other operating expenses. The value assigned to operating expenses reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.
Terminal growth rate:	The terminal growth rate was estimated on the basis of the long-term inflation rate in the PRC. It is a commonly used valuation assumption that the long-term growth rate of a company would approximate the long-term growth rate of the country in which it operates.

Based on the assessment result, the recoverable amounts of CGU of approximately RMB44,610,000, RMB48,620,000, RMB178,270,000 and RMB161,967,000 is greater than its carrying amounts of approximately RMB6,014,000, RMB8,531,000, RMB12,595,000 and RMB11,163,000 as at 31 December 2019, 2020 and 2021 and 31 May 2022 respectively.

The management performed the sensitivity analysis assuming the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December			Five months ended 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in revenue growth rate by:				
– 5%	31,122	32,882	153,166	139,998
– 10%	23,649	25,674	140,657	129,191
Increase in operating expenses by:				
– 5%	34,241	35,889	162,063	146,686
– 10%	29,886	31,689	158,451	142,567
Decrease in terminal growth rate by:				
– 5%	38,215	39,638	164,302	149,584
– 10%	37,840	39,194	162,948	148,380
Increase in pre-tax discount rate by:				
– 5%	36,035	37,227	157,470	143,000
– 10%	33,734	34,657	150,063	135,974

The directors of the Company believe that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the carrying amount of CGU to exceed its recoverable amount. No impairment loss on its goodwill has been recognised for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2022.

19. DEFERRED TAX

The following are the major deferred tax assets and (liabilities) recognised by the Group and movements thereon during the Track Record Period:

	Impairment loss on financial assets	Provision for inventories	Fair value adjustment on intangible asset	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	1,748	375	(325)	1,798
(Charged)/Credited to profit or loss	(97)	–	75	(22)
As at 31 December 2019 and 1 January 2020	1,651	375	(250)	1,776
Credited/(Charged) to profit or loss	571	(186)	75	460
As at 31 December 2020 and 1 January 2021	2,222	189	(175)	2,236
(Charged)/Credited to profit or loss	(1,269)	–	75	(1,194)
As at 31 December 2021 and 1 January 2022	953	189	(100)	1,042
(Charged)/Credited to profit or loss	(19)	–	31	12
As at 31 May 2022	934	189	(69)	1,054

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	2,026	2,411	1,142	1,123
Deferred tax liabilities	(250)	(175)	(100)	(69)
	1,776	2,236	1,042	1,054

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,874,000, RMB6,039,000, RMB10,831,000 and RMB15,019,000 as at 31 December 2019, 2020 and 2021 and 31 May 2022 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction. The tax losses will expire in five years from the dates they were incurred, if unused.

20. INVENTORIES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,510	1,198	3,320	3,881
Work-in-progress	621	1,384	2,462	2,519
Finished goods	4,309	3,462	5,609	5,812
	6,440	6,044	11,391	12,212
Less: provision for impairment	(1,500)	(756)	(756)	(756)
	4,940	5,288	10,635	11,456

21. TRADE RECEIVABLES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	37,748	62,322	83,173	88,155
Less: impairment loss allowance	(6,001)	(8,597)	(4,690)	(3,846)
	31,747	53,725	78,483	84,309

The Group's trading terms with trade debtors are mainly on credit. The credit period granted to its trade debtors is generally 30 to 90 days. Each trade debtor has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

An ageing analysis of trade receivables, net of allowance of impairment losses provision, as at the reporting date, based on the invoice dates is as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	24,754	31,545	51,786	52,570
91 to 180 days	5,869	11,183	23,196	22,195
181 to 365 days	561	10,967	2,808	9,311
Over 1 year	563	30	693	233
	31,747	53,725	78,483	84,309

Further details on the Group's credit policy and credit risk arising from trade receivable are set out in Note 43(a).

22. CONTRACT ASSETS

The Group has recognised the following assets related to contracts with customers:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	–	–	636	–
Less: impairment loss allowance	–	–	(15)	–
	–	–	621	–

Further details on the Group's credit policy and credit risk arising from contract assets are set out in Note 43(a).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other receivables	12,669	1,416	1,844	8,996
Deposits	255	425	1,039	1,678
Less: impairment loss allowance	(596)	(434)	(361)	(567)
	12,328	1,407	2,522	10,107
Prepaid listing expenses	–	1,487	5,742	6,245
Trade deposits to suppliers	6,030	1,584	3,424	2,357
Other prepayments	660	14,714	15,080	38,683
	19,018	19,192	26,768	57,392
Non-current				
Deposits	271	588	317	317
Less: impairment loss allowance	(6)	(14)	(9)	(8)
	265	574	308	309
Prepayments for property, plant and equipment	6,247	3,223	258	5,836
	6,512	3,797	566	6,145
	25,530	22,989	27,334	63,537

The Company

	As at 31 December 2021	As at 31 May 2022
	RMB'000	*RMB'000*
Current		
Prepaid listing expenses	4,255	4,757
	4,255	4,757

Further details on the Company's and the Group's credit policy and credit risk arising from deposits and other receivables are set out in Note 43(a).

24. AMOUNTS DUE FROM/(TO) SHAREHOLDERS/A DIRECTOR/SUBSIDIARIES

(a) Amounts due from shareholders

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount	–	–	2,279	1,949
Less: impairment loss allowance	–	–	(67)	(109)
	–	–	2,212	1,840

As at 31 December 2021 and 31 May 2022, gross carrying amounts of RMB640,000 and RMB310,000 were advanced to Ms. Wu, the controlling shareholder of the Company and RMB1,639,000 was advanced to Daily Charm Holdings Limited, the non-controlling shareholder of the Company. These amounts were non-trade nature, unsecured, interest-free and subsequently settled.

The Company

	As at 31 December 2021	As at 31 May 2022
	RMB'000	*RMB'000*
Gross carrying amount	1,774	1,774
Less: impairment loss allowance	(51)	(96)
	1,723	1,678

As at 31 December 2021 and 31 May 2022, gross carrying amounts of RMB135,000 and RMB1,639,000 were advanced to Ms. Wu and Daily Charm Holdings Limited, the controlling and non-controlling shareholders of the Company respectively, and were non-trade nature, unsecured, interest-free and subsequently settled.

(b) Amounts due from subsidiaries

The Company

	As at 31 December 2021	As at 31 May 2022
	RMB'000	*RMB'000*
Gross carrying amount	9,200	5,891
Less: impairment loss allowance	(262)	(154)
	8,938	5,737

The amounts due from/(to) subsidiaries and a director were non-trade in nature, unsecured, interest-free and repayable on demand.

Further details on the Company's and the Group's credit policy and credit risk arising from amounts due from shareholders are set out in Note 43(a).

25. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	1,535	6,993	20,820	24,090

The Company

	As at 31 December 2021	As at 31 May 2022
	RMB'000	*RMB'000*
Cash and bank balances	1,498	622

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group's cash and bank balances amounted to RMB1,535,000, RMB6,993,000, RMB19,234,000 and RMB23,423,000 were denominated in RMB as at 31 December 2019, 2020 and 2021 and 31 May 2022 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

26. TRADE PAYABLES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	698	399	2,168	815

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 30 days. The aging analysis of trade payables of the Group as at respective reporting dates, based on the invoice dates, is as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	604	216	2,049	624
91 to 180 days	84	133	29	44
181 to 365 days	–	–	78	79
Over 1 year	10	50	12	68
	698	399	2,168	815

The Group's trade payables are short-term in nature and hence, the carrying amount of trade payables are considered to approximate to their fair value.

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued salaries and allowance	4,644	4,522	4,383	3,505
Accrued expenses	8,822	68	189	535
Accrued listing expenses	–	4,561	3,626	3,535
Other payables	15,697	18,574	5,761	7,306
Withholding tax payable	–	–	6,745	6,786
	29,163	27,725	20,704	21,667

As at 31 December 2019 and 2021, other payables were non interest-bearing, unsecured and repayable on demand, except for the balance of RMB12,760,000 (Note 36) as at 31 December 2019, which was the amount due to ex-controlling shareholder of a subsidiary which bore interest at a rate of 7.00% per annum.

As at 31 December 2020, other payables were non interest-bearing, unsecured and repayable on demand, except for the amounts of RMB12,731,000 due to related companies which were non interest-bearing, unsecured and repayable on 31 December 2021. These amounts related to the consideration payable for the equity transfer of Baide Suzhou from its former shareholders to a subsidiary of the Group pursuant to Reorganisation. Ms. Wu, the Controlling Shareholder and a director of the Company, was the general and executive partner of these related companies, these related companies are controlled by Ms. Wu. These amounts were settled during the year ended 31 December 2021.

The following table shows the amounts due to related companies included in other payables:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Baibang Corporate Management Partnership Enterprise (Limited Partnership)* 廣州百邦企業管理合夥企業(有限合夥)	–	3,082	–	–
Ruzhou Bairui Corporate Management Consultancy Centre (Limited Partnership)* 汝州百瑞企業管理諮詢中心(有限合夥)	–	6,567	–	–
Ruzhou Baide Chuangye Investment Management Centre (Limited Partnership)* 汝州市百德創業投資管理中心(有限合夥)	–	3,082	–	–
	–	12,731	–	–

* The English names of these related companies represent the best efforts made by the directors of the Company in translating the Chinese names of these companies as they do not have official English names.

The Company

	As at 31 December 2021	As at 31 May 2022
	RMB'000	*RMB'000*
Accrued expenses	189	189
Accrued listing expenses	3,221	3,131
Withholding tax payables	6,745	6,786
	10,155	10,106

28. BANK BORROWINGS

	Effective interest rate (%) per annum	Repayment dates	As at 31 December 2019	2020	2021	As at 31 May 2022
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current						
Bank borrowings						
– Secured and guaranteed	4.35	February 2021	–	3,000	–	–
– Guaranteed	4.35	June 2021	–	6,000	–	–
	4.35	March 2022	–	–	9,000	–
	4.35	August 2022	–	–	4,000	4,000
	4.35	November 2022	–	–	–	3,000
	4.35	December 2022	–	–	–	15,000
	4.35	March 2023	–	–	–	6,000
			–	9,000	13,000	28,000

As at 31 December 2020 and 2021 and 31 May 2022, bank borrowings bore interest at fixed rates of 4.35%, 4.35% and 4.35% per annum respectively.

As at 31 December 2020, bank borrowings of RMB3,000,000 and RMB6,000,000 were secured by two registered patents and personal guarantee provided by Ms. Wu, a director of the Company and Controlling Shareholder of the Group; and secured by personal guarantee provided by Ms. Wu, a director of the Company and Controlling Shareholder of the Group, respectively.

As at 31 December 2021 and 31 May 2022, bank borrowings of RMB13,000,000 and RMB28,000,000 were secured by corporate guarantee provided by the Company's subsidiaries in the PRC.

29. 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.

	As at 31 December 2019	2020	2021	As at 31 May 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Present value of future lease payments				
– Within one year	1,080	4,090	2,369	1,997
– In the second to fifth years	4,821	6,360	2,832	2,090
	5,901	10,450	5,201	4,087
– Current	1,080	4,090	2,369	1,997
– Non-current	4,821	6,360	2,832	2,090
	5,901	10,450	5,201	4,087

The future lease payments of the Group's lease (excluding short-term leases) were scheduled to be repaid as follows:

	Minimum lease payments	Interest	Present value
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Not later than one year	1,372	292	1,080
Later than one year but not later than five years	4,924	103	4,821
	6,296	395	5,901

	Minimum lease payments	Interest	Present value
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2020			
Not later than one year	4,551	461	4,090
Later than one year but not later than five years	6,719	359	6,360
	11,270	820	10,450

	Minimum lease payments	Interest	Present value
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2021			
Not later than one year	2,613	244	2,369
Later than one year but not later than five years	3,026	194	2,832
	5,639	438	5,201

	Minimum lease payments	Interest	Present value
	RMB'000	*RMB'000*	*RMB'000*
As at 31 May 2022			
Not later than one year	2,185	188	1,997
Later than one year but not later than five years	2,217	127	2,090
	4,402	315	4,087

30. CONTRACT LIABILITIES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from sale of goods	6,884	5,089	4,067	3,799

Certain deposit received or receipt in advance of the Group in respect of sale of goods remains as contract liabilities until the sales transactions completed to date outweighs the amount received.

Movement in contract liabilities for the Track Record Period is as follows:

	Year ended 31 December			Five months ended 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	4,635	6,884	5,089	4,067
Additions	4,656	2,829	1,820	204
Realised to profit or loss	(2,407)	(4,624)	(2,842)	(472)
At the end of the year/period	6,884	5,089	4,067	3,799

31. CONVERTIBLE LOANS/PUTTABLE SHARES PAYABLE

Baide Suzhou, a PRC subsidiary of the Group, signed the pre-IPO investment agreements (the "Agreements") with eleven independent third parties (the "Pre-IPO investors") for issuing zero coupon convertible loans (the "Convertible Loans") with aggregated principal amount of RMB34,856,000 on several dates during the year ended 31 December 2018 (the "Issue Dates") which had a maturity date of 31 December 2020 (the "Maturity Date"). The principal amount of Convertible Loans was denominated in RMB which is also the functional currency of Baide Suzhou. The Convertible Loans entitled the Pre-IPO investors to convert no more than an aggregate amount of RMB12,961,000 out of the paid investment amount of RMB34,856,000 into the shares of Baide Suzhou (the "Conversion Option") for aggregated maximum of 31.62% of the entire issued share capital of Baide Suzhou immediately after the conversion before the Maturity Date. Any Convertible Loans not converted fully will be redeemed on Maturity Date at the principal amount.

Simultaneously, a put option (the "Put Option") and early redemption option (the "Early Redemption Option") had been granted under each of the Agreements by Baide Suzhou. Baide Suzhou shall on the holder's option, repurchase its converted shares at the conversion price of the Convertible Loans and repay the principal amount of Convertible Loans partially or in full (before the Maturity Date, if it triggers any one of the following circumstances (trigger events):

1. if Baide Suzhou fails to meet the net profit targets at 31 December 2019 and 2020;

2. if Baide Suzhou fails to complete a listing of its shares or its holding company on the Main Board of the Stock Exchange on or before 31 December 2020;

3. if the issued shares of Baide Suzhou at the Issue Dates are failed to be paid in full by the existing shareholders;

4. if the existing shareholders of Baide Suzhou misappropriate Baide Suzhou's funds and assets and use of Baide Suzhou's assets and credit to provide guarantees for existing shareholders and related parties (except for normal business operation);

5. If the certificate for business operation and products licences and patents held by Baide Suzhou up to the Issue Dates are not valid;

6. If Baide Suzhou fails to engage professional parties to execute the capital verification, amendment of the Baide Suzhou's memorandum and article of association and registration in compliance with the laws and regulations of the PRC within 30 days since written notice was received from the Pre-IPO investors for the share conversion; or

7. If the Pre-IPO investors fail to be the shareholders of Baide Suzhou after the exercise of the Conversion Option attached to the Convertible Loans, under Reorganisation for the purpose of listing on the Main Board.

If Conversion Option and/or Early Redemption Option are not exercised by the Pre-IPO investors before the Maturity Date, Baide Suzhou has to repay the investment amount in full to the Pre-IPO investors, while if Conversion Option or Early Redemption Option are partially exercised by the Pre-IPO investors before the Maturity Date, Baide Suzhou has to repay the remaining portion of investment amount related to the unexercised Conversion Option or Early Redemption Option to the Pre-IPO investors.

During the year ended 31 December 2019, there was no conversion of Convertible Loans into shares of Baide Suzhou.

During the years ended 31 December 2019 and 2020, certain Pre-IPO investors early redeemed all of the outstanding Convertible Loans with the amount of RMB2,000,000 and RMB4,300,000 respectively in cash, resulted in gains on early redemption of approximately RMB3,620,000 and RMB25,047,000 which represented the difference between the redemption amounts and the carrying amounts of Convertible Loans.

On 3 December 2020, eight Pre-IPO investors entered into supplemental agreements with Baide Suzhou, pursuant to which each of them shall thereby exercise his/her/its conversion rights to convert part of the investment amount into equity interests in Baide Suzhou by subscription of the increased portion of the registered capital of Baide Suzhou through his/her/its directly or indirectly owned investment entity or investment entity owned together with other Pre-IPO investors. Pursuant to the supplemental agreements, for the purpose of Reorganisation, Baide Suzhou shall refund the investment amount paid under the Agreements to each of them without interest and such refunded amount shall be used for the payment of the subscription price of the subscription for the increased portion of the registered capital of Baide Suzhou through the investment entities owned by these Pre-IPO investors.

On 7 December 2020 (the "Conversion Date"), pursuant to the exercise of the conversion rights attaching to the Convertible Loans stated above, shares of RMB10,754,000 were allotted and issued by Baide Suzhou which representing the aggregated of 26.24% of its entire issued share capital, to the investment entities owned by the Pre-IPO investors. An aggregate investment amount of RMB13,230,000 was non-convertible and refunded by Baide Suzhou, and the remaining investment amount of RMB4,572,000 upon the expiry of the Conversion Option was repaid during the year ended 31 December 2021.

The Convertible Loans were measured as financial liabilities at fair value through profit or loss. During the Track Record Period, the changes in fair value of the Convertible Loans amounted to RMB86,893,000 and RMB25,355,000 for the years ended 31 December 2019 and 2020 respectively.

For the fair value measurement of the Convertible Loans, please refer to Note 43(f)(i) for details.

Accordingly, the shares converted by the eight of the Pre-IPO investors on 7 December 2020 represent puttable shares and have consequently been accounted for as financial liabilities under the consolidated statement of financial position.

At initial recognition, puttable shares payable of RMB10,754,000 is recognised as a current liability in the consolidated statements of financial position due to a potential event triggers before the Maturity Date.

As at 31 December 2020, an aggregate amount of RMB150,316,000, which representing the carrying amount of Convertible Loans at the Conversion Date, in which RMB148,828,000 and RMB1,488,000 were transferred to merger reserve and non-controlling interests respectively.

The movements of the Convertible Loans during the Track Record Period are set out below:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	101,591	182,864	4,572
Fair value changes	86,893	25,355	–
Gains on redemption	(3,620)	(25,047)	–
Early redemption	(2,000)	(4,300)	–
Repayment	–	(13,230)	(4,572)
Conversion	–	(150,316)	–
Recognised as puttable shares payable	–	(10,754)	–
At the end of the year	182,864	4,572	–

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Analysed as:			
Current liabilities	182,864	4,572	–
Non-current liabilities	–	–	–
	182,864	4,572	–

The movement of the puttable shares payable during the Track Record Period are as follows:

	Year ended 31 December 2020
	RMB'000
At the beginning of the year	–
Initial recognition	10,754
Expired	(10,754)
At the end of the year	–

32. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

On 30 June 2021, several independent third parties (the "Preference Shareholders") entered into the pre-IPO subscription agreement (the "Investment Agreement") with the Company, Tycoon Choice, Baide HK, the PRC Subsidiaries, Ms. Wu and Auto King International Limited, the entity wholly-owned by Ms. Wu (the "Ms. Wu BVI Entity"), pursuant to which the Preference Shareholders subscribed for an aggregate of 1,269,500 preference shares at an aggregate subscription consideration of RMB94,400,000 (the "Convertible Redeemable Preference Shares"). On 5 July 2021, the Company allotted and issued the Convertible Redeemable Preference Shares to these Preference Shareholders at the subscription consideration of RMB94,400,000, which was fully settled in cash.

All of the issued and outstanding Convertible Redeemable Preference Shares shall be automatically converted into such number of ordinary shares of the Company no later than the date immediately before the date on which the listing of the Company's shares was commenced on a recognised stock exchange pursuant to a qualified IPO. The initial conversion price for each Convertible Redeemable Preference Share shall be RMB74.36 per share (subject to adjustments for any recapitalisation including a split, subdivision, combination, consolidation, stock dividend, reclassification or the like) (the "Conversion Price").

The proceeds shall be used for (1) the expansion of the production and manufacturing capacities of the Group, research and development of new products, expansion of sales channel and marketing, clinical testing and products registrations; (2) the repurchases of certain ordinary shares of the Company; and (3) all the fees and expenses in relation to the listing, each as approved by the board of directors (if applicable).

The transaction costs of the issuance of Convertible Redeemable Preference Shares of approximately RMB5,505,000 has been recognised in profit or loss during year ended 31 December 2021.

The key terms of Convertible Redeemable Preference Shares are as follows:

(i) Conversion feature

Pursuant to the shareholders agreement (the "Shareholders Agreement"), each Convertible Redeemable Preference Share shall be convertible, at the option of the Preference Shareholders, at any time after the date of issuance of such Convertible Redeemable Preference Share, into such number of fully-paid ordinary shares of the Company as is determined by dividing the original issue price of such Preference Share (i.e. RMB74.36) by the applicable conversion price. Pursuant to the Shareholders Agreement, all of the issued and outstanding Convertible Redeemable Preference Shares shall automatically be converted into such number of shares using the then effective Conversion Price applicable to the Convertible Redeemable Preference Shares no later than the date immediately before the date on which the listing of the Company's share was commenced on a recognised stock exchange pursuant to a qualified IPO. As at 31 December 2021 and 31 May 2022, none of the Convertible Redeemable Preference Shares had been converted into ordinary shares of the Company.

(ii) Special rights

Under the Investment Agreement, the Preference Shareholders were granted a number of special rights, including but not limited to (i) repurchase right; (ii) anti-dilution right; (iii) the right of inspection including the right to access, examine and copy books or account of the Company; (iv) the right to discuss the business, operations and conditions of the Group; (v) the right to appoint independent auditor to examine accounts of the member of the Group; (vi) drag-along right; (vii) pre-emption right of shareholders on new shares; (viii) right of first refusal; and (ix) right of co-sale, all of which are set forth in the Shareholders Agreement. One of the Preference Shareholders, BOCI Investment Limited ("BOCI Investment") was given the priority over others in respect of the appointment as the several roles of the professional parties for the listing. BOCI Investment shall be entitled to nominate 1 person (the "Preference Shareholder's Appointed Director") to be a member of the board of directors. Ms. Liu Jiayi was appointed as the Preference Shareholder's Appointed Director on 5 July 2021. BOCI Investment shall also be entitled to nominate the Preference Shareholder's Appointed Director to each committee of the board of directors and the board of directors of each of the companies of the Group. All the above special rights shall be terminated on the last date as explicitly required by applicable laws and/or the Listing Rules, or upon listing, whichever is earlier.

(iii) Repurchase rights

Further to the special rights stated above which including the repurchase rights, in the event that a listing on the Main Board of Hong Kong Stock Exchange does not take place on or before 31 December 2022, each of the Preference Shareholder shall be entitled to serve a written notice to the Company, Ms. Wu and Ms. Wu BVI Entity and request the Company, Ms. Wu and Ms. Wu BVI Entity, on a joint and several basis, to redeem, repurchase or purchase (as applicable) from the requesting Preference Shareholder all or any part of the Convertible Redeemable Preference Shares held by such Preference Shareholder respectively for a consideration equal to the repurchase amount, which is the sum of (i) the Original Subscription Price; (ii) an amount sufficient to afford the Preference Shareholders its minimum IRR (i.e. an internal rate of return of 15% calculated on compound basis), calculated as of the date of payment of the repurchase amount (taking into account the sum of any cash dividend paid to the Preference Shareholder on or before the date of payment of the repurchase amount); and (iii) all costs and disbursements reasonably incurred by the Preference Shareholders in connection with the repurchase.

The repurchase amount is payable by Ms. Wu, Ms. Wu BVI Entity and the Company in cash and in immediately available funds within 30 calendar days after their receipt of the written notice issued by the Preference Shareholders.

The repurchase rights of the Preference Shareholder shall lapse and cease to have effect on the date immediately before the date of listing of the Company.

(iv) Profit guarantee and net profit adjustment

Pursuant to the Investment Agreement, the Group has warranted and guaranteed to BOCI Investment that the audited consolidated net profit (excluding non-recurrent revenue, profit or loss) of the Company for the financial year ending 31 December 2021 shall be not less than RMB91,700,000 and for the financial year ending 31 December 2022 shall be not less than RMB126,000,000.

In the event the actual audited consolidated net profit (excluding non-recurrent revenue, profit or loss) (the "Actual Net Profit") of the Company for the financial year ended 31 December 2021 and year ending 31 December 2022 is less than the guaranteed profit, the Company shall compensate BOCI Investment for any shortfall as calculated according to the following formulae: Shortfall for the relevant financial year = subscription consideration x (1- (Actual Net Profit for the relevant financial year/the guaranteed net profit for the relevant financial year)).

The above right of BOCI Investment shall be terminated on the last date as explicitly required by applicable laws and/or the Listing Rules, or upon listing, whichever is earlier.

The movement of the Convertible Redeemable Preference Shares during the Track Record Period are as follows:

The Group and the Company

	Year ended 31 December 2021	Five months ended 31 May 2022
	RMB'000	*RMB'000*
At the beginning of the year/period	–	87,300
Initial recognition	94,400	–
Fair value change through profit or loss	(7,100)	6,700
At the end of the year/period	87,300	94,000

The Convertible Redeemable Preference Shares are designated as a whole as financial liabilities measured at fair value through profit or loss. The directors of the Company considered that the changes in the fair value on the Convertible Redeemable Preference Shares attributable to the change in credit risk of the Group is minimal. Change in fair value of the Convertible Redeemable Preference Shares of RMB7,100,000 and RMB6,700,000 are credited and charged to profit or loss for the year ended 31 December 2021 and the five months ended 31 May 2022, respectively.

For the fair value measurement of the Convertible Redeemable Preference Shares, please refer to Note 43(f)(ii) for details.

33. SHARE CAPITAL

The Group and the Company

	As at 31 December 2021 *RMB'000*	As at 31 May 2022 *RMB'000*
Issued and fully paid		
10,000,000 ordinary share of HK$0.01 each	74	74

A summary of movements in the Company's share capital is as follows:

	Number of Shares in issue	Share capital *RMB'000*
At 1 January 2021	–	–
Issuance of ordinary shares *(Note i)*	10,000,000	84
Share repurchase *(Note ii)*	(1,243,303)	(10)
At 31 December 2021, 1 January 2022 and 31 May 2022	8,756,697	74

Notes:

(i) The Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 22 January 2021 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, 10,000,000 ordinary shares of HK$0.01 were allotted and issued by the Company.

There was no share capital as at 1 January 2019, 31 December 2019 and 2020 since the Company was not yet incorporated by then.

(ii) On 1 September 2021, the Company as purchaser entered into the share repurchase agreement with several investors, as vendors in relation to the repurchase of 1,243,303 ordinary shares by the Company at the total consideration of RMB66,774,000 (the "Repurchase of Shares") which was fully settled on 1 September 2021. Repurchase of Shares was paid in cash and an aggregate of 1,243,303 ordinary shares repurchased under the Repurchase of Shares were cancelled on 1 September 2021. The Repurchase of Shares and the cancellation of the 1,243,303 ordinary shares were approved by the then shareholders of the Company.

34. RESERVES

The Group

The amount of the Group's reserves and the movement thereon during the Track Record Period are presented in the consolidated statements of changes in equity as set out on pages I-11 to I-13 of this report.

The Company

The movement in the reserves of the Company is presented below:

	Share premium *RMB'000*	Share option reserve *RMB'000*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 22 January 2021 (date of incorporation)	–	–	–	–	–
Loss and total comprehensive income for the period	–	–	–	(14,893)	(14,893)
Repurchase of shares *(Note 33)*	(66,764)	–	–	–	(66,764)
Recognition of equity-settled share-based payments *(Note 35)*	–	542	–	–	542
As at 31 December 2021 and 1 January 2022	(66,764)	542	–	(14,893)	(81,115)
Loss for the period	–	–	–	(11,053)	(11,053)
Other comprehensive income for the period:					
Exchange difference on translation to presentation currency	–	–	(74)	–	(74)
Total comprehensive income for the period	–	–	(74)	(11,053)	(11,127)
Recognition of equity-settled share-based payments *(Note 35)*	–	856	–	–	856
As at 31 May 2022	(66,764)	1,398	(74)	(25,946)	(91,386)

The following describes the nature and purpose of each reserve within owner's equity:

Share premium

The application of the share premium account is governed by the Companies Act of Cayman Islands. The share premium represents the difference between the nominal value of the ordinary shares issued by the Company and consideration paid for the shares issued until 31 December 2021.

Capital reserve

Capital reserve represents the capital injection in excess of registered capital of Baide Suzhou and decrease in equity attributable to owners of the Company for acquiring the 49% equity interests of Nanjing Changcheng.

Merger reserve

Merger reserve represents the uneliminated share capital of the combining entity of the Group, the difference of aggregate consideration paid by the Group for the equity transfer of subsidiaries pursuant to the Reorganisation and the aggregate capital of subsidiaries after elimination of investments in subsidiaries.

Statutory surplus reserve

Pursuant to relevant laws and regulations in the PRC and articles of association of the entities incorporated in the PRC now comprising the Group, it is required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of its registered capital.

Statutory surplus reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at the minimum of 25% of the capital after such usages.

Translation reserve

The exchange reserve comprises all exchange differences arising from the translation of the financial statements from functional to presentation currency.

35. SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") which is approved and adopted by the written resolutions of the shareholders passed on 24 September 2021. The purpose of the Pre-IPO Share Option Scheme is to give eligible participants (i.e. (1) any directors, whether executive or non-executive and whether independent or not, of any member of the Group; and (2) any full time or part time employees of any member of the Group) an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of Shares which may be issued upon exercise of all options which may be granted at any time under the Pre-IPO Share Option Scheme is 18,000,000 shares, representing 6% of the issued shares immediately following the completion of the global offering (assuming the over-allotment option is not exercised and without taking in account any shares which may be allotted and issued pursuant to the exercise of any options under the Pre-IPO share option scheme). As at 31 December 2021 and 31 May 2022, number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 18,000,000, representing 6% of the issued share capital of the Company on the basis that 300,000,000 Shares were in issue and assuming that (i) the Global Offering and the capitalisation issue had been completed on 31 December 2021/31 May 2022 and (ii) no exercise of the Over-allotment Option. No further options will be offered or granted under the Pre-IPO Share Option Scheme.

The options granted should be subject to the following vesting schedule:

(1) two-thirds of the total number of the options will be vested 24 months immediately following the date of listing; and

(2) the remaining one-third of the total number of the options will be vested 36 months immediately following the date of listing.

Notwithstanding the foregoing, the earliest vesting date shall not be earlier than the date of listing. Subject to the vesting schedule above, there is no other specified minimum period under the Pre-IPO Share Option Scheme for which an option must be held or specified performance target which must be achieved before an option can be exercised under the term of the Pre-IPO Share Option Scheme.

The Company has granted options to 11 participants under the Pre-IPO Share Option Scheme, all of whom are directors, senior management or employees of the Group on 26 September 2021, prior to the date of listing. HK$1 was given by each of the grantees as the consideration for the share options.

The exercise of share options is subject to the conditions as follow:

Any option granted under the Pre-IPO Share Option Scheme shall become valid and exercisable upon all of the following conditions precedent being fulfilled:

(a) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of options in accordance with the terms and conditions of the Pre-IPO Share Option Scheme;

(b) commencement of dealings in the shares on the Stock Exchange; and

(c) any such conditions as may be specified in the relevant offer letter in respect of the grant of options being satisfied or waived.

Details of the grantee under the Pre-IPO Share Option Scheme as at 31 December 2021 and 31 May 2022 are as follows:

Categories of grantee and position	**Date of grant**	**Option period**	**Exercise period**	**Exercise price**	**Number of outstanding share options as at 31 December 2021**	**Number of outstanding share options as at 31 May 2022**
Directors	26 September 2021	10 years from the date of grant	After the vesting date but before the expiry of the option period	HK$3.97 per share	12,457,024	12,457,024
Employees	26 September 2021	10 years from the date of grant	After the vesting date but before the expiry of the option period	HK$3.97 per share	5,542,976	5,542,976
					18,000,000	18,000,000

On 26 September 2021, 18,000,000 share options were granted. The estimated fair value of the share options granted on that date was RMB5,700,000.

Fair value of share options under the Pre-IPO Share Option Scheme:

The Group has used the discounted cash flow method to determine the fair value of underlying ordinary shares of the Company with the assistance of Ravia Global Appraisal Advisory Limited, independent professionally qualified valuers. The address of Ravia Global Appraisal Advisory Limited is 17/F., 83 Wan Chai Road, Wan Chai, Hong Kong. Based on the fair value of the underlying ordinary shares of the Company, the Group has used binomial option-pricing model to determine the fair value of the share option as of the grant date. Option valuation model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying shares, and changes in the subjective input assumptions can materially affect the fair value estimate of share options.

Significant unobservable inputs	26 September 2021
Weighted average share price	RMB2.45 per share (equivalent to HK$2.91 per share)
Exercise price	HK$3.97 per share
Expected life	10 years
Expected volatility	16.09%
Expected dividend yield	0.00%
Risk-free rate	2.87%

The Company has recognised the equity-settled share-based payment of RMB542,000 and RMB856,000 in profit or loss during the year ended 31 December 2021 and the five months ended 31 May 2022, respectively, in relation to the share options issued under the Pre-IPO Share Option Scheme.

36. ACQUISITION OF NON-CONTROLLING INTERESTS

On 1 March 2019, Baide Suzhou acquired additional 49% equity interests of Nanjing Changcheng, a 51% owned subsidiary as at 31 December 2018. As a result of the acquisition, Baide Suzhou owned 100% equity interests in this subsidiary since then.

An analysis of the effects of changes in shareholdings in Nanjing Changcheng on the equity attributable to owners of the Company is as follows:

	RMB'000
Net assets attributable to 49% equity interests	3,034
Less: cash consideration paid for 49% equity interests	58,800
Decrease in equity attributable to owners of the Company (included in capital reserve)	(55,766)

	RMB'000
Analysis of cash flows on acquisition of non-controlling interests	
Cash consideration	(58,800)
Unsettled cash consideration as at 31 December 2019	12,760[#]
Net cash outflow on acquisition of non-controlling interests for the year ended 31 December 2019	(46,040)

[#] The unsettled cash consideration of RMB12,760,000 is included in other payable as at 31 December 2019 (Note 27). These amounts had been fully settled during the year ended 31 December 2020 by way of offsetting with other receivables (Note 40).

37. CAPITAL COMMITMENTS

As at 31 December 2019, 2020 and 2021 and 31 May 2022, the Group had outstanding capital commitments as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	2,765	797	–	1,029

38. INVESTMENT IN A SUBSIDIARY

The Company

	As at 31 December 2021	As at 31 May 2022
	RMB'000	*RMB'000*
Unlisted investment, at cost	*	*

* The balance represents an amount of less than RMB1,000.

The particulars of the directly and indirectly held subsidiaries of the Company are set out on pages I-18 to I-20 of this report.

39. RELATED PARTY TRANSACTIONS

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the Track Record Period are set out in Note 11 to the Historical Financial Information.

Save as disclosed above, there are no related party transactions and balances between the Group and its related parties for the Track Record Period.

40. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Lease liabilities *RMB'000 (Note 29)*	Bank borrowings *RMB'000 (Note 28)*	Convertible loans *RMB'000 (Note 31)*	Amount due (from)/to a shareholder *RMB'000 (Note 24)*	Other payables and accruals *RMB'000 (Note 27)*
As at 1 January 2019	1,673	849	101,591	(5,095)	6,121
Changes from financing cash flows:					
– Advance from a shareholder	–	–	–	12,467	–
– Repayments	(2,751)	(849)	–	–	–
– Interest paid	(220)	–	–	–	(426)
– Early redemption	–	–	(2,000)	–	–
	(2,971)	(849)	(2,000)	12,467	(426)
Other changes:					
– Cash flows from operating activities	–	–	–	–	23,042
– Cash flows from investing activities	–	–	–	5,214	–
– Commencement of lease	4,127	–	–	–	–
– Lease modification	2,852	–	–	–	–
– Finance costs	220	–	–	–	426
– Reversal of impairment loss	–	–	–	(119)	–
– Fair value change	–	–	86,893	–	–
– Gain on redemption	–	–	(3,620)	–	–
	7,199	–	83,273	5,095	23,468
As at 31 December 2019	5,901	–	182,864	12,467	29,163

	Lease liabilities *RMB'000* *(Note 29)*	Bank borrowings *RMB'000* *(Note 28)*	Convertible loans *RMB'000* *(Note 31)*	Amount due to a director *RMB'000* *(Note 24)*	Amount due to a shareholder *RMB'000* *(Note 24)*	Other payables and accruals *RMB'000* *(Note 27)*
As at 1 January 2020	5,901	–	182,864	249	12,467	29,163
Changes from financing cash flows:						
– New bank borrowings	–	9,000	–	–	–	–
– Repayments	(1,760)	–	(13,230)	(249)	(12,467)	–
– Interest paid	(394)	(232)	–	–	–	–
– Early redemption	–	–	(4,300)	–	–	–
	(2,154)	8,768	(17,530)	(249)	(12,467)	–
Other changes:						
– Cash flows from operating activities	–	–	–	–	–	(2,448)
– Cash flows from investing activities	–	–	–	–	(9,910)	–
– Commencement of lease	6,309	–	–	–	–	–
– Finance costs	394	232	–	–	–	426
– Fair value change	–	–	25,355	–	–	–
– Gain on redemption	–	–	(25,047)	–	–	–
– Conversion	–	–	(150,316)	–	–	–
– Offset with other receivables	–	–	–	–	–	(12,760)
– Deemed distribution arising from Reorganisation	–	–	–	–	12,327	13,344
– Recognised as puttable share payable	–	–	(10,754)	–	–	–
	6,703	232	(160,762)	–	2,417	(1,438)
As at 31 December 2020	10,450	9,000	4,572	–	2,417	27,725

	Lease liabilities *RMB'000* *(Note 29)*	Bank borrowings *RMB'000* *(Note 28)*	Convertible loans *RMB'000* *(Note 31)*	Convertible redeemable preference shares *RMB'000* *(Note 32)*	Amount due to/ (from) shareholders *RMB'000* *(Note 24)*	Other payables and accruals *RMB'000* *(Note 27)*
As at 1 January 2021	10,450	9,000	4,572	–	2,417	27,725
Changes from financing cash flows:						
– New bank borrowings	–	23,000	–	–	–	–
– Repayments	(4,908)	(19,000)	(4,572)	–	–	–
– Interest paid	(394)	(581)	–	–	–	–
– Dividend paid to shareholders of a subsidiary	–	–	–	–	–	(35,000)
– Consideration paid arising from Reorganisation	–	–	–	–	(12,327)	(8,563)
– Proceed from issue of convertible redeemable preference shares	–	–	–	94,400	–	–
– Transaction costs directly attributable to the issuance of convertible redeemable preference shares paid	–	–	–	–	–	(5,505)
– Repayment to shareholders	–	–	–	–	(2,279)	–
	(5,302)	3,419	(4,572)	94,400	(14,606)	(49,068)
Other changes:						
– Cash flows from operating activities	–	–	–	–	–	36,542
– Cash flows from investing activities	–	–	–	–	9,910	–
– Fair value change	–	–	–	(7,100)	–	–
– Provision for impairment loss	–	–	–	–	67	–
– Transaction costs directly attributable to the issuance of convertible redeemable preference shares	–	–	–	–	–	5,505
– Covid-19-releted rent concession from a lessor	(341)	–	–	–	–	–
– Finance costs	394	581	–	–	–	–
	53	581	–	(7,100)	9,977	42,047
As at 31 December 2021	5,201	13,000	–	87,300	(2,212)	20,704

	Lease liabilities *RMB'000 (Note 29)*	Bank borrowings *RMB'000 (Note 28)*	Convertible loans *RMB'000 (Note 31)*	Amount due to/(from) shareholders *RMB'000 (Note 24)*	Other payables and accruals *RMB'000 (Note 27)*
As at 1 January 2021	10,450	9,000	4,572	2,417	27,725
Changes from financing cash flows:					
– New bank borrowings	–	19,000	–	–	–
– Repayments	(2,160)	(13,000)	(4,572)	–	–
– Interest paid	(228)	(218)	–	–	–
– Dividend paid to shareholders of a subsidiary	–	–	–	–	(35,000)
– Consideration paid arising from Reorganisation	–	–	–	(12,327)	(8,563)
– Repayment to shareholders	–	–	–	(11,728)	–
	(2,388)	5,782	(4,572)	(24,055)	(43,563)
Other changes:					
– Cash flows from operating activities	–	–	–	–	46,211
– Cash flows from investing activities	–	–	–	9,910	–
– Provision for impairment loss	–	–	–	353	–
– COVID-19-related rent concession from a lessor	(180)	–	–	–	–
– Finance costs	228	218	–	–	–
	48	218	–	10,263	46,211
As at 31 May 2021 (Unaudited)	8,110	15,000	–	(11,375)	30,373

	Lease liabilities *RMB'000* *(Note 29)*	Bank borrowings *RMB'000* *(Note 28)*	Convertible redeemable preference shares *RMB'000* *(Note 32)*
As at 1 January 2022	5,201	13,000	87,300
Changes from financing cash flows:			
– New bank borrowings	–	24,000	–
– Repayments	(1,114)	(9,000)	–
– Interest paid	(120)	(442)	–
	(1,234)	14,558	–
Other changes:			
– Fair value change	–	–	6,700
– Finance costs	120	442	–
	120	442	6,700
As at 31 May 2022	4,087	28,000	94,000

41. NON-CONTROLLING INTERESTS

As at 31 December 2018, Nanjing Changcheng, a 51% owned subsidiary of Baide Suzhou have material non-controlling interests (the "NCI"). During the year ended 31 December 2019, Nanjing Changcheng became a wholly-owned subsidiary of Baide Suzhou by acquiring 49% equity interests from the non-controlling interests which was completed on 1 March 2019 as set out in Note 36. Except for the abovementioned, the NCI of all other subsidiaries of the Group that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the material NCI of Nanjing Changcheng before intra-group eliminations, is presented below:

	RMB'000
For the period from 1 January 2019 to 1 March 2019	
Revenue	3,719
Loss for the period	(1,816)
Total comprehensive income	(1,816)
Loss allocated to material NCI	(890)
Dividends paid to material NCI	–
For the period from 1 January 2019 to 1 March 2019	
Cash flows generated from operating activities	822
Cash flows used in financing activities	(440)
Net cash inflow	382

	RMB'000
As at 1 March 2019	
Current assets	11,697
Non-current assets	4,706
Current liabilities	(16,413)
Net liabilities	(10)
Accumulated material NCI	N/A

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities recognised during the Track Record Period are categorised as follows:

The Group

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Non-current assets				
Financial assets measured at amortised cost:				
– Deposits and other receivables	265	574	308	309
Current assets				
Financial assets measured at amortised cost:				
– Trade receivables	31,747	53,725	78,483	84,309
– Deposits and other receivables	12,328	1,407	2,522	10,107
– Amounts due from shareholders	–	–	2,212	1,840
– Cash and cash equivalents	1,535	6,993	20,820	24,090
	45,875	62,699	104,345	120,655
Financial liabilities				
Current liabilities				
Financial liabilities measured at FVTPL:				
– Convertible loans	182,864	4,572	–	–
– Convertible redeemable preference shares	–	–	87,300	94,000
Financial liabilities measured at amortised cost:				
– Trade payables	698	399	2,168	815
– Other payables and accruals	29,163	27,725	13,959	14,881
– Bank borrowings	–	9,000	13,000	28,000
– Lease liabilities	1,080	4,090	2,369	1,997
– Amounts due to a director	249	–	–	–
– Amounts due to a shareholder	12,467	2,417	–	–
	226,521	48,203	118,796	139,693
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Lease liabilities	4,821	6,360	2,832	2,090
	4,821	6,360	2,832	2,090
	231,342	54,563	121,628	141,783

The Company

	As at 31 December 2021 *RMB'000*	As at 31 May 2022 *RMB'000*
Financial assets		
Non-current assets		
Financial assets measured at amortised cost:		
– Amounts due from subsidiaries	8,938	5,737
Current assets		
Financial assets measured at amortised cost:		
– Amount due from shareholders	1,723	1,678
– Cash and cash equivalents	1,498	622
	12,159	8,037
Financial liabilities		
Current liabilities		
Financial liabilities measured at FVTPL:		
– Convertible redeemable preference shares	87,300	94,000
Financial liabilities measured at amortised cost:		
– Other payables and accruals	3,410	3,320
	90,710	97,320

43. FINANCIAL RISK MANAGEMENT

The Group and the Company's principal financial assets are trade receivables, deposits and other receivables, amounts due from shareholders/subsidiaries and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade payables, other payables, bank borrowings, lease liabilities, amounts due to a director/a shareholder, convertible loans and convertible redeemable preference shares. The main purpose of these financial liabilities is to finance the Group's operations.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures and implemented on timely and effective manner.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and contract assets) and deposits with banks.

In order to minimise the credit risk, the directors of the Company compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the carrying amount of these financial assets as disclosed in Note 42 represent the maximum exposure to credit risk. The Group's exposure to credit risk mainly arises from granting credit to trade debtors in the ordinary course of its business.

The Group has concentration of credit risk with respect to trade receivables and contract assets. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the Group has 65.13%, 55.29%, 45.65% and 46.87% of trade receivables arising from 2, 2, 2 and 5 trade debtors, which representing RMB24,586,000, RMB34,458,000, RMB37,966,000 and RMB41,320,000. These trade debtors are with good settlement records and reputation. The management believes that the credit risk on the amounts due is minimal.

The Group continuously monitors defaults of trade debtors and other counterparties, either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The credit policy has been followed by the Group since prior years.

Financial assets with credit risk exposure

Trade receivables and contract assets

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix.

Expected loss rates are based on actual loss experience in prior years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following tables provide information about the Group's exposure to credit risk and ECL for trade receivables and contract assets during the Track Record Period:

As at 31 December 2019

Distributors	**Gross carrying amount** *RMB'000*	**Expected credit loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	6,435	5.47%	352	6,083
1–90 days past due	6,698	16.18%	1,084	5,614
91–180 days past due	1,933	24.99%	483	1,450
181–365 days past due	1,109	58.70%	651	458
Over 1 year past due	1,808	98.45%	1,780	28
Total	17,983	24.19%	4,350	13,633

Deliverers	**Gross carrying amount** *RMB'000*	**Expected credit loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	3,972	1.64%	65	3,907
1–90 days past due	14,743	7.74%	1,141	13,602
91–180 days past due	615	27.48%	169	446
181–365 days past due	335	56.12%	188	147
Total	19,665	7.95%	1,563	18,102

Hospitals	**Gross carrying amount** *RMB'000*	**Expected credit loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	12	0.00%	–	12
181–365 days past due	88	100.00%	88	–
Total	100	88.00%	88	12

Overall	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	10,419	4.00%	417	10,002
1–90 days past due	21,441	10.38%	2,225	19,216
91–180 days past due	2,548	25.59%	652	1,896
181–365 days past due	1,532	60.51%	927	605
Over 1 year past due	1,808	98.45%	1,780	28
Total	37,748	15.90%	6,001	31,747

As at 31 December 2020

Distributors	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	12,569	5.54%	696	11,873
1–90 days past due	4,914	14.59%	717	4,197
91–180 days past due	3,477	16.08%	559	2,918
181–365 days past due	9,773	28.23%	2,759	7,014
Over 1 year past due	2,770	98.99%	2,742	28
Total	33,503	22.31%	7,473	26,030

Deliverers	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	10,382	0.55%	57	10,325
1–90 days past due	9,629	1.34%	129	9,500
91–180 days past due	703	2.13%	15	688
181–365 days past due	2,866	7.08%	203	2,663
Over 1 year past due	28	89.29%	25	3
Total	23,608	1.82%	429	23,179

Hospitals	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	3,533	2.41%	85	3,448
1–90 days past due	1,501	28.85%	433	1,068
91–180 days past due	63	100.00%	63	–
181–365 days past due	16	100.00%	16	–
Over 1 year past due	98	100.00%	98	–
Total	5,211	13.34%	695	4,516

Overall	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	26,484	3.16%	838	25,646
1–90 days past due	16,044	7.97%	1,279	14,765
91–180 days past due	4,243	15.01%	637	3,606
181–365 days past due	12,655	23.53%	2,978	9,677
Over 1 year past due	2,896	98.93%	2,865	31
Total	62,322	13.79%	8,597	53,725

As at 31 December 2021

Distributors	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	25,389	2.42%	615	24,774
1–90 days past due	20,917	6.11%	1,278	19,639
91–180 days past due	664	11.30%	75	589
181–365 days past due	310	88.39%	274	36
Over 1 year past due	34	100.00%	34	–
Total	47,314	4.81%	2,276	45,038

Deliverers	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	18,175	0.68%	123	18,052
1–90 days past due	8,531	1.61%	137	8,394
91–180 days past due	128	14.84%	19	109
181–365 days past due	9	100.00%	9	–
Over 1 year past due	5	100.00%	5	–
Total	26,848	1.09%	293	26,555

Hospitals	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	2,513	4.97%	125	2,388
1–90 days past due	1,299	11.93%	155	1,144
91–180 days past due	3,913	29.36%	1,149	2,764
181–365 days past due	1,847	34.22%	632	1,215
Over 1 year past due	75	100.00%	75	–
Total	9,647	22.14%	2,136	7,511

Overall	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	46,077	1.87%	863	45,214
1–90 days past due	30,747	5.11%	1,570	29,177
91–180 days past due	4,705	26.42%	1,243	3,462
181–365 days past due	2,166	42.24%	915	1,251
Over 1 year past due	114	100.00%	114	–
Total	83,809	5.61%	4,705	79,104

As at 31 May 2022

Distributors	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	23,518	1.15%	270	23,248
1–90 days past due	7,095	2.96%	210	6,885
91–180 days past due	9,195	5.63%	518	8,677
181–365 days past due	434	12.90%	56	378
Over 1 year past due	41	100.00%	41	–
Total	40,283	2.72%	1,095	39,188

Deliverers	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	18,146	0.15%	27	18,119
1–90 days past due	13,971	0.32%	45	13,926
91–180 days past due	10,230	1.21%	124	10,106
181–365 days past due	58	18.97%	11	47
Over 1 year past due	13	100.00%	13	–
Total	42,418	0.52%	220	42,198

Hospitals	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	2,137	6.08%	130	2,007
1–90 days past due	24	25.00%	6	18
181–365 days past due	3,214	72.06%	2,316	898
Over 1 year past due	79	100.00%	79	–
Total	5,454	46.41%	2,531	2,923

Overall	**Gross carrying amount** *RMB'000*	**Expected loss rate** *(%)*	**Loss allowance** *RMB'000*	**Net amount** *RMB'000*
Not yet past due	43,801	0.97%	427	43,374
1–90 days past due	21,090	1.24%	261	20,829
91–180 days past due	19,425	3.31%	642	18,783
181–365 days past due	3,706	64.30%	2,383	1,323
Over 1 year past due	133	100.00%	133	–
Total	88,155	4.36%	3,846	84,309

The movement in the loss allowance of trade receivables is as follows:

	Year ended 31 December			Five months ended 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	4,944	6,001	8,597	4,690
Provided/(Reversal)	1,057	2,596	(2,650)	(844)
Amount written-off as uncollectible	–	–	(1,257)	–
At the end of the year/period	6,001	8,597	4,690	3,846

The movement in the loss allowance of contract assets is as follows:

	Year ended 31 December			Five months ended 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	–	–	15
Provided/(Reversal)	–	–	15	(15)
At the end of the year/period	–	–	15	–

None of the Group's trade receivables and contract assets are secured by collaterals or other credit enhancement.

Other financial assets measure at amortised cost

Other financial assets measured at amortised cost of the Group and the Company include deposits and other receivables, amounts due from shareholders, subsidiaries and cash and cash equivalents. In respect of cash and cash equivalents, since there is no significant increase in credit risk, any loss allowance recognised during the Track Record Period is therefore limited to 12-months ECL. The probability of default is considered as low on these balances since the counterparties are financial institutions with high credit rating or with good reputation.

Impairment on deposits and other receivables measured at amortised cost during the Track Record Period under the stage of performing are recognised on 12-month ECL basis whilst those of under-performing and non-performing are recognised on lifetime ECL basis, as a result of a significant increase in credit risk for certain amounts.

Impairment on amounts due from shareholders measured at amortised cost, recognised during the Track Record Period is limited to 12-months ECL, since there is no significant increase in credit risk.

The following tables provide information about the Group's exposure to credit risk and ECL for deposits and other receivables during the Track Record Period:

Gross carrying amount	As at 31 December 2019	2020	2021	As at 31 May 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Performing	12,816	1,981	2,808	10,660
Under-performing	28	11	59	–
Non-performing	351	437	333	331
Total	13,195	2,429	3,200	10,991

Expected credit loss rate	As at 31 December 2019	2020	2021	As at 31 May 2022
Performing	2.25%	2.78%	2.53%	2.56%
Under-performing	3.57%	0.00%	1.69%	–
Non-performing	89.17%	89.93%	89.49%	91.24%
Overall	4.56%	18.44%	11.56%	5.23%

Expected credit loss allowance	As at 31 December 2019	2020	2021	As at 31 May 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Performing	288	55	71	273
Under-performing	1	–	1	–
Non-performing	313	393	298	302
Total	602	448	370	575

The movement in the loss allowance of deposits and other receivables is as follows:

Current	Year ended 31 December 2019	2020	2021	Five months ended 31 May 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,705	596	434	361
(Reversed)/Provided	(1,109)	(162)	(73)	206
At the end of the year/period	596	434	361	567

Non-current	Year ended 31 December 2019	2020	2021	Five months ended 31 May 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	6	14	9
Provided/(Reversed)	6	8	(5)	(1)
At the end of the year/period	6	14	9	8

The following tables provide information about the Company's and the Group's exposure to credit risk and ECL for amounts due from shareholders and amounts due from subsidiaries during the Track Record Period:

The Group

Amounts due from shareholders	Gross carrying amount	Expected loss rate	Loss allowance	Net amount
	RMB'000	*(%)*	*RMB'000*	*RMB'000*
As at 31 December 2021	2,279	2.94%	67	2,212
As at 31 May 2022	1,949	5.59%	109	1,840

The Company

Amount due from shareholders	Gross carrying amount	Expected loss rate	Loss allowance	Net amount
	RMB'000	*(%)*	*RMB'000*	*RMB'000*
As at 31 December 2021	1,774	2.87%	51	1,723
As at 31 May 2022	1,774	5.41%	96	1,678

Amounts due from subsidiaries	Gross carrying amount	Expected loss rate	Loss allowance	Net amount
	RMB'000	*(%)*	*RMB'000*	*RMB'000*
As at 31 December 2021	9,200	2.85%	262	8,938
As at 31 May 2022	5,891	2.61%	154	5,737

The movement in the loss allowance of amounts due from shareholders is as follows:

The Group

	Year ended 31 December			Five months ended 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	119	–	–	67
(Reversal)/Provided	(119)	–	67	42
At the end of the year/period	–	–	67	109

The Company

	Year ended 31 December 2021	Five months ended 31 May 2022
	RMB'000	*RMB'000*
At the beginning of the year/period	–	51
Provided	51	45
At the end of the year/period	51	96

The movement in the loss allowance of amounts due from subsidiaries is as follows:

The Company

	Year ended 31 December 2021	Five months ended 31 May 2022
	RMB'000	*RMB'000*
At the beginning of the year/period	–	262
Provided/(Reversal)	262	(108)
At the end of the year/period	262	154

(b) Liquidity risk

Liquidity risk related to the risk that the Group will not able to meet its obligation associated with its financial liabilities. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows in the short and long term. The directors of the Company monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

The liquidity policies have been followed by the Group consistently throughout the Track Record Period and are considered to have been effective in managing liquidity risk.

The following tables show the remaining contractual maturities at the reporting date of the Group's 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 reporting date) and the earliest date the Group can be required to pay.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The Group

	Carrying amount *RMB'000*	**Total contractual undiscounted cash flow** *RMB'000*	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years** *RMB'000*
As at 31 December 2019					
Trade payables	698	698	698	–	–
Other payables and accruals	29,163	29,589	29,589	–	–
Lease liabilities	5,901	6,296	1,372	2,934	1,990
Convertible loans	182,864	32,856	32,856	–	–
Amount due to a director	249	249	249	–	–
Amount due to a shareholder	12,467	12,467	12,467	–	–
	231,342	82,155	77,231	2,934	1,990

	Carrying amount *RMB'000*	**Total contractual undiscounted cash flow** *RMB'000*	**Within 1 year or on demand** *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years** *RMB'000*
As at 31 December 2020					
Trade payables	399	399	399	–	–
Other payables and accruals	27,725	27,725	27,725	–	–
Bank borrowings	9,000	9,232	9,232	–	–
Lease liabilities	10,450	11,270	4,551	3,693	3,026
Convertible loans	4,572	4,572	4,572	–	–
Amount due to a shareholder	2,417	2,417	2,417	–	–
	54,563	55,615	48,896	3,693	3,026

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021					
Trade payables	2,168	2,168	2,168	–	–
Other payables and accruals	13,959	13,959	13,959	–	–
Bank borrowings	13,000	13,289	13,289	–	–
Lease liabilities	5,201	5,639	2,613	1,400	1,626
Convertible redeemable preference shares	87,300	100,350	100,350	–	–
	121,628	135,405	132,379	1,400	1,626

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 May 2022					
Trade payables	815	815	815	–	–
Other payables and accruals	14,881	14,881	14,881	–	–
Bank borrowings	28,000	28,717	28,717	–	–
Lease liabilities	4,087	4,402	2,185	1,123	1,094
Convertible redeemable preference shares	94,000	107,500	107,500	–	–
	141,783	156,315	154,098	1,123	1,094

The Company

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021					
Other payables and accruals	3,410	3,410	3,410	–	–
Convertible redeemable preference shares	87,300	100,350	100,350	–	–
	90,710	103,760	103,760	–	–

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 May 2022					
Other payables and accruals	3,320	3,320	3,320	–	–
Convertible redeemable preference shares	94,000	107,500	107,500	–	–
	97,320	110,820	110,820	–	–

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in cash flows, and fixed interest rate instruments will result in the Group facing the risk of changes in fair value. The Group is exposed to interest rate risk in relation to cash and cash equivalents (Note 25), other payables (Note 27), bank borrowings (Note 28), lease liabilities (Note 29), convertible loans (Note 31) and convertible redeemable preference shares (Note 32).

Cash and cash equivalents, other payables, bank borrowings and lease liabilities are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flows interest rate risk is insignificant.

If interest rate on convertible loans had been 10% higher/lower with all other variables held constant, the Group's profit and total comprehensive income for the years ended 31 December 2019 and 2020 would decrease/increase by approximately RMB255,000 and Nil, respectively.

If interest rate on convertible redeemable preference shares had been 10% higher/lower with all other variables held constant, the Group's profit and total comprehensive income for the year ended 31 December 2021 and five months ended 31 May 2022 would decrease/increase by approximately RMB73,000 and RMB32,000 respectively.

(d) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk to the Group is minimal as most of the Group's transactions are carried out in functional currency of the respective entities.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. Total debt is calculated as lease liabilities, convertible loans, convertible redeemable preference shares,

interest bearing other payables, amounts due to a director, amounts due to a shareholder and bank borrowings. Capital includes (capital deficiency)/equity attributable to owners of the Company.

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	5,901	10,450	5,201	4,087
Convertible loans	182,864	4,572	–	–
Convertible redeemable preference shares	–	–	87,300	94,000
Other payables *(Note 27)*	12,760	–	–	–
Amounts due to a director	249	–	–	–
Amounts due to a shareholder	12,467	2,417	–	–
Bank borrowings	–	9,000	13,000	28,000
Total debt	214,241	26,439	105,501	126,087
(Capital deficiency)/Equity attributable to owners of the Company	(152,429)	47,081	33,068	54,792
Total debt and equity	61,812	73,520	138,569	180,879
Gearing ratio	3.47	0.36	0.76	0.70

(f) Fair value

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset on liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial assets and liabilities is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019				
Financial liabilities at fair value through profit or loss:				
– Convertible loans *(Note i)*	–	–	182,864	182,864
As at 31 December 2020				
Financial liabilities at fair value through profit or loss:				
– Convertible loans *(Note i)*	–	–	4,572	4,572
As at 31 December 2021				
Financial liabilities at fair value through profit or loss:				
– Convertible redeemable preference shares *(Note ii)*	–	–	87,300	87,300
As at 31 May 2022				
Financial liabilities at fair value through profit or loss:				
– Convertible redeemable preference shares *(Note ii)*	–	–	94,000	94,000

Notes:

(i) The reconciliation from the opening to the closing balances of the convertible loans during the Track Record Period is disclosed in Note 31. Fair value of Convertible Loans were determined by reference to valuations performed by APAC Asset Valuation and Consulting Limited, independent professionally qualified valuers, using the Binomial Option Pricing Model up to the Conversion Date during the Track Record Period.

The methods and valuation techniques used for the purpose of measuring fair value of Convertible Loans were changed to income approach of discounted cash flow method for the remaining balance on the Maturity Date of the Convertible Loans and for the year ended 31 December 2020.

Details of the parameters used in the valuation models for the Track Record Period are as follows:

	As at 31 December	
Significant unobservable inputs	**2019**	**2020**
Share price of Baide Suzhou	RMB524,000,000	N/A
Remaining life of the convertible loans	1 year	N/A
Risk-free rate	2.28%	N/A
Expected volatility	38.54%	N/A
Discount rate	N/A	7.30%

Generally, a change in Baide Suzhou's share price is accompanied by a directionally similar change to the fair value measurement. The following table illustrates the sensitivity of the carrying amount of the Convertible Loans during the Track Record Period to a change in the significant unobservable inputs while all other variable held constant. A positive number below indicates a decrease in profit (and increase accumulated losses) for the year. For an increase in profit (and decrease accumulated losses) for the year ended 31 December 2019, the balances below would be negative.

	As at 31 December 2019	
	If higher	**If lower**
	RMB'000	*RMB'000*
+/- 10% in the shares price of Baide Suzhou	16,050	(16,050)

(ii) The reconciliation from the opening to the closing balances of the convertible redeemable preference shares during the Track Record Period is disclosed in Note 32. Fair values of convertible redeemable preference shares were determined by reference to valuations performed by Ravia Global Appraisal Advisory Limited, independent professionally qualified valuers, using the discounted cash flow and back-solve method to determine the underlying share value of the Company and performed an equity allocation based on the Black-Scholes Option Pricing Model and weighted-probabilities of scenarios as of date of issuance and at the end of each reporting period.

Details of the parameters used in the valuation model are as follows:

Significant unobservable inputs	**As at 31 December 2021**	**As at 31 May 2022**
Share price of the Company	RMB2.45 per share	RMB2.73 per share
Time to liquidation	1.00 year	0.59 year
Risk-free rate	2.20%	1.64%
Expected volatility	48.21%	47.07%
Dividend yield	0.00%	0.00%
Possibilities under liquidation scenario	25%	25%
Possibilities under redemption scenario	15%	15%
Possibilities under IPO scenario	60%	60%

The directors of the Company estimated the risk-free rate based on the yield of the China Government Bonds with a maturity date close to period from the respective valuation dates to expected liquidation dates. Volatility was estimated based on average of historical volatilities of comparable companies in the same industry for a period from the valuation date to expected liquidation date. Dividend yield is based on management estimate at the valuation date.

(iii) Generally, a change in the Company's share price is accompanied by a directionally similar change to the fair value measurement. The following table illustrates the sensitivity of the carrying amount of the convertible redeemable preference shares during the Track Record Period to a change in the significant unobservable inputs while all other variable held constant. A positive number below indicates a decrease in profit for the period. For an increase in profit for the period, the balance below would be negative.

	As at 31 December 2021		As at 31 May 2022	
	If higher	**If lower**	**If higher**	**If lower**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
+/- 10% in the shares price of the Company	5,432	(5,374)	5,889	(5,557)

44. SUBSEQUENT EVENTS

The Directors believe that, based on information available as at the date of this report, the outbreak of COVID-19 did not and is not expected to result in a material disruption to the Group's business operations or have any material impact on the financial position or financial performance of the Group.

The above analysis is made by the management of the Company based on currently available information concerning COVID-19. It is difficult to predict the impact that COVID-19 will have on the Group's business, as the Group's business could be impacted by the current pandemic or future continuance or reoccurrence of COVID-19 in numerous ways.

Saved as disclosed above, there have been no other material events subsequent to the Track Record Period, which require adjustment to or disclosure in this report in accordance with HKFRS.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2022.

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" to this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(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 paragraph 4.29 of the Listing Rules is for illustrative purpose only, and is set forth here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 as if the Global Offering had taken place on 31 May 2022.

This 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 owners of the Company as at 31 May 2022 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 as set out in the Accountants' Report on historical financial information of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 *RMB'000* *(Note 1)*	**Estimated net proceeds from the Global Offering** *RMB'000* *(Notes 2 and 5)*	**Estimated impact on the conversion of Preference Shares into ordinary shares upon the Global Offering** *RMB'000* *(Note 3)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022** *RMB'000*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share** *RMB* *(Notes 4, 5 and 6)*	*HK$*
Based on Offer Price of HK$1.40 per share	54,099	262,096	94,000	410,195	0.26	0.29
Based on Offer Price of HK$1.72 per share	54,099	327,258	94,000	475,357	0.30	0.34

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company of RMB54,792,000 as at 31 May 2022 with an adjustment for intangible assets after excluding the portion attributable to non-controlling interests and goodwill of RMB271,000 and RMB422,000 respectively, as at 31 May 2022.

2. The estimated net proceeds from the Global Offering are based on 248,000,000 Offer Shares and the indicative Offer Price of HK$1.40 and HK$1.72 per Offer Share, being the low-end and high-end, respectively, assuming no exercise of Over-allotment Option, after deduction of the underwriting fees, commissions and other listing related expenses in connection with the Global Offering not yet recognised up to 31 May 2022. No account has been taken of any share which may be allotted and issued pursuant to the exercise of any options that granted under the Pre-IPO Share Option Scheme or any Share which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Share Capital" to this prospectus.

3. All the Preference Shares, as referred to the section headed "History, Reorganisation and Corporate Structure" to this prospectus, are issued on 5 July 2021 and will be automatically converted into ordinary shares on a one-for-one basis upon completion of the Global Offering. The Preference Shares were accounted for as liabilities to the Group. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the adjustment represents the impact of the conversion of all Preference Shares into ordinary shares. The estimated impact is RMB94,000,000, being the carrying amount of the Preference Shares as of 31 May 2022.

4. The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustment referring to in the preceding paragraphs and on the basis that 1,600,000,000 shares were in issue assuming that the Global Offering and the capitalisation issue had been completed on 31 May 2022, without taking into account any shares which may fall to be issued upon the exercise of the Over-allotment Option or any shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate.

5. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per share, the amounts stated in Renminbi are converted from or into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8829. No representation is made that RMB has been, could have been or may be converted into HK$, or vice versa, at that rate.

6. Save as disclosed above, no adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2022.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Betters Medical Investment Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Betters Medical Investment Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 May 2022 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Section A of Appendix II to the Company's prospectus dated 22 September 2022 (the "Prospectus") in connection with the proposed initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Global Offering"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's consolidated financial position as at 31 May 2022 as if the Global Offering had taken place on the same date. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's historical financial information as at 31 May 2022, on which the Accountants' Report set out in Appendix I of the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at 31 May 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related unaudited pro forma adjustments give appropriate effect to those criteria; and

– The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong
22 September 2022

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 January 2021 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). Upon Listing, the Company's constitutional documents will consist of its amended and restated memorandum of association (the "**Memorandum**") and its amended and restated articles of association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 11 September 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. 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 in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) 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; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) 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;

(bb) any proposal concerning an offer of shares or 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 his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles 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 of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

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 meeting of the Company or at any 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 deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution

specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two person appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or

the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint by ordinary resolution an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution

dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members 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 board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be

borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's 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 amount of its authorised share capital.

(b) Share capital

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 premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums 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 the company subject to the provisions, if any, of its memorandum and articles of association in (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) 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; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of 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 (the "**Court**"), 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.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person 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 acting 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.

(d) Purchase of shares and warrants by a company and its subsidiaries

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 and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as

to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution 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 issued shares of the company other than shares held as treasury 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.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

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. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative 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 and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court 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 Court shall direct.

Any shareholder of a company may petition the Court 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must 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.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) 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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 26 January 2021.

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 for 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) 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.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of directors and officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial ownership register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up)

from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the 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.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the 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.

(t) 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 Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic substance requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display – Documents on display" in Appendix V to this prospectus. 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 is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Information of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 22 January 2021. Our Company's registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established its principal place of business in Hong Kong at Unit 901, 9/F, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 18 February 2021. In connection with such registration, our Company has appointed Mr. Ng Kun Seng Chris of Room C, 16/F, Block 2, Sunshine Plaza, 17 Sung On Street, Hung Hom, Kowloon, Hong Kong, as the authorised representative of our Company for the acceptance of service of processes and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Act and its constitution comprising the Memorandum and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

(a) The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which (i) one nil-paid Share was allotted and issued to the initial subscriber and was transferred to Ms. Wu BVI Entity on 22 January 2021 at nil consideration; and (ii) 6,010,190, 774,032, 755,360, 475,200, 434,739, 396,049, 316,721, 272,874, 237,887, 132,858, 49,569 and 44,520 Shares were allotted and issued nil paid to Ms. Wu BVI Entity, Investor BVI Entity 1, Investor BVI Entity 2, Investor BVI Entity 3, Investor BVI Entity 4, Investor BVI Entity 5, Investor BVI Entity 6, Investor BVI Entity 7, Investor BVI Entity 8, Shareholder BVI Entity 9, Investor BVI Entity 10 and Investor BVI Entity 11 respectively on the date of its incorporation.

(b) On 23 March 2021, our Company further allotted and issued 100,000 Shares, credited as fully paid, to Investor BVI Entity 12.

(c) On 3 May 2021, all 9,900,000 nil-paid Shares were paid up by their holders.

(d) Pursuant to the resolutions in writing of our Shareholders passed on 30 June 2021, the authorised share capital of our Company was increased from HK$380,000 to HK$392,695 by the creation of 1,269,500 Preference Shares.

(e) On 5 July 2021, our Company further allotted and issued 833,782, 174,825, 87,413, 87,413 and 86,067 Preference Shares, fully paid, to BOCI Investment, Courage Elite, CVC, IPE and Weitian respectively.

(f) On 1 September 2021, our Company repurchased 1,243,303 Shares in aggregate from Investor BVI Entity 1, Investor BVI Entity 2, Investor BVI Entity 3, Investor BVI Entity 4, Investor BVI Entity 5 and Investor BVI Entity 7.

(g) Pursuant to the resolutions in writing of our Shareholders passed on 11 September 2022, (i) the authorised share capital of our Company was increased from HK$392,695 to HK$100,012,695 by the creation of an additional 9,962,000,000 Shares, and (ii) upon full conversion or redemption of all the Preference Shares (as the case may be), the authorised share capital would be diminished and reduced to HK$100,000,000 by the cancellation of all the unissued Preference Shares.

(h) Pursuant to the Capitalisation Issue, our Company will allot and issue 1,341,973,803 Shares to our Shareholders. Immediately following completion of the Global Offering and the Capitalisation Issue, the authorised share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK$16,000,000 divided into 1,600,000,000 Shares, all fully paid or credited as fully paid and 8,400,000,000 Shares will remain unissued (assuming the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme).

Save as aforesaid and as mentioned in the paragraph headed "3. Written resolutions of our Shareholders" below, there has been no alteration in the share capital of our Company since the date of its incorporation.

Save as disclosed in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

3. Written resolutions of our Shareholders

On 11 September 2022, written resolutions of our Shareholders were passed pursuant to which:

(a) the authorised share capital of our Company was increased from HK$392,695 to HK$100,012,695 by the creation of an additional 9,962,000,000 Shares and conditional upon full conversion or redemption of the Preference Shares (as the case may be), all the Preference Shares in the authorised share capital would be cancelled and the amount of the authorised share capital diminished and reduced to HK$100,000,000;

(b) our Company approved and adopted the Memorandum and the Articles with effect from and conditional on the Listing;

(c) conditional on (A) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Global Offering and the Capitalisation Issue) and (B) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares; and

(ii) conditional upon the share premium amount of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK$13,419,738.03 from the amount standing to the credit of the share premium account of our Company and apply such sum to pay up in full at par 1,341,973,803 Shares for allotment and issue to the holders of Shares and Preference Shares as at the close of business on 11 September 2022, pro-rata (or as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company;

(d) a general and unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of a rights issue or any scrip dividend schemes or similar arrangements in accordance with the Articles of Association or an issue of Shares upon the exercise of any options granted under the Pre-IPO Share Option Scheme or the Global Offering or the Capitalisation Issue) Shares with an aggregate number not exceeding the sum of (i) 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options under the Pre-IPO Share Option Scheme; and (ii) the number of Shares repurchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (e) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;

(e) a general and unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the exercise of any options under the Pre-IPO Share Option Scheme, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and

(f) conditional on the passing of the resolutions referred to in sub-paragraphs (d) and (e) above, the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition of the aggregate number of Shares which may be allotted, issued or dealt with by our Directors pursuant to such general unconditional mandate of the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in sub-paragraph (e) above.

4. Corporate reorganisation

Please refer to "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus for further details.

5. Changes in the share capital of subsidiaries of our Company

Our Company's subsidiaries are referred to in the Accountants' Report for our Company, the text of which is set out in Appendix I to this prospectus.

Save for the alterations disclosed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus, there is no other alteration in the authorised or issued share capital of our Company's subsidiaries which took place within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant our Directors a general mandate to repurchase Shares that are listed on the Stock Exchange subject to certain restrictions, details of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of Shares (which must be fully paid up) by our Company must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

The Repurchase Mandate was granted to our Directors by our Shareholders pursuant to the written resolutions dated 11 September 2022 authorising them to exercise all powers of our Company to repurchase Shares not exceeding 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options under the Pre-IPO Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

(ii) Source of funds

Repurchase of Shares must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Under the Companies Act, our Company may make repurchases out of our profit or share premium or out of the proceeds of a fresh issue of the Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be paid out of profits of our Company or out of the share premium account of our Company. Subject to satisfaction of the solvency test prescribed by the Companies Act, a repurchase may also be made out of capital.

(iii) Trading restrictions

Our Company may repurchase up to 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the

Capitalisation Issue but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options under the Pre-IPO Share Option Scheme. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 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.

(iv) Status of Shares repurchased

All Shares repurchased (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares repurchased may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Repurchase of Shares are prohibited after inside information has come to our Company's knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period (if applicable) under the Listing Rules or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, our Company may not repurchase the Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on the Stock Exchange if our Company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchase of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which our Company makes a purchase of Shares. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchase, where relevant, and the aggregate price paid. Our Directors' report is also required to contain reference to the repurchase made during the year and our Directors' reasons for making such repurchase.

(vii) Core connected persons

According to the Listing Rules, a company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their respective close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(b) Reasons for repurchase

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 our Shareholders to enable our Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. Our

Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,600,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options under the Pre-IPO Share Option Scheme, would result in up to 160,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge, information and belief having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

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, the applicable laws of the Cayman Islands and the regulations set out in the Memorandum and Articles of Association.

If, as a result of a 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 purpose 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 in this paragraph, our Directors are not presently aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate immediately after the Listing.

No core connected person has notified our Company that he/she/it 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 of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor A and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB2,000,000 which is convertible into 4.88% of the equity interest in Baide Suzhou;

(b) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor B and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB635,000 which is convertible into 1.55% of the equity interest in Baide Suzhou;

(c) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor C and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB3,000,000 which is convertible into 7.32% of the equity interest in Baide Suzhou;

(d) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor G and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB1,000,000 which is convertible into 2.44% of the equity interest in Baide Suzhou;

(e) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor J and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB1,130,000 which is convertible into 2.76% of the equity interest in Baide Suzhou;

(f) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor K and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB985,000 which is convertible into 2.4% of the equity interest in Baide Suzhou;

(g) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor PRC Entity 6 and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB205,000 which is convertible into 0.5% of the equity interest in Baide Suzhou;

(h) the supplemental investment agreement dated 3 December 2020 and entered into between Baide Suzhou and Investor PRC Entity 7 and with Ms. Wu, Ms. Wu PRC Entity 5, Shareholder PRC Entity 5, Ms. Wu PRC Entity 4 and Ms. Wu PRC Entity 6 as confirming parties in relation to the exercise of the conversion option of RMB1,800,000 which is convertible into 4.39% of the equity interest in Baide Suzhou;

(i) the equity transfer contract dated 11 March 2021 and entered into between Investor Q as vendor and Baide HK as purchaser in relation to the sale and purchase of 1% equity interest in Baide PRC Entity 3 at the total consideration of RMB317,200;

(j) the equity transfer contract dated 15 March 2021 and entered into between Investor Q as vendor and Baide HK as purchaser in relation to the sale and purchase of 1% equity interest in Baide PRC Entity 2 at the total consideration of RMB698,100;

(k) the equity transfer contract dated 15 March 2021 and entered into between Investor Q as vendor and Baide HK as purchaser in relation to the sale and purchase of 1% equity interest in Baide PRC Entity 4 at the total consideration of RMB134,700;

(l) the Investor BVI Entity 12 Subscription Agreement;

(m) the Consideration Settlement Deed;

(n) the Series C Investment Agreement;

(o) the Series C Shareholders Agreement;

(p) the Repurchase Agreement;

(q) the Hong Kong Underwriting Agreement;

(r) the Deed of Indemnity; and

(s) the Deed of Non-competition.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark(s) in the PRC which are material to the business of our Group:

Trademark	Registered owner	Classes	Registration number	Validity period
粵百德	Baide Suzhou	35, 37, 44	26022497, 26029902, 26012695	14 September 2018 – 13 September 2028
粵百德	Baide Suzhou	10	26019317	7 December 2018 – 6 December 2028
黔百德	Baide Suzhou	10, 35, 37, 44	26024200, 26022491, 26029908, 26021488	14 September 2018 – 13 September 2028
	Baide Suzhou	10, 35, 44	26013626, 26016654, 26021480	14 September 2018 – 13 September 2028
	Baide Suzhou	37	26015083	21 November 2018 – 20 November 2028
百德信	Baide Suzhou	44	26675514	14 September 2018 – 13 September 2028
百德信	Baide Suzhou	35	26028394	21 November 2018 – 20 November 2028
百德信	Baide Suzhou	10, 37	26690856, 26692789	7 December 2018 – 6 December 2028

Trademark	Registered owner	Classes	Registration number	Validity period
	Baide Suzhou	10	20643248	21 September 2017 – 20 September 2027
百德Betters	Baide Suzhou	10	20643418	28 October 2017 – 27 October 2027
	Baide Suzhou	10	20643426	7 November 2017 – 6 November 2027
百德信 Betters	Baide Suzhou	10	20643446	14 November 2017 – 13 November 2027

As at the Latest Practicable Date, our Group had registered the following trademark(s) in Hong Kong which are material to the business of our Group:

Trademark	Registered owner	Classes	Trademark number	Validity period
	Our Company	10, 35, 37, 42, 44	305704740	2 August 2021 – 1 August 2031
	Our Company	10, 35, 37, 42, 44	305704759	2 August 2021 – 1 August 2031

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which is material to the business of our Group:

Domain name	Registered owner	Registration date	Expiry date
baidesz.com	Baide Suzhou	22 April 2019	22 April 2024

(c) Copyrights

As at the Latest Practicable Date, our Group had registered the following copyright(s) in the PRC which are material to the business of our Group:

(i) Works

Copyright	Registered owner	Registration number	Development completion date
	Baide Suzhou	國作登字-2018-F-00512049	8 December 2016
	Baide Suzhou	國作登字-2017-F-00348500	20 June 2012

(ii) Software

Copyright	Registered owner	Version	Registration number	Date of project initiation by our Group	Development completion date	Date of registration
Microwave tumour device control software* (MTI-5DT型微波腫瘤機控制軟件)	Baide Suzhou *(Note 1)*	V1.0	2020SR0475730	10 August 2018	27 March 2019	19 May 2020
Troubleshooting detection software for microwave treatment instrument facilities* (用於微波治療儀的設備故障檢測系統)	Baide Suzhou *(Note 1)*	V1.0	2020SR0475742	4 May 2019	2 November 2019	19 May 2020
Software for real time safety surveillance system of microwave treatment instrument* (微波治療儀實時安全監測系統)	Baide Suzhou *(Note 1)*	V1.0	2020SR0475736	4 May 2019	18 October 2019	19 May 2020

Copyright	Registered owner	Version	Registration number	Date of project initiation by our Group	Development completion date	Date of registration
Software for controlling microwave treatment instrument* (MTI-5AT型微波治療儀控制軟件)	Nanjing Changcheng, Lu Rongjian, Yang Xingrui, Chang Yonghuan *(Note 2)*	V1.0	2019SR1248795	1 March 2018	8 March 2019	30 November 2019
Software for controlling microwave treatment instrument* (MTI-5A型微波治療儀控制軟件)	Nanjing Changcheng, Yang Xingrui, Chang Yonghuan *(Note 2)*	V1.0	2019SR1248872	10 July 2017	11 March 2019	30 November 2019
Software for controlling microwave physiotherapy instrument* (MTI-5B型微波理療儀控制軟件)	Nanjing Changcheng, Lu Rongjian, Yang Xingrui, Chang Yonghuan *(Note 2)*	V1.0	2019SR1248873	1 March 2018	15 March 2019	30 November 2019
Software for controlling microwave physiotherapy instrument* (MTI-5C型微波理療儀控制軟件)	Nanjing Changcheng, Lu Rongjian, Yang Xingrui, Chang Yonghuan *(Note 2)*	V1.0	2019SR1248151	1 March 2018	6 September 2019	30 November 2019
Software for controlling microwave physiotherapy instrument* (MTI-5DT型微波治療儀控制軟件)	Nanjing Changcheng, Lu Rongjian, Yang Xingrui, Chang Yonghuan *(Note 2)*	V1.0	2019SR1248046	10 August 2018	19 March 2019	30 November 2019
Safety detection platform based on microwave treatment instrument* (基於微波治療儀的安全檢測平台)	Nanjing Changcheng, Yang Xingrui, Chang Yonghuan *(Note 2)*	V1.0	2019SR1241715	4 May 2019	4 October 2019	30 November 2019
Microwave treatment instrument system software* (微波治療系統軟件)	Nanjing Changcheng	V1.0	2017SR587448	10 July 2017	20 August 2017	26 October 2017
Changcheng Medical microwave treatment instrument control software* (長城醫療MTI-5AT型微波治療儀控制軟件)	Nanjing Changcheng	V2.0	2020SR0447698	1 March 2018	24 February 2019	13 May 2020

Copyright	Registered owner	Version	Registration number	Date of project initiation by our Group	Development completion date	Date of registration
Changcheng Medical microwave physiotherapy instrument control software* (長城醫療MTI-5B型微波理療儀控制軟件)	Nanjing Changcheng	V2.0	2020SR0447890	1 March 2018	28 February 2019	13 May 2020
Changcheng Medical microwave treatment instrument control software* (長城醫療MTI-5DT型微波治療儀控制軟件)	Nanjing Changcheng	V2.0	2020SR0447872	10 August 2018	24 February 2019	13 May 2020
Changcheng Medical microwave physiotherapy instrument control software* (長城醫療MTI-5C型微波理療儀控制軟件)	Nanjing Changcheng	V2.0	2020SR0447575	1 March 2018	10 April 2019	13 May 2020
Changcheng Medical microwave treatment instrument control software* (長城醫療MTI-5AT型微波治療儀控制軟件)	Nanjing Changcheng	V3.0	2022SR0477676	10 February 2022	10 March 2022	15 April 2022
Changcheng Medical microwave ablation system* (長城醫療5AR型微波消融系統)	Nanjing Changcheng	V1.0	2022SR0586773	12 October 2021	22 December 2021	17 May 2022
Synergistic control software for ultrasound diagnosis and tumor microwave ablation therapy* (超聲診斷與腫瘤微波消融治療協同控制軟件)	Nanjing Changcheng	V1.0	2022SR0586772	10 February 2022	17 March 2022	17 May 2022
Changcheng Medical microwave ablation system* (長城醫療5AF型微波消融系統)	Nanjing Changcheng	V1.0	2022SR0610149	12 October 2021	15 December 2021	20 May 2022
Microwave assisted patient treatment information management system* (微波輔助患者治療信息管理系統)	Nanjing Changcheng	V1.0	2022SR0610009	10 February 2022	6 April 2022	20 May 2022

Copyright	Registered owner	Version	Registration number	Date of project initiation by our Group	Development completion date	Date of registration
Changcheng Medical microwave treatment instrument control software* (長城醫療MTI-5DT型微波治療儀控制軟件)	Nanjing Changcheng	V3.0	2022SR0645349	10 February 2022	15 April 2022	26 May 2022
Software system for microwave therapist safety and equipment fault detection (用於微波治療儀安全及設備故障檢測的軟件系統)	Nanjing Changcheng	V2.0	2022SR0821351	10 January 2022	27 February 2022	22 June 2022

Notes:

1. The register owner(s) of the copyright of the software were changed from Nanjing Changcheng, Mr. Yang Xingrui and Mr. Chang Yonghuan to Baide Suzhou on 19 May 2020.

2. On 3 September 2021, Nanjing Changcheng entered into copyright co-ownership agreements with Lu Rongjian, Yang Xingrui and Chang Yonghuan (the "**Co-authors**"), pursuant to which each of the Co-authors (i) will not use the relevant copyrights, will abandon the usufruct attached to the relevant copyrights and will not share the income of Nanjing Changcheng from using such relevant copyrights; (ii) will not permit any third parties to use the relevant copyrights unless with the consent of Nanjing Changcheng and will not transfer the ownership of or create any charge against the relevant copyrights to or in favour of any third parties except Nanjing Changcheng; (iii) will not share the income of Nanjing Changcheng from any third parties uses of the relevant copyrights allowed by Nanjing Changcheng; (iv) if required by Nanjing Changcheng, will unconditionally cooperate with Nanjing Changcheng to transfer or create any charge against such relevant copyrights to or in favour of Nanjing Changcheng or any third parties; and (v) will not have the right of first refusal of the relevant copyrights.

   Mr. Yang Xingrui participated in the R&D of the relevant copyrights. He was formerly our chief technical officer and the chief engineer and director of Baide Suzhou. Mr. Yang was introduced to our Group by the former management of Nanjing Changcheng. He worked in Nanjing Jasons Medical Equipment Company Limited* (南京杰雄醫療裝備有限公司), being a subsidiary of Nanjing Changcheng Information System at the relevant time, from December 2013 to December 2014.

   Mr. Chang Yonghuan participated in the R&D of the relevant copyrights. He was formerly an engineer of the technical department of Nanjing Changcheng from April 2018 to June 2020.

   To the best of their knowledge, save for the abovementioned engagement or employment relationship with Nanjing Changcheng, each of Mr. Yang Xingrui and Mr. Chang Yonghuan has no relationships (whether past or present), including, but not limited to, family, trust, employment, business or financing relationship, with Nanjing Changcheng Information System or its management or owners.

   For the biography of Mr. Lu Rongjian, please refer to the section headed "Directors and senior management – Senior management" in this prospectus. Mr. Lu Rongjian was the person in charge of the cooperation projects between our Group and Nanjing Forestry University in R&D of control system of MWA devices from 2017 to 2019. Pursuant to the cooperation agreements in relation to the cooperation projects between our Group and Nanjing Forestry University, our Group was responsible for provide the funding and remuneration of such projects to Nanjing Forestry University. As confirmed by Nanjing Forestry University, (1) the intellectual

property rights of the results of the cooperation projects belong to our Group or the party(ies) designated by our Group; and (2) it agrees that Mr. Lu Rongjian be named as a co-owner of such intellectual property rights.

(d) Patents

As at the Latest Practicable Date, our Group had registered the following patent(s) in the PRC which are material to the business of our Group:

Patent name	Registered owner	Patent number	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application	Date of grant	Validity period
Real-time temperature measuring and ablation integrated semi-rigid water cooling microwave ablation antenna (具有實時測溫與消融為一體的半剛水冷微波消融天線)	Baide Suzhou *(Note 1)*	ZL201310552850.8	Granted	Invention	–	–	11 November 2013	8 June 2016	11 November 2013 – 10 November 2033
Real-time temperature measurement and ablation integrated high-performance water-cooled microwave ablation antenna (具有實時測溫與消融為一體的高性能水冷微波消融天線)	Baide Suzhou *(Note 2)*	ZL201320764553.5	Granted	Utility	–	–	29 November 2013	4 June 2014	29 November 2013 – 28 November 2023
Crank ablation needle (彎柄消融針)	Baide Suzhou	ZL201730566463.9	Granted	Design	10 July 2017	30 October 2017	16 November 2017	15 June 2018	16 November 2017 – 15 November 2027
Microwave therapeutic equipment (微波治療儀)	Baide Suzhou	ZL201730566990.X	Granted	Design	10 July 2017	30 October 2017	16 November 2017	15 June 2018	16 November 2017 – 15 November 2027
Straight ablation needle (直柄消融針)	Baide Suzhou	ZL201730566996.7	Granted	Design	10 July 2017	30 October 2017	16 November 2017	15 June 2018	16 November 2017 – 15 November 2027
Water-cooled microwave ablation needle, liquid injection and suction structure thereof and metal outer guide sleeve (一種水冷微波消融針及其注液與吸液結構、金屬外導套)	Baide Suzhou	ZL201820441845.8	Granted	Utility	10 January 2018	1 March 2018	30 March 2018	5 July 2019	30 March 2018 – 29 March 2028
Puncture type semi-flexible microwave ablation needle and water cooling structure and outer guide sleeve thereof (一種穿刺型半柔微波消融針的水冷結構、外導套)	Baide Suzhou, Lu Ligong *(Note 3)*	ZL201820501435.8	Granted	Utility	10 January 2018	16 March 2018	10 April 2018	5 July 2019	10 April 2018 – 9 April 2028

Patent name	Registered owner	Patent number	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application	Date of grant	Validity period
Medical microwave equipment capable of being wirelessly and remotely controlled (一種可無線遙控的醫用微波設備)	Baide Suzhou	ZL201820981010.1	Granted	Utility	10 January 2018	5 May 2018	25 June 2018	20 August 2019	25 June 2018 – 24 June 2028
Microwave therapeutic equipment (微波治療儀)	Baide Suzhou	ZL201830352165.4	Granted	Design	10 January 2018	5 May 2018	3 July 2018	8 January 2019	3 July 2018 – 2 July 2028
Intelligent instrument (智能型微波治療儀)	Baide Suzhou	ZL201830492179.6	Granted	Design	10 January 2018	5 May 2018	3 September 2018	15 January 2019	3 September 2018 – 2 September 2028
High-performance water-cooled microwave ablation needle with microwave power control switch (一種帶微波功率控制開關的高性能水冷微波消融針)	Baide Suzhou	ZL201821746518.X	Granted	Utility	24 June 2018	29 September 2018	26 October 2018	3 September 2019	26 October 2018 – 25 October 2028
Half-round head semi-flexible water-cooling microwave thermal coagulation electrode (一種半圓頭半柔型水冷微波熱凝電極)	Baide Suzhou	ZL201821770152.X	Granted	Utility	10 January 2018	29 September 2018	30 October 2018	3 September 2019	30 October 2018 – 29 October 2028
Anti microwave interference temperature measurement with melt integral type high performance water-cooling microwave ablation antenna (抗微波干擾測溫與消融一體式高性能水冷微波消融天線)	Baide Suzhou *(Note 4)*	ZL201620850874.0	Granted	Utility	–	–	8 August 2016	14 July 2017	8 August 2016 – 7 August 2026
Anti microwave interference temperature measurement with melt integral type half water-cooling microwave ablation antenna just (抗微波干擾測溫與消融一體式半剛水冷微波消融天線)	Baide Suzhou *(Note 5)*	ZL201620850875.5	Granted	Utility	–	–	8 August 2016	25 July 2017	8 August 2016 – 7 August 2026
Semi-flexible microwave ablation antenna and transmission line structure (半柔性微波消融天線及傳輸線結構)	Baide Suzhou	ZL202121419209.3	Granted	Utility	24 December 2019	28 May 2021	24 June 2021	24 December 2021	24 June 2021 to 23 June 2031
Semi-rigid puncture microwave ablation antenna and its transmission structure (半剛穿刺型微波消融天線及傳輸線結構)	Baide Suzhou	ZL202121414473.8	Granted	Utility	24 December 2019	28 May 2021	24 June 2021	24 December 2021	24 June 2021 to 23 June 2031

Patent name	Registered owner	Patent number	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application	Date of grant	Validity period
Microwave hyperthermia radiator capable of restraining microwave energy leakage (帶抑制微波漏能的微波熱療用輻射器)	Nanjing Changcheng	ZL201310130580.1 *(Note 6)*	Granted	Invention	–	–	16 April 2013	2 March 2016	16 April 2013 – 15 April 2033
Semi-rigid water-cooling microwave ablation antenna (半剛水冷微波消融天線)	Nanjing Changcheng, Lu Ligong	ZL201310102228.7 *(Note 7 & 8)*	Granted	Invention	–	–	27 March 2013	16 March 2016	27 March 2013 – 26 March 2033
High-performance water-cooling microwave ablation antenna (高性能水冷微波消融天線)	Nanjing Changcheng	ZL201320144929.2 *(Note 9)*	Granted	Utility	–	–	27 March 2013	14 August 2013	27 March 2013 – 26 March 2023
Semi-rigid puncture type water-cooling microwave ablation treatment instrument guided by endoscope (一種在內窺鏡引導下半剛穿刺型水冷微波消融治療器械)	Nanjing Changcheng	ZL201821706733.7	Granted	Utility	1 March 2018	29 September 2018	22 October 2018	29 October 2019	22 October 2018 – 21 October 2028
Semi-rigid intravascular tissue microwave thermocoagulation antenna (一種半剛型血管腔內組織微波熱凝固天線)	Nanjing Changcheng	ZL201920547932.6	Granted	Utility	1 March 2018	16 March 2019	22 April 2019	31 March 2020	22 April 2019 – 21 April 2029
High-performance semi-rigid puncture type microwave ablation antenna (一種高性能半剛穿刺型微波消融天線)	Nanjing Changcheng	ZL201920547772.5	Granted	Utility	10 January 2019	16 March 2019	22 April 2019	21 February 2020	22 April 2019 – 21 April 2029
Water-cooling microwave burning and cutting thermal coagulation knife (一種水冷微波灼割熱凝刀)	Nanjing Changcheng	ZL201920555560.1	Granted	Utility	1 February 2019	16 March 2019	23 April 2019	18 February 2020	23 April 2019 – 22 April 2029
Multi-probe intervention type side-opening temperature measuring device (一種多探頭介入式旁開測溫裝置)	Nanjing Changcheng	ZL201922082885.5	Granted	Utility	1 March 2019	2 November 2019	27 November 2019	23 October 2020	27 November 2019 – 26 November 2029
Ultrasonic diagnosis and tumour microwave ablation treatment all-in-one machine (超聲診斷與腫瘤微波消融治療一體機)	Nanjing Changcheng	201930687094.8	Granted	Design	1 March 2019	15 November 2019	13 December 2019	4 August 2020	13 December 2019 – 12 December 2029

Patent name	Registered owner	Patent number	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application	Date of grant	Validity period
Device for reducing power fluctuation of magnetron (一種降低磁控管功率波動的裝置)	Nanjing Changcheng	ZL202022881052.8 *(Note 10)*	Granted	Utility	–	–	2 December 2020	24 August 2021	2 December 2020 – 1 December 2030
Magnetron microwave power detection device (一種磁控管微波功率檢測裝置)	Nanjing Changcheng	ZL202220842531.5	Granted	Utility	10 February 2022	8 April 2022	13 April 2022	13 September 2022	13 April 2022 – 12 April 2032

Notes:

1. The registered owner of the patent registration was changed from Mr. Yang Xingrui to Baide Suzhou on 24 February 2018.

2. The registered owner of the patent registration was changed from Mr. Yang Xingrui to Baide Suzhou on 12 February 2018.

3. Mr. Lu Ligong participated in the R&D of such patent. On 15 September 2021, Baide Suzhou entered into a patent co-ownership agreement with Lu Ligong, pursuant to which Lu Ligong (i) will not use the relevant patent, will abandon the usufruct attached to the relevant patent and will not share the income of Baide Suzhou from using such relevant patent; (ii) will not permit any third parties to use the relevant patent unless with the consent of Baide Suzhou and will not transfer the ownership of or create any charge against the relevant patent to or in favour of any third parties except Baide Suzhou; (iii) will not share the income of Baide Suzhou from any third parties uses of the relevant patent allowed by Baide Suzhou; (iv) if required by Baide Suzhou, will unconditionally cooperate with Baide Suzhou to transfer or create any charge against such relevant patent to or in favour of Baide Suzhou or any third parties; and (v) will not have the right of first refusal of the relevant patent.

   Mr. Lu Ligong is our consultant as the chief scientist. He is currently the head of Zhuhai People's Hospital Medical Group* (珠海市人民醫院醫療集團), the deputy head of the Research Centre of Intelligent Medical Care of Tsinghua University* (清華大學智慧醫療研究院), the head of the Research Centre of Intervention and Intelligent Medical Engineering of Jinan University* (暨南大學介入與智能醫學工程研究院), the chief of each of Zhuhai Intervention Medical Centre* (珠海市介入診療中心), Tumor Intervention (Diagnosis and Treatment) Key Laboratory of Guangdong Province* (廣東省腫瘤介入(診治)重點實驗室), the Research Centre of Intervention Intelligent Engineering Technology of Guangdong Province* (廣東省介入智造工程技術研究中心主任), the chief of the Medical Quality Control Centre of Radiation Intervention of Guangdong Province* (廣東省放射介入醫療質控中心) and the Innovation Platform of Tumor Minimally Invasive Diagnosis and Treatment Translational Medicine of Guangdong Province* (廣東省腫瘤微創診療轉化醫學創新平台).

   To the best of his knowledge, Mr. Lu Ligong has no relationships (whether past or present), including, but not limited to, family, trust, employment, business or financing relationship, with Nanjing Changcheng Information System or its management or owners.

4. The registered owner of the patent registration was changed from Mr. Yang Xingrui and Mr. Zheng Jiasheng to Baide Suzhou on 1 June 2020.

5. The registered owner of the patent registration was changed from Mr. Yang Xingrui and Mr. Zheng Jiasheng to Baide Suzhou on 25 May 2020.

6. The registered owner of the patent registration was changed from Mr. Yang Xingrui to Baide Suzhou on 11 February 2018, which was further changed to Nanjing Changcheng on 24 May 2019.

7. The registered owner(s) of the patent registration was changed from Mr. Yang Xingrui to Baide Suzhou and Lu Ligong on 30 November 2017, which were further changed to Nanjing Changcheng and Mr. Lu Ligong on 24 May 2019.

8. Mr. Lu Ligong was designated as a co-owner of such patent by our Group with a view to secure the cooperation between Mr. Lu Ligong and our Group. On 7 January 2022, Nanjing Changcheng entered into a patent co-ownership agreement with Mr. Lu Ligong, pursuant to which Mr. Lu Ligong (i) will not use the relevant patent, will abandon the usufruct attached to the relevant patent and will not share the income of Nanjing Changcheng from using such relevant patent; (ii) will not permit any third parties to use the relevant patent unless with the consent of Nanjing Changcheng and will not transfer the ownership of or create any charge against the relevant patent to or in favour of any third parties except Nanjing Changcheng; (iii) will not share the income of Nanjing Changcheng from any third parties uses of the relevant patent allowed by Nanjing Changcheng; (iv) if required by Nanjing Changcheng, will unconditionally cooperate with Nanjing Changcheng to transfer or create any charge against such relevant patent to or in favour of Nanjing Changcheng or any third parties; and (v) will not have the right of first refusal of the relevant patent.

9. The registered owner of the patent registration was changed from Mr. Yang Xingrui to Nanjing Changcheng on 4 June 2019. The expiry of the patent registration on 26 March 2023 will not have any material impact on the business of our Group since it is not used in any of the existing and pipeline products of our Group.

10. The registered owner of the patent registration was changed from Nanjing Forestry University to Nanjing Changcheng on 19 May 2022.

As at the Latest Practicable Date, our Group had filed the following patent application(s) in the PRC which are material to the business of our Group:

Patent name	Applicant	Patent application no.	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application
Liquid injection and suction structure suitable for microwave ablation needle (一種適用於微波消融針的注液與吸液結構)	Baide Suzhou	201810275391.6	Pending	Invention	10 January 2018	1 March 2018	30 March 2018
Water-cooling structure of puncture-type semi-flexible microwave ablation needle (一種穿刺型半柔微波消融針的水冷結構)	Baide Suzhou, Lu Ligong *(Note)*	201810315657.5	Pending	Invention	10 January 2018	16 March 2018	10 April 2018

Patent name	Applicant	Patent application no.	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application
Semi-rigid puncture type water-cooled microwave ablation therapeutic instrument guided by endoscope (一種在內窺鏡引導下半剛穿刺型水冷微波消融治療器械)	Baide Suzhou	201811226979.9	Pending	Invention	24 June 2018	29 September 2018	22 October 2018
High-performance water-cooled microwave ablation needle provided with microwave power control switch (一種帶微波功率控制開關的高性能水冷微波消融針)	Baide Suzhou	201811258042.X	Pending	Invention	24 June 2018	29 September 2018	26 October 2018
Semi-rigid puncture microwave ablation antenna, transmission line structure and assembly method (半剛穿刺型微波消融天線、傳輸線結構及其組裝方法)	Baide Suzhou	202110704940.9	Pending	Invention	24 December 2019	28 May 2021	24 June 2021
Semi-flexible microwave ablation antenna, transmission line structure and assembly method (半柔性微波消融天線、傳輸線結構及組裝方法)	Baide Suzhou	202110705763.6	Pending	Invention	24 December 2019	28 May 2021	24 June 2021
Semi-rigid microwave thermal coagulation antenna for tissue in blood vessel cavity (一種半剛型血管腔內組織微波熱凝固天線)	Nanjing Changcheng	201910322669.5	Pending	Invention	1 March 2018	16 March 2019	22 April 2019

Patent name	Applicant	Patent application no.	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application
High-performance semi-rigid puncture type microwave ablation antenna (一種高性能半剛穿刺型微波消融天線)	Nanjing Changcheng	201910322654.9	Pending	Invention	10 January 2019	16 March 2019	22 April 2019
Water-cooled microwave burning cut heat clotting cutter (一種水冷微波灼割熱凝刀)	Nanjing Changcheng	201910327277.8	Pending	Invention	1 February 2019	16 March 2019	23 April 2019
Microwave ablation catheter for bronchoscopy (用於支氣管鏡下的微波消融導管)	Nanjing Changcheng, Ms. Wu	202220649092.6	Pending	Utility	28 December 2021	18 March 2022	23 March 2022
Magnetron microwave power detection device (一種磁控管微波功率檢測裝置)	Nanjing Changcheng	202220842531.5	Pending	Utility	10 February 2022	8 April 2022	13 April 2022
Cloud computing-based radiofrequency alation catheter and method for precise control of ablation depth (基於雲計算的可精準控制消融深度的射頻消融導管及其方法)	Nanjing Changcheng	202210538324.5	Pending	Invention	4 March 2022	13 May 2022	18 May 2022
A temperature measuring device with motion detection function for high-power magnetron (一種大功率磁控管用具有移動檢測功能的溫度測量裝置)	Nanjing Changcheng	202221353964.0	Pending	Utility	1 March 2022	27 May 2022	1 June 2022

Patent name	Applicant	Patent application no.	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application
A radiofrequency ablation device with a rapid cooling structure (一種具有快速降溫結構的射頻消融裝置)	Nanjing Changcheng	202221390369.4	Pending	Utility	1 March 2022	30 May 2022	6 June 2022
A radiofrequency ablation catheter with mechanical support structure (一種具有機械支撐結構的射頻消融導管)	Nanjing Changcheng	202221390373.0	Pending	Utility	1 March 2022	30 May 2022	6 June 2022
A power detection device with open circuit protection and short circuit protection (一種帶開路保護和短路保護的功率檢測裝置)	Nanjing Changcheng	202221501397.9	Pending	Utility	10 February 2022	10 June 2022	16 June 2022
A placement rack with a supporting and fixing structure for radiofrequency ablation (一種射頻消融用帶有支撐固定結構的放置架)	Nanjing Changcheng	202221518957.1	Pending	Utility	1 March 2022	10 June 2022	17 June 2022
A warm air device for radiofrequency ablation catheter (一種射頻消融導管用溫控設備)	Nanjing Changcheng	202221588173.6	Pending	Utility	27 December 2021	21 June 2022	23 June 2022
A medical display with multi-angle adjustment mechanism for radiofrequency ablation (一種射頻消融用具有多角度調節機構的醫療顯示器)	Nanjing Changcheng	202221698806.9	Pending	Utility	1 March 2022	30 June 2022	4 July 2022

Patent name	Applicant	Patent application no.	Status	Type	Date of project initiation by our Group	Date of completion of the design and development for the patent application by our Group	Date of application
A medical catheter with a multi-point calibration structure for radiofrequency ablation (一種射頻消融用具有多點標測結構的醫用導管)	Nanjing Changcheng	202221698800.1	Pending	Utility	1 March 2022	30 June 2022	4 July 2022
An alternative microwave absorber material for microwave leakage suppressor (一種微波吸收材料可替換的微波泄漏抑制器)	Nanjing Changcheng	202221872954.8	Pending	Utility	1 March 2022	13 July 2022	18 July 2022

Note: Mr. Lu Ligong participated in the R&D of such patent application.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDER

1. Disclosure of interests

(a) Interest of Directors and the chief executive of our Company in Shares, underlying Shares and debentures of our Company and our associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme), the interests or short positions of each of our Directors and the chief executive in the Shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, 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 in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

(i) Long position in our Shares

Name	Capacity and nature of interests	Number of Shares *(Note 1)*	Approximate percentage of issued share capital of our Company
Ms. Wu *(Note 2)*	Interest of controlled corporation	810,454,675 (L)	50.65%

Notes:

1. The letter "L" denotes to the long position in the Shares.

2. Ms. Wu is deemed to be interested in the Shares held by Ms. Wu BVI Entity as Ms. Wu BVI Entity is wholly-owned by Ms. Wu.

(ii) Long position in underlying Shares

Name	Capacity and nature of interest	Number of underlying Shares *(Notes 1 & 2)*	Approximate percentage of issued share capital of our Company
Ms. Wu	Beneficial owner	51,237,290 (L)	3.20%
Mr. Hou Wei	Beneficial owner	3,231,531 (L)	0.20%
Ms. Qiu	Beneficial owner	11,968,640 (L)	0.75%

Notes:

1. The letter "L" denotes the long position in the Shares.

2. It represents the number of Shares which may be allotted and issued to upon exercise of the options granted pursuant to the pre-IPO Share Option Scheme.

(iii) Interests in associated corporation

Name of associated corporation	Name	Capacity and nature of interest	Number of Shares/ amount of registered capital held *(Note 1)*	Approximate percentage of issued share capital
Ms. Wu BVI Entity	Ms. Wu	Beneficial owner	1 (L)	100%
Baide PRC Entity 1 *(Note 2)*	Ms. Wu	Interest of controlled corporation	RMB6,161	0.61%

Notes:

1. The letter "L" denotes the long position in the shares.

2. Ms. Wu is deemed to be interested in all the equity interest in Baide PRC Entity 1 held by Ms. Wu PRC Entity 1 as Ms. Wu PRC Entity 1 is ultimately wholly-owned by Ms. Wu.

(b) Substantial shareholder

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme), the following person(s) (not being a director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

(i) Long position in our Shares

Name	**Capacity and nature of interests**	**Number of Shares** *(Note 1)*	**Approximate percentage of issued share capital of our Company**
Ms. Wu BVI Entity	Beneficial owner	810,454,675 (L)	50.65%
BOCI Investment *(Note 2)*	Beneficial owner	112,432,787 (L)	7.03%
BOC International Holdings Limited *(Note 2)*	Interest of controlled corporation	112,432,787 (L)	7.03%
Bank of China Limited *(Note 2)*	Interest of controlled corporation	112,432,787 (L)	7.03%
Central Huijin Investment Limited *(Note 2)*	Interest of controlled corporation	112,432,787 (L)	7.03%

Notes:

1. The letter "L" denotes the long position in the Shares.

2. BOCI Investment is wholly-owned by BOC International Holdings Limited, which is in turn wholly-owned by Bank of China Limited, which is in turn owned as to 64.02% by Central Huijin Investment Limited.

(ii) Interests in Ruikede Xiamen

Name	Capacity and nature of interest	Amount of registered capital held *(Note)*	Percentage of issued share capital
Wang Jing	Beneficial owner	RMB2,000,000	20%

Note: The letter "L" denotes the long position in the Shares.

2. Particulars of service contracts and letters of appointment

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company which will become effective on the Listing Date. The terms and conditions of such service contracts are similar in all material respects. The service contract is initially for a term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to a basic salary set out below (subject to an annual increment at the discretion of our Directors) and a discretionary bonus. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the monthly salary and the discretionary bonus payable to him/her. The annual remuneration payable to the executive Directors under the service contracts are as follows:

Name	Amount *RMB*
Ms. Wu Haimei	273,600
Ms. Qiu Quan	240,000
Mr. Hou Wei	264,000

Our Executive Directors are entitled to a bonus in respect of each financial year of our Company for an amount to be determined by our Board in its absolute discretion.

(b) Non-executive Director and independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Director and independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three month's notice in writing served by either party on the other. The annual remuneration payable to our non-executive Director and independent non-executive Directors under each of the letters of appointment are as follows:

Non-executive Director

Name	**Amount** *RMB*
Ms. Liu Jiayi	Nil

Independent non-executive Directors

Name	**Amount** *RMB*
Prof. Xing Michael Mingzhao	180,000
Mr. Chu Chun Ming	180,000
Prof. Ma Jianguo	180,000

Save as disclosed above, none of our Directors has entered or is proposed to enter into any service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation (other than statutory compensation)).

(c) Remuneration of our Directors

During each of FY2019, FY2020, FY2021 and 5M2022, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately RMB1.1 million, RMB0.9 million, RMB1.4 million and RMB1.2 million, respectively.

During each of FY2019, FY2020, FY2021 and 5M2022, the aggregate of contributions to pension schemes for our Directors were approximately RMB0.2 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively.

During each of FY2019, FY2020, FY2021 and 5M2022, the aggregate of bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any member of our Group's performance were approximately RMB0.2 million, RMB0.1 million, nil and RMB0.2 million, respectively.

Pursuant to the current arrangements, it is estimated that an aggregate amount of approximately RMB3.0 million (excluding discretionary bonus, if any) will be paid to our Directors as remuneration for the year ending 31 December 2022.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to our Group.

3. Interest in customers and suppliers of our Group

As at the Latest Practicable Date, so far as our Directors were aware, no Director or their respective associates or Shareholder (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalisation Issue) had any interest in the top five customers or the top five suppliers of our Group.

4. Related party transactions

Our Group did not enter into any related party transactions within the Track Record Period as mentioned in Note 37 of the Accountant's Report set out in Appendix I to this prospectus.

D. PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme approved and adopted by the written resolutions of our Shareholders passed on 24 September 2021 (as amended and restated on 11 September 2022).

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to give Eligible Participants (as defined below) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.

(b) Who may participate

Our Board may at its discretion grant options under the Pre-IPO Share Option Scheme to the following persons (the "**Eligible Participant(s)**"):

(1) any Directors, whether executive or non-executive and whether independent or not, of any member of our Group; and

(2) any full time or part time employees of any member of our Group.

(c) Duration and administration

Subject to the termination provisions in the Pre-IPO Share Option Scheme, the Pre-IPO Share Option Scheme shall be valid and effective from 24 September 2021 (being the date on which the Pre-IPO Share Option Scheme has been approved by a resolution of our Shareholders) to the Listing Date (including the former date but excluding the later date). Subject to the early termination of the Pre-IPO Share Option Scheme, no further options may be granted on or after the Listing Date but options which are granted during the duration of the Pre-IPO Share Option Scheme and remain unexercised immediately prior to the expiry or termination of this Scheme shall continue to be exercisable in accordance with their terms of grant within the Option Period and the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

The Pre-IPO Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect shall be final and binding on all persons who may be affected thereby.

(d) Offer and grant of options

Our Board shall, subject to and in accordance with the provisions of the Pre-IPO Share Option Scheme, be entitled (but shall not be bound) at any time and from time to time on any business day between 24 September 2021 (being the date on which the Pre-IPO Share Option Scheme has been approved by a resolution of our Shareholders) and the Listing Date (including the former date but excluding the later date) to make an offer to such Eligible Participant as it may in its absolute discretion select, and subject to such conditions as our Board may think fit, to subscribe for such number of Shares as the Board may determine at the subscription price.

An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as our Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of twenty-one (21) days inclusive of, and from the offer date provided that no such Offer shall be open for acceptance after the earlier of the expiry or termination of the Pre-IPO Share Option Scheme.

An offer of option shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant with the number of Shares in respect of which the offer is accepted stated therein, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company. To the extent that the offer is not accepted within the stated period, it will be deemed to have been irrevocably declined.

(e) Subscription price

The subscription price for each option shall be HK$0.66 per Share, subject to any adjustments made pursuant to the terms of the Pre-IPO Share Option Scheme, be determined at the discretion of our Board at its absolute discretion.

(f) Exercise of options

Subject to the vesting schedule, any option granted under the Pre-IPO Share Option Scheme shall become valid and exercisable upon all of the following conditions precedent being fulfilled:

(1) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in any Shares which may fall to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Pre-IPO Share Option Scheme;

(2) commencement of dealings in the Shares on the Stock Exchange; and

(3) any such conditions as may be specified in the relevant offer letter in respect of the grant of options being satisfied or waived.

An option shall be exercisable in whole or in part by the grantee after the vesting date but before the date of expiry which shall not exceed the period of ten (10) years from the date of the grant of the particular option (the "**Option Period**") by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for Shares in respect of which the notice is given.

(g) Rights on cessation of employment

If the grantee ceases to be an Eligible Participant for any reason other than his/her death, ill-health or retirement in accordance with his/her contract of employment, or by way of termination of his/her employment on one or more of the grounds specified in sub-paragraph (o)(3) before excising the option in full, his/her option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Board otherwise determines in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Board may determine following the date of such cessation or termination or, if any of the events referred to in sub-paragraph (i), (j) or (k) occur during such period, exercise the option pursuant to sub-paragraphs (i), (j) or (k) respectively.

(h) Rights on death, ill-health or retirement

If the grantee ceases to be an Eligible Participant by reason of his/her death, ill health or retirement in accordance with his/her contract of employment before exercising the option in full and none of the events which would be a ground for termination of his/her employment under sub-paragraph (o)(3) arises, his/her personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of six months following the date of such cessation (or such longer period as our Board may determine), or up to the expiration of the Option Period, whichever is earlier, and such option to the extent not so exercised shall lapse and determine at the end of the period of six months (or such longer period as our Board may determine) or at the expiration of the Option Period, whichever is earlier or, if any of the events referred to in sub-paragraph (i), (j) or (k) occur during such period, exercise the Option pursuant to sub-paragraphs (i), (j) or (k) respectively.

(i) Rights on a general or partial offer

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to shareholders in our Company, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be.

(j) Rights on winding up

In the event a notice is given by our Company to its members to convene an extraordinary general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee or his/her personal representative(s) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) by giving notice in writing to our Company (such notice shall be received by our Company no later than five (5) business days prior to the proposed extraordinary general meeting), accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed extraordinary general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(k) Rights on reconstruction, compromise or arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to summon a meeting to consider such a scheme or arrangement and any grantee or his/her personal representative(s) may by notice in writing to our Company (such notice shall be received by our Company no later than five (5) business days prior to the proposed meeting), accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee or his/her personal representative(s) which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

(l) Vesting

Subject to the terms and conditions of the Pre-IPO Share Option Scheme and unless otherwise determined by our Board in its absolute discretion, the options granted should be subject to the following vesting schedule:

(1) two-thirds of the total number of the options will be vested 24 months immediately following the Listing Date; and

(2) the remaining one-third of the total number of the options will be vested 36 months immediately following the Listing Date.

Notwithstanding the foregoing, the earliest vesting date shall not be earlier than the Listing Date.

Subject to the vesting schedule above, there is no other specified minimum period under the Pre-IPO Share Option Scheme for which an option must be held or specified performance target which must be achieved before an option can be exercised under the term of the Pre-IPO Share Option Scheme.

(m) Maximum number of Shares available for subscription

The maximum number of Shares which may be issued upon exercise of all options which may be granted at any time under the Pre-IPO Share Option Scheme is 96,000,000 Shares (the "**Pre-IPO Scheme Mandate Limit**").

(n) Transferability of options

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do.

(o) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(1) the expiry of the Option Period;

(2) the expiry of the periods referred to in sub-paragraph (j), where applicable;

(3) the date on which the grantee ceases to be an Eligible Participant by reason of termination of his/her employment on the grounds that (i) he/she has been guilty of persistent or serious misconduct; or (ii) has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally; or (iii) has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute). The date of cessation or termination as aforesaid shall be the last day on which the grantee is actually at work with our Group whether salary is paid in lieu of notice or not;

(4) subject to sub-paragraph (p), the date of the commencement of the winding-up of our Company;

(5) the date on which the grantee commits or permits or attempts to commit or permit a breach of the terms of the Pre-IPO Share Option Scheme or any terms or conditions attached to the grant of that or any other option; or

(6) the date on which the option is cancelled by our Board.

(p) Cancellation of options

Our Board may for the following causes cancel any option granted but not exercised:

(1) the grantee consents to the cancellation of the option in writing; or

(2) the grantee has, in the sole opinion of our Board, conducted himself/herself in any manner whatsoever to the detriment of or prejudicial to the interests of our Group.

Where our Company cancels options and issues new ones to the same holder of the option, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the Pre-IPO Scheme Mandate Limit.

(q) Reorganisation of capital structure

In the event of a capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction while any option remains exercisable) after the Listing Date, such corresponding adjustment shall be made to:

(1) the number or nominal amount of Shares subject to any option so far as such option remains unexercised; and/or

(2) the subscription price,

and the auditors or the independent financial adviser engaged by our Company shall certify in writing to our Board that such adjustments are in their opinion fair and reasonable, provided that:

(i) any such adjustment shall satisfy the requirements set forth in Rule 17.03(13) of the Listing Rules and/or the note thereto and FAQ No. 072-2020 and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time;

(ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(iii) any such adjustment shall be made on the basis that a grantee shall be given the same proportion of the equity capital of our Company to which such grantee was previously entitled before such adjustment;

(iv) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.

(r) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the name of the grantee is registered on the register of members of our Company as holder thereof and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after such date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before such date.

(s) Termination of the Pre-IPO Share Option Scheme

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Pre-IPO Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(t) Alteration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except:

(1) any alteration to the advantage of the Eligible Participants in relation to any matter contained in Rule 17.03 of the Listing Rules;

(2) any alterations to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted, except alterations which take effect automatically under the existing terms of the Pre-IPO Share Option Scheme;

(3) any change to the authority of our Directors or the administrator of the Pre-IPO Share Option Scheme (if any) in relation to any alteration to the terms of the Pre-IPO Share Option Scheme; and

(4) the provisions of the Pre-IPO Share Option Scheme as to the definitions of "Eligible Participant", "Grantee", and "Option Period",

which shall only be altered with the prior sanction of a resolution of our Company in general meeting. Any alterations to the terms and conditions of the Pre-IPO Share Option Scheme shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(u) Outstanding options granted under the Pre-IPO Share Option Scheme

The grant of options under the Pre-IPO Share Option Scheme to the grantees as set out below has been approved by our Board on 24 September 2021. The overall limit on the number of underlying Shares pursuant to the Pre-IPO Share Option Scheme is 96,000,000 Shares. The number of underlying Shares pursuant to the outstanding options granted under the Pre-IPO Share Option Scheme amounts to 96,000,000 Shares, representing 6% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking in account any Shares which may be allotted and issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme).

As at the Latest Practicable Date, we have granted options to 11 participants under the Pre-IPO Share Option Scheme, all of whom are Directors, senior management or employees of our Group. Details of the grantee under the Pre-IPO Share Option Scheme are set out below:

Name of grantee and position	Address	Date of grant	Exercise price	Option period	Number of Shares under the options granted	Approximate percentage of issued share capital of our Company immediately after completion of the Global Offering *(Note)*
Directors						
1. Ms. Wu *Executive Director*	Room 0902, Building 12, Haiyu Garden, Xiguan, Guangzhou, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	51,237,290	3.20%
2. Ms. Qiu *Executive Director*	Room 408, 45 Baiyuan Road, Yuexiu District, Guangzhou, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	11,968,640	0.75%
3. Mr. Hou Wei *Executive Director*	102, No. 21, Lane 88, Shengxin Xihuan Road, Ludi International Home, Huaqiao Town, Kunshan City, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	3,231,531	0.20%

Name of grantee and position	Address	Date of grant	Exercise price	Option period	Number of Shares under the options granted	Approximate percentage of issued share capital of our Company immediately after completion of the Global Offering *(Note)*
Senior management						
4. Yuan Jianwei (袁建偉) *Production department manager of Nanjing Changcheng*	1-102, Block 18, Gaoxinhuayuan, Yanjiangjiedao, Pukou, Jiangsu Province, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	161,579	0.01%
5. Xu Jin (許進) *Quality assurance department manager of Nanjing Changcheng*	212, Block 1, Yiming Garden, Dongshan Street, Jiangning District, Nanjing, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	354,272	0.02%
6. Xu Wei (徐偉) *Merchandising department manager of Nanjing Changcheng*	Room 601, Block 9, 862 Shangyuandajie, Dongshanjiedao, Jiangning District, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	321,952	0.02%
Employees						
7. Li Xiaomei (李小枚) *Financial controller of Baide Suzhou*	No. 11 Shangshe Street, Yuancun, Tianhe District, Guangzhou City, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	4,787,456	0.30%
8. Wu Junrong (吳俊榮) *Provincial manager of Guangxi Province of Baide Suzhou*	No. 1110, Block 11, Gangxin Building, 12-11 Renminzhong Road, Xingning District, Nanning City, Guangxi, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	4,787,456	0.30%
9. Ms. Xu *Quality responsible personnel of Guoke Baide*	Room 1402, Block C2, Xinguang City Garden, Nancun Town, Panyu District, Guangzhou City, Guangdong Province, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	4,787,456	0.30%
10. Mr. Zhou Wangen (周萬根) *Regional manager of Yunnan, Guizhou and Sichuan of Baide Suzhou*	Room 303, Unit 2, Block 19, Furunyaju, 88 Xishanxujia, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	4,787,456	0.30%
11. Ms. Peng Qian (彭倩) *Provincial manager of Guangdong Province of Baide Suzhou*	25/F, Block 67, Jinbi Garden, Gongyedadao, Haizhu District, Guangzhou City, PRC	26 September 2021	HK$0.66 per Share	10 years from the date of the grant of the options	9,574,912	0.60%

Note: Assuming the Over-allotment Option is not exercised and without taking in account any Shares which may be allotted and issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of Ms. Wu and Ms. Wu BVI Entity (collectively, the "**Indemnifiers**") and our Company entered into the Deed of Indemnity referred to in the paragraph headed "1. Summary of material contracts" in the section headed "B. Further information about our Business" in this Appendix, under which the Indemnifiers have given joint and several indemnities in favour of our Group (for ourselves and as trustee for each member of our Group) in respect of, among other things, the amount of any and all taxation falling on any member of our Group resulting from, relating to, or by reference to any income, profits, gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

(a) to the extent that full provision or reserve has been made for such taxation in the consolidated audited accounts of our Group or the audited accounts of the relevant member of our Group for each of FY2019, FY2020, FY2021 and 5M2022, as set out in Appendix I to this prospectus; or

(b) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers otherwise than in the course of normal day to day operations of that company or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or

(c) to the extent that any provisions or reserve made for taxation in the audited accounts of any member of our Group for each of FY2019, FY2020, FY2021 and 5M2022 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(d) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the Listing Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect;

(e) to the extent that such taxation liability arises in the ordinary course of business of our Group after 31 May 2022 up to and including the Listing Date.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group whereby they would jointly and severally covenant and undertake to indemnify each member of our Group against, among others, all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines and of whatever nature suffered or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations of any jurisdiction by any member of our Group on or before the Listing Date; or (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) any member of our Group and/or their respective directors or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, our Group or any member of our Group (whether alone or in conjunction with some other act, omission or transaction) on or before the Listing Date.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group where they would jointly and severally undertake to indemnify and at all times keep each member of our Group indemnified fully and effectively on demand from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the reorganisation of our Group for the Global Offering.

The indemnity contained above shall not apply to the extent that specific provision has been made for such claim in the consolidated audited accounts of our Group or the audited accounts of any member of our Group for each of FY2019, FY2020, FY2021 and 5M2022 as set out in the section headed "Accountants' Report" in the Appendix I to this prospectus. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.

2. Litigation

As at the Latest Practicable Date, to the best of our Director's knowledge, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against our Group which would have a material adverse effect on our business, results of operations or financial conditions.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

The fees to the Joint Sponsors to act as sponsors in relation to the Listing is RMB8.3 million, and the Joint Sponsors will be reimbursed for their expenses properly incurred in connection with the Global Offering.

4. Preliminary expenses

The preliminary expenses of our Company incurred or proposed to be incurred are approximately are RMB41,500 and are payable by our Company.

5. Promoter

Our Company has no promoter. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name of expert	Qualification
BOCI Asia Limited	A corporation licensed under the SFO and permitted to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Zhongtai International Capital Limited	A corporation licensed under the SFO and permitted to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Hills & Co.	PRC legal advisers

Name of expert	Qualification
BDO Limited	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

7. Consents of experts

Each of the experts referred in the paragraph headed "Statutory and General Information – E. Other information – 6. Qualifications of experts" in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its opinion and/or report and/or letter and/or statements and/or the references to its name included herein in the form and context in which they are respectively included.

8. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Zhongtai International Capital as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 3A.19 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Joint Sponsors will receive a documentation/advisory fee, as referred to under the section headed "Underwriting – Underwriting commission and expenses" in this prospectus.

10. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors nor any of the persons whose names are listed in the paragraph headed "Statutory and General Information – E. Other information – 7. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been within the two years immediately preceding the issue of this prospectus, or are proposed to be, acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;

(b) none of our Directors nor any of the persons whose names are listed in the paragraph headed "Statutory and General Information – E. Other information – 6. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and

(c) save in connection with the Underwriting Agreements, none of the parties whose names are listed in the paragraph headed "Statutory and General Information – E. Other information – 6. Qualifications of experts" in this Appendix: (i) is interested legally or beneficially in any securities of any member of us; 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 us.

11. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company;

(b) no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(c) 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;

(d) none of the experts referred to under the paragraph headed "Statutory and General Information – E. Other information – 6. Qualifications of experts" in this Appendix IV:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(e) there has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(f) none of the equity and debt securities of our Company is listed or dealt in any other stock exchange nor is any listing or permission to deal in any other stock exchange is being or is proposed to be sought;

(g) our Company has no outstanding convertible debt securities;

(h) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;

(i) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and

(j) as at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Bilingual document

The English Language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) a copy of each of the material contracts referred to under the section headed "Statutory and General Information – B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this prospectus; and

(c) the written consents referred to under the section headed "Statutory and General Information – E. Other information – 7. Consents of experts" in Appendix IV to this prospectus.

DOCUMENTS ON DISPLAY

The following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **baidesz.com** up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report prepared by BDO Limited for the Track Record Period, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the Track Record Period;

(d) the report on the unaudited pro forma financial information of our Group prepared by BDO Limited, the text of which is set out in Appendix II to this prospectus;

(e) the PRC legal opinion issued by Hills & Co., our PRC Legal Advisers, in respect of certain aspects of our Group in the PRC;

(f) the Companies Act;

(g) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(h) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this prospectus;

(i) the material contracts referred to under the section headed "Statutory and General Information – B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this prospectus;

(j) the written consents referred to under the section headed "Statutory and General Information – E. Other information – 7. Consents of experts" in Appendix IV to this prospectus;

(k) the rules of the Pre-IPO Share Option Scheme; and

(l) the service contracts and letters of appointment referred to under section headed "Statutory and General Information – C. Further information about our Directors and substantial Shareholders – 2. Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus.

Betters Medical Investment Holdings Limited

百德医疗投资控股有限公司