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

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

OVERVIEW

We are a medical device company in China focusing on the research, development and commercialization of innovative transcatheter and surgical solutions for valvular heart diseases. Our mission is to improve the lives of valvular heart disease patients by providing optimal and affordable medical solutions through continuous innovation.

During the Track Record Period, we only started to generate revenue after the commercialization of our first-generation TAVI product, VitaFlow™, in August 2019. As a result, we incurred net losses in each year since inception. Our total net losses were RMB60.3 million, RMB144.5 million, and RMB192.6 million for the years ended December 31, 2018 and 2019 and the seven months ended July 31, 2020, respectively. We expect to continue to incur net losses in the near future as we further our research and development efforts, continue the development of, seek regulatory approval for, and commercialize our pipeline products. Subsequent to the Listing, we expect to incur additional costs associated with operating as a public company. We expect that our financial performance will fluctuate quarterly and yearly due to the development status of our pipeline products, regulatory approval timeline and commercialization of our pipeline products after approval.

BASIS OF PREPARATION

Our Company was incorporated with limited liability in the Cayman Islands on January 10, 2019. In preparation for the Listing, our Group underwent the Restructuring, pursuant to which our Company became the holding company of our Group. For details, see "History, Development and Corporate Structure—Restructuring" in this prospectus. Our Company was incorporated for the purpose of the Restructuring and, save for the Restructuring, has not carried out any business since the date of the incorporation. Our Company, as the holding company of our business, indirectly owns MP CardioFlow in China that is principally engaged in the R&D, manufacturing and sale of medical devices treating valvular heart diseases.

Since the Restructuring did not involve any changes in the economic substance of the ownership and the business of our Group, our historical financial information has been prepared and presented as a continuation of the financial information of our business with the assets and liabilities recognized and measured at their historical carrying amounts prior to the Restructuring. Intra-group balances, transactions and unrealized gain/loss on intra-group transactions are eliminated in full in preparing the historical financial information. The consolidated statements of profit or loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2018 and 2019 and the seven months ended July 31, 2020 include the financial performance and cash flows of the companies now comprising our Group as if the current group structure had been in existence and unchanged throughout the Track Record Period. Our consolidated statements of financial position as of December 31, 2018 and 2019 and July 31, 2020 have been prepared to present the financial position of the companies now comprising our Group as of those dates as if the current group structure had been in existence as of the respective dates.

Our historical financial information has been prepared in accordance with HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this historical financial information, our Group has adopted all applicable new and revised HKFRSs, including HKFRS 9, HKFRS 15 and HKFRS 16, consistently throughout the Track Record Period. In addition, the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 does not have significant impact on our net assets/(liabilities) and financial performance during the Track Record Period when compared to those that would have been presented under HKAS 39, HKAS 18 and HKAS 17.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

Growth and Competitive Landscape of TAVI Market

Our financial performance and future growth depend on the overall growth of TAVI market, as well as changes in its competitive landscape. In China, the TAVI market is still at its emerging stage. With the escalating prevalence of valvular heart diseases, increasing preference of TAVI over traditional open-chest surgeries, and growing physician awareness and hospital adoption of transcatheter procedures, China's TAVI market is expected to experience continuous growth in the future.

According to Frost & Sullivan, the global TAVI market size is expected to increase at a CAGR of 12.9% from US$4.8 billion (or RMB32.3 billion) in 2019 to US$10.0 billion (or RMB67.3 billion) in 2025. In China, patients suffering from aortic stenosis will grow from 4.3 million in 2019 to 4.9 million in 2025. However, the penetration rate for TAVI remains significantly low in China. In 2019, there were approximately 2,400 TAVI procedures performed in China with a penetration rate of 0.3%, as compared to approximately 66,800 performed and a penetration rate of 23.4% in the U.S. It is expected that in 2025 there will be approximately 42,000 TAVI procedures performed in China, representing a CAGR of 60.7% for the next five years and a penetration rate of 4.5% in 2025. As a result, according to Frost & Sullivan, it is expected that China's TAVI market will grow from RMB392.0 million in 2019 to RMB5,055.7 million in 2025 at a CAGR of 53.1%. For details, see "Industry Overview."

In addition, changes in the competitive landscape in the TAVI market in China and globally will also impact our results of operations. As of the Latest Practicable Dates, VitaFlow™ was one of the four domestically-developed TAVI products that had been approved for commercialization by the NMPA. Our second-generation TAVI product, VitaFlow™ II, was also at near-commercialization stage and clinical trial stage in China and Europe, respectively. However, potential competitors or faster-than-expected development of their products may affect our market position and demand for our products, which may in turn affect our results of operations.

We believe that by leveraging on our leading position in the TAVI market in China, we are well-positioned to capture the expected growth of the market through our robust product portfolio. With the potential growth in the PRC and global TAVI market, we expect our results of operation and financial performance to improve in the future.

Our Ability to Successfully Ramp up Sales of Approved Product

Our business and results of operations depend on our ability to commercialize our pipeline candidates, if they are approved, for marketing. During the Track Record Period, we had one commercialized product, VitaFlow™, which was commercially launched in August 2019. As we generate revenue solely from product sales, pricing and sales volume of our commercialized product, currently being VitaFlow™, has a significant impact on our results of operation. In addition, we plan to launch certain of our products in multiple territories worldwide. For example, we are exploring opportunities for VitaFlow™ in emerging markets, and we had successfully registered VitaFlow™ in Argentina and Thailand in July 2020 and November 2020, respectively. Our ability to do so, however, depends on the successful commercialization of such product and whether we are able to effectively implement our marketing strategies. These pipeline products may also require significant marketing efforts before we generate any revenue from product sales. If they fail to achieve a certain degree of market acceptance, we may not be able to generate revenue as expected.

Development and Commercialization of our Pipeline Products

Our business and results of operations depend on our ability to successfully advance the development of our pipeline products. As of the Latest Practicable Date, other than VitaFlow™, all of our pipeline products were still under different stages of development and we had not yet received regulatory approval to commercialize any of our pipeline products. Our second-generation TAVI product, VitaFlow™ II, was at its near-commercialization stage in China and under clinical trial in Europe. We submitted the registration application for VitaFlow™ II to the NMPA in October 2020. The application was accepted by the NMPA in November 2020 and is currently under review. In addition, we plan to apply for the CE Mark of VitaFlow™ II by the end of 2021. For more information on the development status of our pipeline products, see "Business—Our Product Portfolio." Whether our pipeline products can demonstrate favorable 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.

As a result, we have operated at a net loss in each period since our inception and have only begun to generate revenue from product sales in the late 2019. For the years ended December 31, 2018 and 2019 and the seven months ended July 31, 2020, we had net losses of RMB60.3 million, RMB144.5 million, and RMB192.6 million, respectively. See "—Discussion of Certain Items in the Consolidated Statements of Profit or Loss" for further details.

Our Ability to Improve Operating Efficiency

Our profitability has benefited from our effective control of cost of sales and ability to improve operating efficiency. Our cost of sales consists of raw material costs, staff costs, and manufacturing costs, which mainly include testing fees, utility costs and other costs. Our cost of sales as a percentage of revenue was 70.7% and 56.7% for the year ended December 31, 2019 and the seven months ended July 31, 2020, respectively. As our production volume and revenue grow, our cost of sales as a percentage of revenue may further decrease, which will drive our future business growth. For details, see "—Discussion of Certain Items in the Consolidated Statements of Profit or Loss."

In addition, our business and results of operations are significantly affected by our operating cost structure, which primarily comprised research and development costs, administrative expenses and distribution costs during the Track Record Period.

Research and development activities are central to our business. Our current research and development activities mainly relate to product discovery, preclinical research, clinical trials and the clinical advancement of our pipeline products. See "Business—Our Platform—In-house Research & Development." For the years ended December 31, 2018 and 2019, and the seven months ended July 31, 2020, our research and development costs accounted for 74.3%, 72.3% and 39.8% of our total operating expenses (being research and development costs, administrative expenses and distribution costs), respectively. Our research and development costs primarily consist of (i) staff costs, including salaries, bonus and welfare for research and development employees; (ii) third-party contracting costs, primarily including payments to consultants, CROs, clinical trial sites, and other medical institutions and testing fees incurred during the research and development of our pipeline products; (iii) share-based compensation expenses; and (iv) cost of materials and consumables used. Our current research and development activities mainly relate to the advancement of our pipeline products. We expect that our research and development costs will continue to contribute to a large proportion of our total operating expenses for the foreseeable future as we move pipeline products currently at earlier clinical stage into more advanced clinical trials and advance preclinical programs into clinical trials, as well as our continued clinical development of our pipeline products.

Our administrative expenses primarily consist of share-based compensation expenses, staff costs, and office rental and utility expenses. Other administrative expenses mainly include consulting fees, travel expenses, depreciation and amortization, and other office expenses. For the years ended December 31, 2018 and 2019, and the seven months ended July 31, 2020, we incurred administrative expenses of RMB6.1 million, RMB10.9 million, and RMB34.6 million, respectively. We expect our administrative expenses to increase in the future to support our business expansion. We also anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company.

We began to build our sales and marketing team since 2018 in anticipation of the commercialization of our first product, VitaFlow™. As a result, for the years ended December 31, 2018 and 2019, and the seven months ended July 31, 2020, we incurred distribution costs of RMB9.4 million, RMB26.1 million and RMB23.1 million, respectively. As we expect to ramp up sales of VitaFlow™ and receive marketing approvals for more pipeline products in our robust product portfolio, we will further increase our sale and marketing activities and expand our in-house sales and marketing team, and our distribution costs will increase accordingly.

We expect our cost structure to evolve as our business expands and as we develop and launch new products in the future. Going forward, we will continue to endeavor to further improve operating efficiency and to achieve economies of scale to enhance our profit margin.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with all applicable HKFRSs. The preparation of these financial statements requires us to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates and associated assumptions on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies, judgments and estimates are summarized below. See Note 2 and Note 3 to the Accountants' Report set out in Appendix I to this prospectus for a description of our significant accounting policies, judgments and estimates.

Significant Accounting Policies

Revenue Recognition

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

Revenue from the sales of medical devices through appointed distributors is recognized when the products are delivered to the distributors and the distributors have accepted the products in accordance with the terms specified in the sales contract. We do not allow our distributors to return products unless there are quality defects or in the event of a product recall.

A contract liability is recognized when the customer pays the consideration before we recognize the related revenue. A contract liability would also be recognized if we have an unconditional right to receive consideration before we recognize the related revenue. In such cases, a corresponding receivable would also be recognized.

Intangible Assets

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

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

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

- Software	3 years
- Capitalized development costs	10 years

Both the period and method of amortization are reviewed annually.

The useful life of capitalized development costs is estimated based on the expected life cycle of the underlying product since the commercialization.

Inventories

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

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

Preferred Shares

The Preferred Shares issued by our Company are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of the financial liability and the equity instrument. Preferred shares issued by our Company are classified as equity if they are non-redeemable by our Company or redeemable only at our Company's option. Dividends on Preferred Shares capital classified as equity are recognized as distributions within equity. Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred). The liability is recognized and measured in accordance with our Group's policy for interest-bearing borrowings set out in Note 2(q) to the Accountants' Report set out in Appendix I to this prospectus and accordingly dividends thereon are recognized on an accrual basis in profit or loss as part of finance costs.

Conversion features of Preferred Shares are classified separately as equity if the option will be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of our

Group's equity instruments. The equity component is the difference between the initial fair value of the Preferred Shares as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Equity Investments

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

Trade and Other Receivables

A receivable is recognized when our Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before our Group has an unconditional right to receive consideration, the amount is presented as a contract asset. Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Critical Judgments and Estimates

Impairment of Capitalized Development Costs

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

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of the intangible development assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialization, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved. For details of impairment test for capitalized development costs not yet available for use, see Note 12 to the Accountants' Report set out in Appendix I to this prospectus.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized for deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Fair Value of Unlisted Equity Investments and Derivative Financial Liabilities

We have acquired unlisted equity investments and written options to third parties during the Track Record Period and our fair-value changes in financial instruments consisted of changes in fair value of (i) our investment in 4C Medical; (ii) put options issued to Witney Global Limited ("Witney Global"); and (iii) the Series D Adjustment during the Track Record Period. For details, see "History, Development and Corporate Structure—Strategic Investments" and "Business—Collaboration with Third Parties." We classified these financial instruments as financial assets or liabilities at FVPL in which no quoted prices in an active market exist. The fair value of these financial instruments is established by using valuation techniques, including Black-Scholes model and equity allocation model. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as possibilities under certain events, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the unlisted equity investments and derivative financial liabilities at FVPL.

In relation to the valuation of the unlisted equity investments and derivative financial liabilities, our Directors, based on the professional advice received, adopted the following procedures: (i) engaged independent business valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (ii) carefully considered all information especially those non-market related information input, which require management assessments and estimates; and (iii) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared, and nothing has come to our management's attention that causes our management to consider that the valuation is not reasonable pursuant to the principles set out in the SFC's Guidance note on directors' duties in the context of valuations in corporate transactions dated May 15, 2017.

Details of the fair value measurement of Level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including the significant unobservable inputs, the sensitivity analysis and the reconciliation of the Level 3 fair value measurements are disclosed in Note 28(e) to the Historical Financial Information of the Group for the Track Record Period as set out in the Accountants' Report issued by the reporting accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial

Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I.

In relation to the valuation analysis performed by valuer on derivative financial liabilities, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as contained in Appendix I and relevant documents provided by valuer; and (ii) discussed with the Company, the reporting accountants and the valuer about the key basis and assumptions for the valuation of derivative financial liabilities. Having considered the work done by the Company and reporting accountants and the relevant due diligence work conducted, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuer on the investments in unlisted securities and derivative financial liabilities, and that appropriate steps have been taken in carrying out the level 3 fair value estimation for the investments in unlisted securities and derivative financial liabilities.

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

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

	For the year ended December 31,		For the seven months ended July 31,	
	2018	2019	2019	2020
	(RMB in thousands)			
			(unaudited)	
Revenue	–	21,502	–	48,440
Cost of sales	–	(15,200)	–	(27,455)
Gross profit	–	6,302	–	20,985
Other net income/(loss)	972	5,064	434	(1,518)
Research and development costs	(44,746)	(96,701)	(51,724)	(38,185)
Distribution costs	(9,381)	(26,105)	(12,610)	(23,088)
Administrative expenses	(6,097)	(10,853)	(6,302)	(34,577)
Fair value changes in financial instruments	–	(8,649)	(11,264)	(28,107)
Other operating costs	(12)	(1,057)	–	(17,657)
Loss from operations	(59,264)	(131,999)	(81,466)	(122,147)
Finance costs	(999)	(12,523)	(2,033)	(70,481)
Loss before taxation	(60,263)	(144,522)	(83,499)	(192,628)
Income tax	–	–	–	–
Loss for the year/period	(60,263)	(144,522)	(83,499)	(192,628)

Revenue

During the Track Record Period, all of our revenue was generated from the sales of our first commercialized product, VitaFlow™, since its commercialization in August 2019. The following table sets forth the components of our revenue, sales volume and average selling price for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,	
	2018	2019	2019	2020
	(RMB in thousands, except for sales volume)		(unaudited)	
VitaFlow™				
Revenue	–	21,502	–	48,440
Sales volume (units)	–	271	–	601
Average selling price (per unit)	–	79.3	–	80.6

Cost of Sales

We did not incur any cost of sales in 2018. For the year ended December 31, 2019 and the seven months ended July 31, 2020, our cost of sales was all relating to the manufacturing of VitaFlow™, which consisted of (i) raw material costs; (ii) manufacturing costs; and (iii) staff costs. The following table sets forth the components of our cost of sales for the periods indicated.

	For the year ended December 31,				For the seven months ended July 31,			
	2018		2019		2019		2020	
	(RMB in thousands, except for percentage)				(unaudited)			
Raw material cost	–	–	9,621	63.3%	–	–	15,790	57.5%
Manufacturing costs[(1)]	–	–	4,170	27.4%	–	–	7,293	26.6%
Staff costs	–	–	1,409	9.3%	–	–	4,372	15.9%
Total	–	–	15,200	100.0%	–	–	27,455	100.0%

(1) Mainly represent testing fees, utility costs, repair and maintenance costs, and depreciation and amortization.

Gross Profit and Gross Profit Margin

We started to generate revenue and recorded gross profit after the commercialization of VitaFlow™ in August 2019. For the year ended December 31, 2019 and the seven months ended July 31, 2020, our gross profit for sales of VitaFlow™ was RMB6.3 million and RMB21.0 million, with a gross profit margin of 29.3% and 43.3%, respectively. Our gross profit and gross profit margin for sales of VitaFlow™ increased during the Track Record Period, primarily because we continued to optimize our manufacturing efficiency. In addition, as we gradually ramped up our sales of VitaFlow™, we have achieved more bargaining power over raw material suppliers and are able to control costs through economies of scale.

Research and Development Costs

Our research and development costs primarily consist of (i) staff costs, primarily including salaries, bonus and welfare for research and development personnel; (ii) third-party contracting costs, primarily including payments to consultants, CROs, clinical trial sites, and other medical institutions and testing fees incurred during the research and development of our pipeline products; (iii) share-based compensation expenses; and (iv) costs of raw materials and consumables used for research and development. The following table sets forth the components of our research and development costs for the periods indicated.

	For the year ended December 31,				For the seven months ended July 31,			
	2018		2019		2019		2020	
	(RMB in thousands, except for percentage)				(unaudited)			
Staff costs	15,003	33.5%	29,712	30.7%	16,387	31.7%	8,669	22.7%
Depreciation and amortization	30	0.1%	8,356	8.6%	1,389	2.7%	9,781	25.6%
Third-party contracting costs	11,723	26.2%	27,647	28.6%	14,864	28.7%	8,415	22.0%
Share-based compensation expenses	1,515	3.4%	921	1.0%	683	1.3%	5,636	14.8%
Cost of materials and consumables used	9,119	20.4%	19,117	19.8%	12,907	25.0%	4,293	11.3%
Others[1]	7,356	16.4%	10,948	11.3%	5,494	10.6%	1,391	3.6%
Total	44,746	100.0%	96,701	100.0%	51,724	100.0%	38,185	100.0%

(1) Mainly represent travel expenses, rental payments, utility costs and other miscellaneous expenses related to research and development.

For the years ended December 31, 2018 and 2019 and the seven months ended July 31, 2019 and 2020, the research and development expenditures (including capitalized development costs and research and development costs recognized in profit or loss) incurred for VitaFlow™ II, our Core Product, were RMB46.1 million, RMB52.9 million, RMB40.8 million and RMB15.7 million, respectively, accounting for 41.6%, 40.5%, 50.1% and 31.0% of our total research and development expenditures, respectively, during the same period.

Distribution Costs

Our distribution costs primarily consist of (i) market development expenses, primarily including expenses in connection with our sales and marketing activities, such as conference costs, expenses incurred for exhibitions, and product promotion expenses; (ii) staff costs, primarily including salaries, bonus and welfare for sales and marketing personnel; and (iii) share-based compensation expenses. The following table sets forth the components of our distribution costs for the periods indicated.

	For the year ended December 31,				For the seven months ended July 31,			
	2018		2019		2019		2020	
	(RMB in thousands, except for percentage)				(unaudited)			
Market development expenses	4,887	52.1%	16,208	62.1%	6,556	52.0%	12,867	55.7%
Staff costs	3,769	40.2%	8,560	32.8%	5,373	42.6%	7,058	30.6%
Share-based compensation expenses	339	3.6%	395	1.5%	230	1.8%	2,183	9.5%
Depreciation and amortization	3	0.0%	22	0.1%	8	0.1%	27	0.1%
Others	383	4.1%	920	3.5%	443	3.5%	953	4.1%
Total	9,381	100.0%	26,105	100.0%	12,610	100.0%	23,088	100.0%

Administrative Expenses

Our administrative expenses primarily consist of (i) share-based compensation expenses; (ii) staff costs, primarily including salaries, bonus and welfare; (iii) office rental and utility expenses; (iv) consulting fees in relation to recruitment, accounting and legal services; and (v) travel expenses. The following table sets forth the components of our administrative expenses for the periods indicated.

	For the year ended December 31,				For the seven months ended July 31,			
	2018		2019		2019		2020	
	(RMB in thousands, except for percentage)							
					(unaudited)			
Share-based compensation expenses	164	2.7%	152	1.4%	89	1.4%	23,602	68.3%
Staff costs	3,147	51.6%	5,898	54.3%	3,385	53.7%	5,205	15.1%
Office rental and utility expenses	1,235	20.3%	1,729	15.9%	1,195	19.0%	865	2.5%
Consulting fees	1,096	18.0%	1,720	15.9%	1,141	18.1%	317	0.9%
Travel expenses	297	4.9%	526	4.8%	389	6.2%	173	0.5%
Depreciation and amortization	63	1.0%	186	1.7%	12	0.2%	142	0.4%
Others	95	1.5%	642	6.0%	91	1.4%	4,273	12.3%
Total	6,097	100.0%	10,853	100.0%	6,302	100.0%	34,577	100.0%

Other Net Income/(Loss)

Our other net income/(loss) consists of (i) government grants, primarily including subsidies received from the local governments to support our R&D activities and business operations; (ii) interest income from bank deposits and a loan to the MicroPort Group, which had been fully repaid in 2018; and (iii) net foreign exchange loss or gain. The following table sets forth the components of our other net income/(loss) for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,	
	2018	2019	2019	2020
	(RMB in thousands)			
			(unaudited)	
Government grants	293	3,907	15	2,292
Interest income	1,081	60	29	953
Net foreign exchange (loss)/gain	(402)	1,097	390	(4,763)
Total	972	5,064	434	(1,518)

Fair Value Changes in Financial Instruments

During the Track Record Period, our fair value changes in financial instruments consisted of changes in the fair value of (i) investment in 4C Medical; (ii) Witney Put Option in connection with investments in ValCare and 4C Medical. For details, see "History, Development and Corporate Structure—Strategic Investments" and "Business—Collaboration with Third Parties"; and (iii) the Series D Adjustment, in which we shall issue additional Series D Preferred Shares to the 2020 Pre-IPO Investors under certain circumstances specified in the Shareholders Agreement. For details, see "History, Development and Corporate Structure—Major Shareholding Changes of Our Group—5. 2020 Pre-IPO Investment" and Note 25 to the Accountants' Report set out in Appendix I to this prospectus. The following table sets forth the components of our fair value changes in financial instruments for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,	
	2018	2019	2019	2020
	(RMB in thousands)			
			(unaudited)	
Changes in fair value of				
— Investment in 4C Medical	–	2,806	–	1,904
— Witney Put Option	–	(11,455)	(11,264)	(3,043)
— Series D Adjustment	–	–	–	(26,968)
Total	–	(8,649)	(11,264)	(28,107)

Other Operating Costs

Our other operating costs primarily consist of (i) listing expenses in relation to the Global Offering; (ii) other legal and professional fees in relation to Series D financing; and (iii) restructuring expenses. The following table sets forth the components of our other operating costs for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,	
	2018	2019	2019	2020
	(RMB in thousands)			
			(unaudited)	
Listing expenses	–	–	–	15,123
Other legal and professional fees	–	–	–	2,324
Restructuring expenses	–	1,057	–	–
Others	12	–	–	210
Total	12	1,057	–	17,657

Finance Costs

Our finance costs primarily consist of (i) interest on other financial liabilities due to the issuance of Series C Preferred Shares and Series D Preferred Shares; (ii) interest on lease liabilities due to the adoption of HKFRS 16 during the Track Record Period; and (iii) interest on interest-bearing borrowings. The following table sets forth the components of our finance costs for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,	
	2018	2019	2019	2020
	(RMB in thousands)			
			(unaudited)	
Interest on other financial liabilities	–	7,575	–	69,841
Interest on lease liabilities	900	1,037	639	493
Interest on interest-bearing borrowings	–	1,407	238	39
Interest on loans from related parties	–	2,404	1,107	–
Others	99	100	49	108
Total	999	12,523	2,033	70,481

Income Tax Expenses

We did not incur any income tax expenses during the Track Record Period. Our principal applicable taxes and tax rates are as follows:

Cayman Islands and British Virgin Islands

Pursuant to the current rules and regulations of the Cayman Islands and British Virgin Islands, our Company and its subsidiaries located in the Cayman Islands and British Virgin Islands are currently not subject to any income tax in these jurisdictions.

PRC

Our subsidiaries in China are subject to Corporate Income Tax (the "CIT") on the taxable income, and pursuant to the CIT laws and regulations, the statutory tax rate of our subsidiaries in China is 25%.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. No provision for Hong Kong profit tax has been made during the Track Record Period.

RESULTS OF OPERATIONS

Seven Months Ended July 31, 2020 Compared to Seven Months Ended July 31, 2019

Revenue

We did not have any revenue for the seven months ended July 31, 2019. In August 2019, we began to commercialize VitaFlow™, our first-commercialized product, and recorded revenue of RMB48.4 million for the seven months ended July 31, 2020 from the sales of VitaFlow™.

Cost of Sales

We did not incur any cost of sales for the seven months ended July 31, 2019. For the seven months ended July 31, 2020, we recorded cost of sales of RMB27.5 million relating to the manufacturing of VitaFlow™.

Gross Profit and Gross Profit Margin

We did not have any revenue or cost of sales for the seven months ended July 31, 2019. For the seven months ended July 31, 2020, our gross profit in relation to sales of VitaFlow™ was RMB21.0 million and our gross profit margin was 43.3%.

Research and Development Costs

Our research and development costs decreased from RMB51.7 million for the seven months ended July 31, 2019 to RMB38.2 million for the seven months ended July 31, 2020. This decrease was primarily due to (i) a decrease of RMB8.6 million in costs of materials and consumables used; and (ii) a decrease of RMB6.4 million in third-party contracting costs, both of which were related to a temporary delay of research and development activities primarily due to the impact of the COVID-19 pandemic. For example, our R&D employees were required to work remotely in late January and February 2020 and our ongoing clinical trial in Europe for VitaFlow™ II was temporarily suspended. Please see "Summary—Impact of the COVID-19 Pandemic" for details. In addition, our staff costs decreased by RMB7.7 million for the seven months ended July 31, 2020 due to a lower cost allocation as the focus of our supply chain staff shifted from R&D-related to commercial manufacturing to support market penetration and sales growth since the commercialization of VitaFlow™ in August 2019.

Distribution Costs

Our distribution costs increased from RMB12.6 million for the seven months ended July 31, 2019 to RMB23.1 million for the seven months ended July 31, 2020. This increase was primarily attributable to (i) an increase of RMB6.3 million in market development expenses, as we increased our sales and marketing activities after the commercialization of VitaFlow™; (ii) an increase of RMB2.0 million in share-based compensation expenses due to the Share Option Scheme; and (iii) an increase of RMB1.7 million in staff costs to support our increasing sales and marketing activities.

Administrative Expenses

Our administrative expenses increased significantly from RMB6.3 million for the seven months ended July 31, 2019 to RMB34.6 million for the seven months ended July 31, 2020. This increase was primarily attributable to an increase of RMB23.5 million in share-based compensation expenses primarily due to the Share Option Scheme.

Other Net Income/(Loss)

We recorded other net income of RMB0.4 million for the seven months ended July 31, 2019 and recorded other net loss of RMB1.5 million for the seven months ended July 31, 2020. Our other net loss for the seven months ended July 31, 2020 was mainly attributable to RMB4.8 million net foreign exchange loss, reflecting the impact of depreciation of U.S. dollars against the Renminbi on our funds that are denominated in U.S. dollars. Such other net loss was partially offset by (i) government grants of RMB2.3 million; and (ii) interest income of RMB1.0 million for the seven months ended July 31, 2020.

Fair Value Changes in Financial Instruments

Our fair value changes in financial instruments increased from RMB11.3 million for the seven months ended July 31, 2019 to RMB28.1 million for the seven months ended July 31, 2020 due to a combination of Series D Adjustment as well as the increase in valuation of Witney Put Option. Such increase was partially offset by an increase in evaluation of our investment in 4C Medical.

Other Operating Costs

Our other operating costs increased from nil for the seven months ended July 31, 2019 to RMB17.7 million for seven months ended July 31, 2020. This increase was primarily due to the listing expenses in relation to the Global Offering.

Finance Costs

Our finance costs increased significantly from RMB2.0 million for the seven months ended July 31, 2019 to RMB70.5 million for the seven months ended July 31, 2020. This increase was primarily attributable to an increase in interest on other financial liabilities due to the issuance of Series C Preferred Shares and Series D Preferred Shares.

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

Revenue

We did not have any revenue for the year ended December 31, 2018. In August 2019, we began to commercialize VitaFlow™, our first approved product, and recorded revenue of RMB21.5 million for the year ended December 31, 2019 from the sales of VitaFlow™.

Cost of Sales

We did not incur any cost of sales for the year ended December 31, 2018. For the year ended December 31, 2019, we incurred cost of sales of RMB15.2 million relating to the manufacturing of VitaFlow™.

Gross Profit and Gross Profit Margin

As a result, for the year ended December 31, 2019, our gross profit was RMB6.3 million and our gross profit margin was 29.3%.

Research and Development Costs

Our research and development costs increased from RMB44.7 million for the year ended December 31, 2018 to RMB96.7 million for the year ended December 31, 2019. This increase was primarily attributable to (i) an increase of RMB15.9 million in third-party contracting costs; (ii) an increase of RMB14.7 million in staff costs; and (iii) an increase of RMB10.0 million in materials and consumables used, all of which were related to our increased research and development activities for our pipeline products.

Distribution Costs

Our distribution costs increased from RMB9.4 million for the year ended December 31, 2018 to RMB26.1 million for the year ended December 31, 2019. This increase was primarily attributable to (i) an increase of RMB11.3 million in market development expenses, as we ramped up our sales and marketing activities in connection with the commercialization of VitaFlow™ since August 2019; and (ii) an increase of RMB4.8 million in staff costs reflecting an increase in sales and marketing employee headcount to support our increasing sales and marketing activities.

Administrative Expenses

Our administrative expenses increased from RMB6.1 million for the year ended December 31, 2018 to RMB10.9 million for the year ended December 31, 2019. This increase was primarily attributable to an increase of RMB2.8 million in staff costs reflecting the increase in administrative employee headcount to support our business growth.

Other Net Income/(Loss)

Our other net income increased significantly from RMB1.0 million for the year ended December 31, 2018 to RMB5.1 million for the year ended December 31, 2019. This increase was primarily attributable to (i) an increase of RMB3.6 million in government grants we recognized in 2019; and (ii) net foreign exchange gain of RMB1.1 million, reflecting the impact of appreciation of U.S. dollars against the Renminbi on our funds that are denominated in U.S. dollars.

Fair Value Changes in Financial Instruments

Our fair value changes in financial instruments increased from nil for the year ended December 31, 2018 to RMB8.6 million for the year ended December 31, 2019, primarily due to RMB11.5 million losses from fair value changes in relation to Witney Put Option. Such losses were partially offset by RMB2.9 million in gains from fair value changes in financial instruments due to the increase in evaluation of our investment in 4C Medical. For details, see "—Discussion of Certain Items in the Consolidated Statements of Profit or Loss—Fair Value Changes in Financial Instruments."

Other Operating Costs

Our other operating costs increased from RMB12,000 to RMB1.1 million primarily due to the costs incurred in relation to the Restructuring.

Finance Costs

Our finance costs increased significantly from RMB1.0 million for the year ended December 31, 2018 to RMB12.5 million for the year ended December 31, 2019, primarily due to (i) RMB7.6 million in interest on other financial liabilities due to the issuance of Series C Preferred Shares; (ii) RMB2.4 million in the interest on loans from related parties, which had been fully repaid in 2019; and (iii) RMB1.4 million in interest on interest-bearing borrowings.

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth selected items from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus.

	As of December 31,		As of July 31,
	2018	2019	2020
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	34,085	42,767	42,698
Intangible assets	196,415	222,491	226,227
Interest in a joint venture	35,084	35,579	35,622
Other financial assets	41,275	51,673	53,627
Other non-current assets	17,925	9,661	4,633
Total non-current assets	324,784	362,171	362,807
Current assets			
Inventories	17,080	49,224	71,936
Trade and other receivables	9,523	24,917	31,220
Pledged and time deposits	325	325	325
Cash and cash equivalents	50,418	109,263	698,166
Total current assets	77,346	183,729	801,647
Current liabilities			
Interest-bearing borrowings	–	20,000	–
Trade and other payables	110,954	35,331	43,269
Contract liabilities	–	3,567	12
Lease liabilities	4,258	7,249	7,559
Derivative financial liabilities	–	–	26,782
Other financial liabilities	–	321,594	1,290,295
Total current liabilities	115,212	387,741	1,367,917
Net current liabilities	(37,866)	(204,012)	(566,270)
Total assets less current liabilities	286,918	158,159	(203,463)
Non-current liabilities			
Lease liabilities	12,059	11,380	7,459
Deferred income	1,480	3,480	2,775
Derivative financial liabilities	–	11,455	14,498
Total non-current liabilities	13,539	26,315	24,732
Net assets/(liabilities)	**273,379**	**131,844**	**(228,195)**

Inventories

Our inventories consist of (i) raw materials used in research and development activities and manufacturing for our product candidates; (ii) work in progress; and (iii) finished goods. We regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usages in the near term. For details, see "Business—Inventory." The following table sets forth the components of our inventories as of the dates indicated.

	As of December 31,		As of July 31,
	2018	2019	2020
	(RMB in thousands)		
Raw materials			
— Manufacturing	–	12,309	24,164
— Research and development	17,080	15,464	10,038
Subtotal	17,080	27,773	34,202
Work in progress	–	15,703	32,294
Finished goods	–	5,748	5,440
Total	17,080	49,224	71,936

Our inventories increased from RMB17.1 million as of December 31, 2018 to RMB49.2 million as of December 31, 2019, primarily due to (i) an increase in work in progress of RMB15.7 million as we started to manufacture VitaFlow™ since its commercialization in August 2019; and (ii) an increase in raw materials of RMB10.7 million due to the increased procurement of raw materials and consumables to support the commercial manufacturing of VitaFlow™. Our inventories further increased to RMB71.9 million as of July 31, 2020, primarily due to (i) an increase in work in progress of RMB16.6 million; and (ii) an increase in raw materials of RMB6.4 million, primarily because we strategically procured more raw materials in anticipation of the impact of the COVID-19 pandemic.

The table below sets forth our inventory and finished goods turnover days for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,
	2018	2019	2020
Inventory turnover days[(1)]	–	218	405
Finished goods turnover days[(2)]	–	57	43

(1) Inventory turnover days for a year/period is the arithmetic mean of the beginning and ending balances of inventories for the relevant year/period divided by the sum of (i) cost of sales for the relevant year/period divided by 152 for 2019 (in the last five months of 2019 since commercialization) and 212 for seven-month period and (ii) raw materials and consumables used for research and development for the relevant year/period divided by 365 for 2019 and 212 for seven-month period.

(2) Average finished goods turnover days for a year/period is the arithmetic mean of the beginning and ending balances of finished goods for the relevant year/period divided by the cost of sales for the relevant year/period and multiplied by 152 for 2019 (in the last five months of 2019 since commercialization) and 212 for seven-month period.

Our inventory turnover days increased significantly from 218 days for the year ended December 31, 2019 to 405 days for the seven months ended July 31, 2020. This increase was primarily due to an increase in procurement of raw materials, which was in line with our business expansion. In addition, in anticipation of the impact of the COVID-19 pandemic, we strategically procured more raw materials for manufacturing to control the potential shortage of raw materials. Moreover, such increased turnover days were also attributable to an increase in work in progress reflecting the increased production activities to meet the market demands for our products. Our finished goods turnover days were relatively stable at 57 days and 43 days for the year ended December 31, 2019 and the seven months ended July 31, 2020, respectively, and that reflect the regular turnover for our finished goods.

As of November 30, 2020, the latest practicable date for the purpose of the indebtedness statement, RMB36.1 million, representing 50.2% of our total inventories as of July 31, 2020, had been subsequently consumed.

Current Trade and Other Receivables

Our current trade and other receivables primarily consist of (i) value-added tax recoverable, representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables; (ii) deposits and prepayments to suppliers and service providers; and (iii) trade receivables. During the Track Record Period, we require substantially all of our distributors to make full payment prior to product shipments, except for two distributors to whom we granted a credit term of 10 business days starting from June 2020 and approximately 30 days starting from October 2019, respectively. As a result, we did not have trade receivables in 2018 and 2019 and recorded trade receivables of RMB3.2 million as of July 31, 2020. We seek to maintain strict control over the outstanding receivables to minimize credit risk. For details, see "Business—Customers—Rights and Obligations of Distributors." The following table sets forth the components of our current trade and other receivables as of the dates indicated.

	As of December 31,		As of July 31,
	2018	2019	2020
	(RMB in thousands)		
Value-added tax recoverable	4,928	21,347	23,428
Deposits and prepayments	4,419	3,386	4,100
Trade receivables	–	–	3,155
Other debtors	176	184	537
Total	9,523	24,917	31,220

Our current trade and other receivables increased from RMB9.5 million as of December 31, 2018 to RMB24.9 million as of December 31, 2019. This increase was primarily due to an increase of RMB16.4 million in value-added tax recoverable, which resulted from our procurement of raw materials consumables to support the research and development activities and commercial manufacturing of VitaFlow™. Such increase was partially offset by a decrease of RMB1.0 million in deposits and prepayments.

Our current trade and other receivables further increased from RMB24.9 million as of December 31, 2019 to RMB31.2 million as of July 31, 2020. This increase was primarily due to (i) RMB3.2 million of trade receivables due from our distributors; and (ii) an increase of RMB2.1 million in value-added tax recoverable due to our procurement of raw materials consumables.

As of November 30, 2020, the latest practicable date for the purpose of the indebtedness statement, 100% of our trade receivables as of July 31, 2020 had been settled.

Cash and Cash Equivalents

Our cash and cash equivalents increased from RMB50.4 million as of December 31, 2018 to RMB109.3 million as of December 31, 2019 primarily attributable to the funds we received from our Series C financing. Our cash and cash equivalents increased significantly from RMB109.3 million as of December 31, 2019 to RMB698.2 million as of July 31, 2020 primarily attributable to the funds we received from our Series D financing.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables due to third party suppliers and related parties; (ii) accrued payroll; and (iii) other payables and accrued charges. The following table sets forth the components of our trade and other payables as of the dates indicated.

	As of December 31,		As of July 31,
	2018	2019	2020
	(RMB in thousands)		
Trade payables due to			
— third party suppliers	6,988	11,647	12,143
— related parties	16,226	2,501	1,370
Subtotal	*23,214*	*14,148*	*13,513*
Accrued payroll	5,748	10,638	9,923
Loans and interests due to related parties	76,359	1,874	–
Other payables and accrued charges	5,633	8,671	19,833
Total	110,954	35,331	43,269

Our trade and other payables decreased significantly from RMB111.0 million as of December 31, 2018 to RMB35.3 million as of December 31, 2019, primarily due to (i) a decrease of RMB74.5 million in loans and interests due to related parties reflecting our settlement of the loan from the MicroPort Group in 2019; and (ii) a decrease of RMB13.7 million in trade payables due to related parties. Such decrease was partially offset by (i) an increase of RMB4.9 million in accrued payroll in line with the increase in number of our employees; (ii) an increase of RMB4.7 million in trade payables due to third party suppliers, which was in line with our business growth; and (iii) an increase of RMB3.0 million in other payables and accrued charges.

Our trade and other payables increased from RMB35.3 million as of December 31, 2019 to RMB43.3 million as of July 31, 2020, primarily due to an increase of RMB11.2 million in other payables and accrued charges primarily reflecting the transaction fees in relation to Series D financing. Such increase was partially offset by (i) a decrease of RMB1.9 million in interests due to related parties; (ii) a decrease of RMB0.7 million in accrued payroll; and (iii) a decrease of RMB0.6 million in trade payables.

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

	As of December 31,		As of July 31,
	2018	2019	2020
	(RMB in thousands)		
Within one month	18,441	13,449	13,405
Over one month but within one year	4,773	657	20
Over one year	–	42	88
Total	**23,214**	**14,148**	**13,513**

As of November 30, 2020, the latest practicable date for the purpose of the indebtedness statement, RMB10.4 million, representing 77.0% of our trade payables as of July 31, 2020, had been subsequently settled.

Derivative Financial Liabilities

During the Track Record Period, our derivative financial liabilities comprised the Series D Adjustment and the Witney Put Option. As of July 31,2020, the fair values of the Series D Adjustment and the Witney Put Option were RMB26.8 million and RMB14.5 million, respectively. The fair value of derivative financial liabilities that are not traded in an active market and is determined by using the applicable valuation techniques, which incorporated unobservable inputs, including expected probability of event, expected volatility and others. For more information related to fair value measurement of our level 3 valuations, see Note 28(e) to the Accountants' Report in Appendix I to this prospectus. For more information related to derivative financial liabilities, see Note 24 and Note 25 to the Accountants' Report set out in Appendix I to this prospectus.

Other Financial Liabilities

As of December 31, 2019, our other financial liabilities represented the Series C Preferred Shares we issued in 2019. As of July 31, 2020, our other financial liabilities represented the Series C Preferred Shares and Series D Preferred Shares we issued. For details, see Note 25 to the Accountants' Report set out in Appendix I to this prospectus. Such Preferred Shares will automatically convert into Shares upon Listing, at which time we expect to reclassify them from liabilities to equity and, accordingly, turn into a net asset position.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/Liabilities

	As of December 31,		As of July 31,	As of November 30,
	2018	2019	2020	
	(RMB in thousands)			
				(unaudited)
Current assets				
Inventories	17,080	49,224	71,936	75,263
Trade and other receivables	9,523	24,917	31,220	40,159
Pledged and time deposits	325	325	325	325
Cash and cash equivalents	50,418	109,263	698,166	650,178
Total current assets	77,346	183,729	801,647	765,925
Current liabilities				
Interest-bearing borrowings	–	20,000	–	–
Trade and other payables	110,954	35,331	43,269	54,351
Contract liabilities	–	3,567	12	1,267
Lease liabilities	4,258	7,249	7,559	9,406
Derivative financial liabilities	–	–	26,782	53,846
Other financial liabilities	–	321,594	1,290,295	1,273,599
Total current liabilities	115,212	387,741	1,367,917	1,392,469
Net current liabilities	(37,866)	(204,012)	(566,270)	(626,544)

Working Capital

Our primary uses of cash relate to the research and development of our product candidates and our payment for the purchase of property, plant and equipment. During the Track Record Period, we primarily funded our working capital requirement through equity financing. We also generated cash from the sales of VitaFlow™ since August 2019. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized product and by launching new products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our bank balances and cash, bank borrowings and net proceeds from the Global Offering. As of July 31, 2020, we had cash and cash equivalents of RMB698.2 million. In addition, as of November 30, 2020, we had unutilized loan facilities of RMB70.0 million.

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

Our cash burn rate refers to our average monthly (i) net cash used in operating activities; (ii) capital expenditures; and (iii) lease payments. Assuming that the average cash burn rate going forward of approximately 1.7 times the level in 2019, we estimate that our cash and cash equivalents as of November 30, 2020, the latest practicable date for the purpose of the indebtedness statement, will be able to maintain our financial viability for approximately 23.4 months or, if we also take into account the estimated net proceeds (based on the low-end of the indicative Offer Price) from the Listing, for at least five years. We will continue to monitor our working capital closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

Cash Flows

The following table sets forth the components of our cash flows for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,
	2018	2019	2020
	(RMB in thousands)		
Cash flows from operating activities before movement in working capital	(55,614)	(112,081)	(49,552)
Changes in working capital	(14,604)	(30,656)	(26,125)
Net cash used in operating activities	(70,218)	(142,737)	(75,677)
Net cash used in investing activities	(140,914)	(55,669)	(17,644)
Net cash generated from financing activities	171,664	263,159	679,174
Net (decrease)/increase in cash and cash equivalents	(39,468)	64,753	585,853
Cash and cash equivalent at the beginning of the year/period	89,886	50,418	109,263
Effect of foreign exchange rate changes	–	(5,908)	3,050
Cash and cash equivalents at the end of the year/period	50,418	109,263	698,166

Operating Activities

Since inception, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from research and development costs and distribution costs. In view of our net operating cash outflows throughout the Track Record Period, we plan to improve such position by (i) rapidly advancing our late-stage pipeline products towards commercialization to generate revenue from product sales; (ii) adopting comprehensive measures to effectively control our cost and operating expenses, primarily including research and development costs and administrative expenses; (iii) enhancing working capital management efficiency; (iv) successfully launching the Global Offering to obtain the proceeds; and (v) seeking additional funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources, if needed.

For the seven months ended July 31, 2020, our net cash used in operating activities was RMB75.7 million, primarily reflecting loss before tax of RMB192.6 million, as adjusted for non-cash and non-operating items, which primarily included (i) finance costs of RMB70.4 million; (ii) equity-settled share-based payment of RMB31.6 million; and (iii) fair value changes in financial instruments of RMB28.1 million. The amount was further adjusted for the negative effect in working capital. The negative effect of changes in working capital primarily represents (i) an increase in inventories of RMB21.8 million; (ii) an increase in trade and other receivables of RMB5.5 million; and (iii) a decrease in contract liabilities of RMB3.6 million, partially offset by a decrease in other non-current receivables of RMB5.0 million.

For the year ended December 31, 2019, our net cash used in operating activities was RMB142.7 million, which was primarily attributable to our net loss before tax of RMB144.5 million, adjusted for non-cash and non-operating items, which primarily included (i) amortization and depreciation of RMB13.8 million; (ii) finance costs of RMB12.4 million; and (iii) fair value changes in financial instruments of RMB8.6 million. This amount was further adjusted for the negative effect in working capital. The negative effect of changes in working capital primarily represents (i) an increase in inventories of RMB32.1 million; and (ii) an increase in trade and other receivables of RMB14.6 million, partially offset by a decrease in other non-current receivables of RMB8.3 million.

For the year ended December 31, 2018, our net cash used in operating activities was RMB70.2 million, which was primarily attributable to our net loss before tax of RMB60.3 million, adjusted for non-cash and non-operating items, which primarily included (i) amortization and depreciation of RMB2.8 million; (ii) equity-settled share-based payment of RMB2.0 million; and (iii) interest income of RMB1.1 million. This amount was further adjusted for the negative effect in working capital. The negative effect of changes in working capital primarily represents (i) increase in inventories of RMB12.0 million; and (ii) an increase in other receivables of RMB7.4 million, partially offset by an increase in trade and other payables of RMB9.2 million.

Investing Activities

For the seven months ended July 31, 2020, our net cash used in investing activities was RMB17.6 million, primarily attributable to (i) payments for intangible assets of RMB12.4 million in relation to the capitalized development costs; and (ii) payments for purchase of property, plant and equipment of RMB5.7 million in relation to purchase of machinery, equipment and leasehold improvement.

For the year ended December 31, 2019, our net cash used in investing activities was RMB55.7 million, primarily attributable to (i) payments for intangible assets of RMB41.3 million, in relation to the capitalized development costs; (ii) payments for purchase of property, plant and equipment of RMB7.4 million in relation to purchase of machinery, equipment and leasehold improvement; and (iii) payments for investments in a joint venture and other financial assets of RMB7.0 million as we increased our investment in 4C Medical.

For the year ended December 31, 2018, our net cash used in investing activities was RMB140.9 million, primarily attributable to (i) payments for investments in a joint venture and other financial assets of RMB76.4 million in relation to our investments in ValCare and 4C Medical; (ii) payments for intangible assets of RMB61.4 million in relation to the capitalized development costs; and (iii) payments for purchase of property, plant and equipment of RMB4.1 million.

Financing Activities

For the seven months ended July 31, 2020, we had RMB679.2 million of net cash flows from financing activities, primarily attributable to RMB705.7 million of proceeds from issuance of Series D Preferred Shares, partially offset by (i) repayments of interest-bearing borrowings of RMB20.0 million; and (ii) capital element of lease payments of RMB4.2 million.

For the year ended December 31, 2019, we had RMB263.2 million of net cash flows from financing activities, primarily attributable to RMB480.6 million of proceeds from issuance of Series B Preferred Shares, RMB317.4 million of proceeds from issuance of Series C Preferred Shares, RMB213.0 million of capital contribution from ordinary shareholders, and RMB118.6 million of loans from related parties, partially offset by the RMB686.0 million of deemed distributions to the shareholders upon the Restructuring and RMB193.9 million of repayments of loans from related parties.

For the year ended December 31, 2018, we had RMB171.7 million of net cash flows from financing activities, primarily attributable to (i) capital contribution from ordinary shareholders of RMB96.4 million; and (ii) loans from related parties of RMB76.4 million, partially offset by the RMB0.8 million of capital element of lease payment.

Cash Operating Costs

The following table provides information regarding our cash operating costs for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,	
	2018	2019	2019	2020
	(RMB in thousands)			
R&D Costs				
R&D Costs for Core Product				
Clinical trial expenses	6,727	8,569	5,126	4,493
Staff costs	6,516	13,575	7,892	3,841
Third-party contracting costs	11,231	9,030	7,368	1,563
Raw material costs	18,163	15,720	14,101	5,329
Others	2,262	4,220	2,714	171
R&D Costs for Other Product and Product Candidates				
Clinical trial expenses	1,772	839	218	373
Staff costs	16,966	22,970	13,235	12,204
Third-party contracting costs	12,680	21,573	7,673	3,548
Raw material costs	10,997	16,105	9,606	4,532
Others	7,596	8,667	1,427	1,290
Workforce employment[(1)]	5,832	13,626	6,598	13,821
Product marketing	5,095	16,138	6,802	13,681
Direct production cost	–	8,588	–	15,790
Non-income taxes, royalties and other governmental charges[(2)]	104	24	44	52
Contingency allowances	–	–	–	–
Any other significant costs	–	–	–	–

(1) Represents total staff costs mainly including salaries and bonus.
(2) Represent the stamp duties paid.

INDEBTEDNESS

As of December 31, 2018 and 2019, July 31, 2020, and November 30, 2020, except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since November 30, 2020, the latest practicable date for the purpose of this indebtedness statement, and up to the date of this prospectus, there had been no material adverse change to our indebtedness. The following table sets forth the components of our indebtedness as of the dates indicated.

	As of December 31,		As of July 31,	As of November 30,
	2018	2019	2020	
	(RMB in thousands)			
				(unaudited)
Current				
Other financial liabilities	–	321,594	1,290,295	1,273,599
Lease liabilities	4,258	7,249	7,559	9,406
Interest-bearing borrowings	–	20,000	–	–
Non-current				
Lease liabilities	12,059	11,380	7,459	8,728
Total	16,317	360,223	1,305,313	1,291,733

Other Financial Liabilities

During the Track Record Period, Series C Preferred Shares and Series D Preferred Shares were classified as our other financial liabilities in the consolidated statement of financial position in accordance with HKFRSs. As a result, as of December 31, 2019, July 31, 2020 and November 30, 2020, we had other financial liabilities of RMB321.6 million, RMB1,290.3 million and RMB1,273.6 million, respectively. Such Preferred Shares will automatically convert into Shares upon Listing, at which time we expect to turn into a net asset position. Accordingly, we do not expect to recognize any further financial liabilities from such Preferred Shares in the future.

Lease Liabilities

As of December 31, 2018 and 2019, July 31 and November 30, 2020, we recorded lease liabilities of RMB16.3 million, RMB18.6 million, RMB15.0 million and RMB18.1 million, respectively, which was primarily in relation to the properties we leased for our office premises, manufacturing, research and development. We recognize a lease liability with respect to all leases, except for short-term leases and leases of low value assets.

Interest-bearing Borrowings

Our interest-bearing borrowing was RMB20.0 million as of December 31, 2019 represented a loan from a reputable PRC commercial bank, which was primarily used to fund our business operation. This loan bore interest at rates equivalent to 4.35% per year. We repaid this loan in January 2020.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period represented the additions of intangible assets and property, plant and equipment. In particular, our intangible assets primarily represent the capitalized development costs. The following table sets forth the components of our capital expenditures for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,
	2018	2019	2020
	(RMB in thousands)		
Intangible assets	66,210	33,802	12,748
Property, plant and equipment	28,243	16,203	5,543
Total	94,453	50,005	18,291

We expect that our capital expenditure in 2020 and 2021 will primarily consist of purchase of machinery and equipment, leasehold improvement and capitalized development costs. We plan to fund our planned capital expenditures using our cash at bank and the net proceeds received from the Global Offering. For more details, see "Future Plans and Use of Proceeds" in this prospectus. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2018 and 2019 and July 31, 2020, the outstanding capital commitments in relation to property, plant and equipment and intangible assets were RMB5.3 million, RMB1.2 million and RMB2.1 million, respectively.

CONTINGENT LIABILITIES

As of December 31, 2018 and 2019 and July 31, 2020, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there have been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MARKET AND OTHER FINANCIAL RISKS

We are exposed to a variety of market and other financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See Note 28 to the Accountants' Report set out in Appendix I to this prospectus for more information. The discussion below provides a summary of our market and other financial risks.

Currency Risk

We are exposed to currency risk primarily from (i) purchases which give rise to payables that are denominated in a foreign currency; and (ii) cash in bank that are denominated in U.S. dollars from our subsidiaries in China. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For further details, see Note 28(d) to the Accountants' Report set out in Appendix I to this prospectus.

Interest Rate Risk

We are exposed to interest rate risk primarily from cash at banks, deposits with banks, interest-bearing borrowings, loans from/to related parties and redeemable preferred shares. We are also exposed to cash flow interest rate risk in relation to the change of market interest rate. No sensitivity analysis is presented since our Directors consider that we are exposed to interest rate risk at a limited level. For details, see Note 28(c) to the Accountants' Report set out in Appendix I in this prospectus.

Credit Risk

Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable commercial banks for which we consider to have low credit risk. Our management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Our management has assessed that during the Track Record Period, trade and other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by our management. Our management expects the occurrence of losses from non-performance by the counterparties of trade and other receivables was remote and the loss allowance provision for trade and other receivables was immaterial. For further details, see Note 28(a) to the Accountants' Report set out in Appendix I to this prospectus.

Liquidity Risk

In the management of the liquidity risk, we monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For further details, see Note 28(b) to the Accountants' Report set out in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

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

	As of December 31,		As of July 31,
	2018	2019	2020
Current ratio(1)	0.67	0.47	0.59
Quick ratio(2)	0.52	0.35	0.53

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

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

Our current ratio decreased from 0.67 as of December 31, 2018 to 0.47 as of December 31, 2019 because our current liabilities increased by RMB272.5 million mainly due to the increases in other financial liabilities and interest-bearing borrowings, while our current assets increased at a relatively slower rate.

Our current ratio increased from 0.47 as of December 31, 2019 to 0.59 as of July 31, 2020 because our current assets increased by RMB617.9 million mainly due to an increase in cash and cash equivalents primarily due to the funds we received from our Series D financing, while our current liabilities increased at a relatively slower rate.

Our quick ratio decreased from 0.52 as of December 31, 2018 to 0.35 as of December 31, 2019 because our current liabilities increased by RMB272.5 million mainly due to the increases in other financial liabilities and interest-bearing borrowings, while our quick assets increased at a relatively slower rate.

Our quick ratio increased from 0.35 as of December 31, 2019 to 0.53 as of July 31, 2020 because our quick assets increased by RMB595.2 million mainly due to an increase in cash and cash equivalents primarily due to the funds we received from our Series D financing, while our current liabilities increased at a relatively slower rate.

TRANSACTIONS WITH RELATED PARTIES

We had the following transactions during the Track Record Period, and the following table sets forth our transactions with related parties for the periods indicated.

	For the year ended December 31,		For the seven months ended July 31,
	2018	2019	2020
	(RMB in thousands)		
Financing arrangements with related parties			
— Loans from related parties	76,359	118,605	–
— Repayment of loans from related parties	–	(193,852)	–
— Loans to a related party	(50,000)	–	–
— Loans repaid by a related party	50,000	–	–
— Additions of right-of-use assets and lease liabilities	11,690	6,274	560
— Interest income generated from above financing arrangements	170	–	–
— Finance cost arising from above financing arrangements	551	3,129	345
Purchase of goods from related parties	11,339	7,835	590
Service fee charged by related parties	10,209	11,390	3,252
Short-term lease charged by a related party	371	–	93
Payment on behalf of the Group by a related party	–	–	8
Guarantee issued by a related party in respect of our bank loans	–	70,000	–

Our Directors are of the view that each of the related party transactions set out in Note 30 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance. In addition, all guarantee from related party, namely, Shanghai MicroPort Medical, had been released in November 2020.

DIVIDENDS

No dividend has been paid or declared by our Company during the Track Record Period. Any future declarations and payments of dividends will be at the absolute discretion of our Board subject to the approval by the general meeting. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. As advised by our Cayman Islands counsel, under the Companies Act and the Memorandum and Articles, the Company may declare and pay a dividend out of either profits or share premium account, provided always that in no circumstances may a dividend be declared or paid if such payment would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our Shares with the expectation of receiving cash dividends.

DISTRIBUTABLE RESERVES

As of July 31, 2020, we had distributable reserves, representing share premium of RMB481.8 million, which is available for distribution to our Shareholders subject to the provisions of the Cayman Islands Companies Act and the Memorandum and Articles.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB123.4 million (including underwriting commission, assuming an Offer Price of HK$11.65 per Share, being the mid-point of the indicative Offer Price range of HK$11.10 to HK$12.20 per Share), assuming no Shares are issued pursuant to the Over-allotment Option. For the seven months ended July 31, 2020, the listing expenses charged to profit or loss were RMB15.1 million. After July 31, 2020, approximately RMB34.0 million is expected to be charged to our consolidated statements of profit or loss, and approximately RMB74.3 million is expected to be accounted for as a deduction from equity upon the Listing. Our listing expenses as a percentage of gross proceeds is 6.2%, assuming an Offer Price of HK$11.65 per Share, (being the mid-point of the indicative Offer Price range stated in this prospectus) and assuming that the Over-allotment Option is not exercised. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

We have prepared the following loss estimate for the year ended December 31, 2020.

Estimated consolidated loss attributable to equity shareholders of the Company for the year ended December 31, 2020[1]	No more than RMB400.0 million

(1) The basis on which the above estimate has been prepared is set out in Appendix IIB in this prospectus. Our Directors have prepared the estimated consolidated loss attributable to equity shareholders of the Company for the year ended December 31, 2020 based on (i) the audited consolidated results of our Group for the seven months ended July 31, 2020 and (ii) the unaudited consolidated results based on the management accounts of our Group for the five months ended December 31, 2020.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is to illustrate the effect of the

Global Offering on our consolidated net tangible liabilities of our Group as of July 31, 2020 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets of our Group had the Global Offering been completed as of July 31, 2020 or at any future dates.

	Consolidated net tangible liabilities of our Group as of July 31, 2020[(1)]	Estimated net proceeds from the Global Offering[(2)]	Estimated impact upon the conversion of Series C Preferred Shares and Series D Preferred Shares[(3)]	Unaudited pro forma adjusted net tangible assets as of July 31, 2020	Unaudited pro forma adjusted net tangible assets per Share[(4)]	
	(RMB in thousands)				RMB	HK$ equivalent[(5)]
Based on an Offer Price of HK$11.10 per Share	(454,422)	1,798,180	1,317,077	2,660,835	1.12	1.35
Based on an Offer Price of HK$12.20 per Share	(454,422)	1,979,175	1,317,077	2,841,830	1.20	1.44

(1) The consolidated net tangible liabilities of our Group as of July 31, 2020, is calculated based on the consolidated net liabilities of RMB228,195,000 as of July 31, 2020, less the intangible assets of RMB226,227,000, extracted from the Accountants' Report set out in Appendix I to the prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$11.10 and HK$12.20 per Share, being the low end price and high end price of the indicative Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses related to Global Offering (excluding approximately RMB15,123,000 listing expenses which has been charged to profit or loss up to July 31, 2020) and the issuance of 205,620,000 Shares, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into Renminbi at an exchange rate of HK$1.1996 to RMB1.00. No representation is made that the Hong Kong dollars amounts have been, or could have been or may be converted into Renminbi, or vice versa at that rate.

(3) The aggregated balance of Series C Preferred Shares and Series D Preferred Shares including the Series D Adjustment was RMB1,317,077,000 as of July 31, 2020 (as set out in Note 25 of Appendix I in this prospectus). Upon the Listing, Series C Preferred Shares and Series D Preferred Shares will be automatically converted into ordinary shares of our Company and will be re-designated from liabilities to equity.

(4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to the preceding paragraphs and on the basis that 2,366,167,020 Shares were in issue assuming that the Global Offering and the Share Subdivision had been completed on July 31, 2020 (including completion of the conversion of Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares into ordinary shares of our Company) without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option.

(5) For the purpose of this pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8336 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa at that rate.

(6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transactions of our Group entered into subsequent to July 31, 2020.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in this prospectus, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since July 31, 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since July 31, 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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