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

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

OVERVIEW

We are a China-based company in the neuro-interventional medical device industry, dedicated to providing innovative solutions for physicians and patients. Since our first product approval in 2004, we had, as of the Latest Practicable Date, amassed a total of 30 assets in our portfolio, including ten therapeutic products and three access products approved and commercialized in China and 17 product candidates under development. We boast a comprehensive portfolio of approved therapeutic products covering all of the three major areas of neurovascular disease, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke (AIS). In the field of hemorrhagic stroke, the largest segment of the neuro-interventional medical device industry in China by product sales, we have commercialized products covering key therapeutic categories, including embolization coils, flow-diverting stents and stent grafts, according to CIC. In addition to approvals in China, *NUMEN* and *NUMEN FR*, two of our flagship embolization coil products, have been approved in the United States, the European Union and South Korea. We also plan to establish a R&D and production center in the United States to supply the global market and to move forward with our global expansion. China's neuro-interventional medical device market has been dominated by internationally renowned companies. According to CIC, we are the only Chinese company among the top five players in this market in terms of revenue in 2020, with a market share of approximately 4%.

We recorded robust financial growth during the Track Record Period. Our revenue increased rapidly during the Track Record Period, which amounted to RMB183.7 million, RMB221.9 million and RMB382.8 million in 2019, 2020 and 2021, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Growth of the Neuro-interventional Medical Device Market in China

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

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

Product Pipeline and Commercialization

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

Expansion of Sales Network

Our business and results of operations depend on our ability to successfully commercialize our products and grow our sales network. As of the Latest Practicable Date, we have built an in-house marketing team and an extensive distribution network covering all provinces in China. We had penetrated into approximately 2,400 hospitals as of the Latest Practicable Date, among which over 1,400 hospitals are Class III hospitals.

During the Track Record Period, we generated substantially all of our revenue from sales of medical devices to our distributors in China. Our ability to effectively manage our sales network and to expand hospital coverage of our sales network in China is critical to our business performance.

Going forward, we will continue to encourage distributors to increase penetration in hospitals. In addition to sales in China, we also plan to accelerate product registrations under our brand, expand our market presence and enhance our brand recognition in overseas markets, such as Europe. We believe that our efforts in expanding our international presence will enable us to increase sales and further enhance our results of operations.

Product Mix

Our overall gross profit margin is affected by our product mix, as the selling price, sales volume and gross profit margin of different products in our portfolio vary. During the Track Record Period, the gross profit margins of hemorrhagic stroke products and cerebral atherosclerotic stenosis products were higher than that of access products, primarily Asahi guidewires, because the gross profit margins of our self-developed products were generally higher than those of the products that we distribute. For the years ended December 31, 2019, 2020 and 2021, gross profit margins of hemorrhagic stroke products and cerebral atherosclerotic stenosis products were 85.2%, 77.2% and 82.6%, respectively, and 87.7%, 88.9% and 88.0%, respectively, while gross profit margin of access products was 40.0%, 38.9% and 39.8%, respectively. During the same period, our revenue contribution from hemorrhagic stroke products increased from 43.7% in 2019 to 45.2% in 2020, and further increased to 55.9% in 2021; revenue contribution from cerebral atherosclerotic stenosis products decreased from 41.6% in 2019 to 35.5% in 2020, and further decreased to 29.5% in 2021; revenue contribution from access products increased from 14.2% in 2019 to 18.6% in 2020 but decreased to 14.2% in 2021. As a result, our overall gross profit margin fluctuated during the Track Record Period. Our product mix may continue to change in the future as we launch new products that have different margin profiles, which will have an impact on our overall gross profit margin.

Operational Efficiency and Economies of Scale

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

Research and development activities are essential to our business. For the years ended December 31, 2019, 2020 and 2021, our total research and development costs amounted to RMB38.2 million, RMB53.0 million and RMB94.1 million, accounting for 20.8%, 23.9% and 24.6% of our total revenue, respectively. Our research and development costs primarily consist of staff costs and cost of materials and consumables. We expect that we will continue to incur research and development costs for the foreseeable future as the increased development programs progress and we continue to support the R&D of our product candidates.

Selling and marketing expenses is another major component of our operating expenses. For the years ended December 31, 2019, 2020 and 2021, our selling and marketing expenses amounted to RMB45.2 million, RMB48.2 million and RMB69.2 million, accounting for 24.6%, 21.7% and 18.1% of our total revenue, respectively. Our selling and marketing expenses primarily consist of staff costs, market development expenses and transportation and travel expenses. We expect our selling and marketing expenses to increase in the foreseeable future to support the expanded marketing of our existing products and the commercialization of our product candidates upon their registration with the relevant authorities.

BASIS OF PREPARATION

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

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

Revenue Recognition

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

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

Sale of Medical Devices

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

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

Rental Income from Operating Leases

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

Government Grants

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

Leased Assets

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

As a lessee

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

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

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

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

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

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

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

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

As a lessor

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

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

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

Other Investments in Debt and Equity Securities

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

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

(i) Investments other than equity investments

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

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

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

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

(ii) Equity investments

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

Inventories

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

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

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

Intangible Assets

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

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

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

- Software — 3 years
- Capitalized development costs — 10 years

Both the period and method of amortization are reviewed annually.

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

Preferred shares

The preferred shares issued by us are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred shares issued by us are classified as equity if they are non-redeemable by us or redeemable only at our option, and any dividends are discretionary. Dividends on preferred shares capital classified as equity are recognized as distributions within equity.

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred), or if dividend payments are not discretionary. The liability is recognized and measured in accordance with our policy for interest-bearing borrowings set out in Note 2(q) to the Accountants' Report set out in Appendix I to this 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 own equity instruments. The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Convertible Bonds that Contain an Equity Component

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

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

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

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

When we extinguish the bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, we allocate consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognized in profit or loss and in equity, respectively.

Critical Judgments and Estimates

Research and Development Costs

Development expenses incurred on our pipelines are capitalized and deferred only when we can demonstrate the technical feasibility of completing the pipeline so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are recognized as an expense in profit or loss when incurred. Management will assess the progress of each of the development projects and determine the criteria met for capitalization.

Impairment of Capitalized Development Costs

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

Determination of the recoverable amount is an area involving management judgment in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialization, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved. The useful life of capitalized development costs is determined based on the estimated life cycle of the underlying product since its commercialization. For medical devices, the validity period of registration certificates is five years, and the validity period can be extended for another five years upon expiry. As such, the useful life of capitalized development costs is determined based on an estimated life cycle of 10 years.

Fair Value of Unlisted Equity Investments

We acquired Series C preferred shares of Rapid Medical in 2019. As at December 31, 2019 and 2020, we classified the equity investment in Rapid Medical as financial assets at FVPL in which no quoted prices in an active market exist. The fair value of the financial instruments as of December 31, 2019, which was categorized into Level 2, was determined with reference to the recent transaction price. The fair value of the financial instruments as of December 31, 2020, which was categorized into Level 3, was established by using valuation techniques, including market comparable companies and equity allocation model. Valuation techniques are certified by independent business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs. However, it should be noted that some inputs, such as discount for lack of marketability and possibilities under certain events, require the management team's estimates and assumptions, which are reviewed periodically and adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the unlisted equity investment at FVPL.

In relation to the valuation of Level 3 financial assets as of December 31, 2020, our Directors adopted the following procedures: (i) engaged independent external valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (ii) carefully considered all information especially those non-market related information input, which require management team's assessments and estimates; and (iii) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the value of financial assets is fair and reasonable, and the financial statements of our Group are properly prepared.

In relation to the valuation of the financial assets categorized with level 3 fair value measurements, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as contained in Appendix I to this prospectus; (ii) review of valuation report regarding investment in Rapid Medical prepared by valuer engaged by the Company; and (iii) discussed with the Company, the reporting accountants and the valuer about the key basis and assumptions for the valuation of the financial assets. Based on due diligence carried out by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to doubt on the reasonableness of the above-mentioned Directors' view.

Details of the fair value measurement of Level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including the significant unobservable inputs, the sensitivity analysis and the movement of the Level 3 fair value measurements are disclosed in Note 30(e) to the Accountants' Report issued by the reporting accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants as set out in Appendix I to this prospectus.

Sale returns

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

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

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

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

NON-HKFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use adjusted net profit and adjusted net profit margin, which are not required by, or presented in accordance with, HKFRSs. The presentation of such non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance by eliminating the impact of interest on other financial liabilities, interest on convertible bonds and listing expenses and the related income tax impact. Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance. The use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, an analysis of our results of operations or financial condition as reported under HKFRSs. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

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

	For the year ended December 31,		
	2019	2020	2021
		RMB'000	
Profit for the year	**46,975**	**45,287**	**24,170**
Excluding the impacts of:			
Interest on other financial liabilities[(1)]	–	–	(19,660)
Interest on convertible bonds[(2)]	–	(2,262)	(22,875)
Listing expenses	–	–	(26,338)
Income tax impact	–	–	1,131
Adjusted net profit for the year (unaudited)[(3)]	**46,975**	**47,549**	**91,912**
Net profit margin (%)	**25.6**	**20.4**	**6.3**
Adjusted net profit margin (%)[(4)]	**25.6**	**21.4**	**24.0**

Notes:

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

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

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

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

Revenue

Product Type

We generated substantially all of our revenue from sales of medical devices, which amounted to RMB182.7 million, RMB220.5 million and RMB381.4 million in 2019, 2020 and 2021, respectively. Revenue from sales of medical devices represents revenue from the sales of (i) hemorrhagic stroke products; (ii) cerebral atherosclerotic stenosis products; and (iii) access products during the Track Record Period. The following table sets forth the breakdown of our revenue by business and by product type for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Revenue from sales of medical devices						
Hemorrhagic stroke products	80,190	43.7%	100,440	45.2%	213,937	55.9%
Cerebral atherosclerotic stenosis products	76,397	41.6%	78,730	35.5%	113,018	29.5%
Access products	26,155	14.2%	41,298	18.6%	54,470	14.2%
Subtotal	182,742	99.5%	220,468	99.3%	381,425	99.6%
Rental income from operating leases	978	0.5%	1,455	0.7%	1,374	0.4%
Total	**183,720**	**100.0%**	**221,923**	**100.0%**	**382,799**	**100.0%**

Hemorrhagic Stroke Products

During the Track Record Period, a significant portion of our revenue was generated from the sales of hemorrhagic stroke products. Revenue from the sales of hemorrhagic stroke products increased from RMB80.2 million in 2019 to RMB213.9 million in 2021 at a CAGR of 63.3% and was one of the primary drivers for our overall revenue growth. As a percentage of total revenue, sales of hemorrhagic stroke products increased from 43.7% in 2019 to 45.2% in 2020, and further to 55.9% in 2021, primarily attributable to the commercialization of our flow-diverting stent and coil embolization system during the Track Record Period. For details, see "—Results of Operations."

Cerebral Atherosclerotic Stenosis Products

During the Track Record Period, We also generated a significant portion of our revenue from the sales of cerebral atherosclerotic stenosis products. For the years ended December 31, 2019, 2020 and 2021, we recorded revenue from the sales of cerebral atherosclerotic stenosis products of RMB76.4 million, RMB78.7 million and RMB113.0 million, respectively. The increase revenue generated from the sales of cerebral atherosclerotic stenosis products was primarily attributable to a steady increase in the sales volume of our intracranial stent systems. For details, see "—Results of Operations."

Access Products

For the years ended December 31, 2019, 2020 and 2021, we recorded revenue from the sales of access products RMB26.2 million, RMB41.3 million and RMB54.5 million, respectively. Revenue generated from sales of access products increased from 2019 to 2021 at a CAGR of 44.3%, which was primarily attributable to an increase in the sales revenue that we generated from acting as the exclusive distributor for Asahi guidewires in mainland China. For details, see "—Results of Operations."

Cost of Sales

Our cost of sales mainly consists of (i) raw material costs; (ii) manufacturing costs; and (iii) direct labor costs. In 2019, 2020 and 2021, our cost of sales was RMB37.3 million, RMB57.1 million and RMB84.4 million, respectively. During the Track Record Period, the increase in raw material costs was generally in line with our increased production and sales. The following table sets forth the breakdown of cost of sales for sales of medical devices for the period indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Raw material costs[1]	27,874	74.8%	42,941	75.2%	55,615	65.9%
Manufacturing costs[2]	8,228	22.1%	12,307	21.5%	24,592	29.1%
Direct labor costs	1,164	3.1%	1,892	3.3%	4,238	5.0%
Total	**37,266**	**100.0%**	**57,140**	**100.0%**	**84,445**	**100.0%**

Notes:

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

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

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB146.5 million in 2019 to RMB164.8 million in 2020 and further to RMB298.4 million in 2021, primarily attributable to an increase in revenue. The changes in our gross profit margin during the Track Record Period was primarily driven by changes in our product mix. In general, the gross profit margin of hemorrhagic stroke products and cerebral atherosclerotic stenosis products were higher than that of access products, which primarily include Asahi guidewires, to which we acted as the exclusive distributor in mainland China, because the gross profit margin of our self-developed products was generally higher than that of products sold under distributorship. Our gross profit margin fluctuated during the Track Record Period, primarily due to the changes in revenue contribution from hemorrhagic stroke products, cerebral atherosclerotic stenosis products and access products. The following table sets forth the breakdown of gross profit and gross profit margin of sales of medical devices by product type for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000 (except percentages)					
Hemorrhagic stroke products	68,332	85.2%	77,540	77.2%	176,643	82.6%
Cerebral atherosclerotic stenosis products	66,983	87.7%	69,955	88.9%	99,423	88.0%
Access products	10,464	40.0%	16,070	38.9%	21,691	39.8%
Gross profit/ gross profit margin of sales of medical devices	**145,779**	**79.8%**	**163,565**	**74.2%**	**297,757**	**78.1%**
Total gross profit/overall gross profit margin	**146,454**	**79.7%**	**164,783**	**74.3%**	**298,354**	**77.9%**

Our gross profit margin for hemorrhagic stroke products decreased from 85.2% in 2019 to 77.2% in 2020. The decrease was primarily because (i) we provided favorable price of hemorrhagic stroke products to our certain distributors in 2019 and 2020 in view of the increased sales volume from these distributors. In 2019, we offered favorable price to two distributors of *Tubridge* and one distributor of *Willis* in view of their high sales volume, and in 2020, we offered favorable price to two distributors of *Tubridge* and three distributors of *Willis* for the same reason; and (ii) in 2020, we commenced sale of coil embolization systems, which had a lower gross profit margin, primarily due to the relatively higher costs of imported raw materials for the coil embolization system than raw material costs for flow-diverting stents and intracranial stent graft. The gross profit margin for hemorrhagic stroke products increased from 77.2% in 2020 to 82.6% in 2021. The increase was primarily due to the increase in gross profit margin of flow-diverting stents and intracranial stent graft as a result of the economies of scale.

Our gross profit margin for cerebral atherosclerotic stenosis products remained stable in 2019, 2020 and 2021.

Our gross profit margin for access products remained stable in 2019, 2020 and 2021. Our gross profit margin for access products decreased slightly from 40.0% in 2019 to 38.9% in 2020. The decrease was primarily because we offered favorable price of Asahi guidewires to our distributors in view of the increased sales volume. Our gross profit margin for access products increased slightly from 38.9% in 2020 to 39.8% in 2021.

Research and Development Costs

Our research and development costs primarily consist of (i) staff costs including salaries, benefits, share-based compensation and other compensation in relation to our research and development team; (ii) cost of materials and consumables in relation to raw material used in our research development process; (iii) depreciation and amortization, including the amortization of right-of-use assets; (iv) consulting fees, primarily including payments to external consultants; (v) testing fees incurred in connection with our research and development activities and (vi) others including office and utility fees, travel expenses and other miscellaneous costs in relation to our research and development activities. The following table sets forth the breakdown of our research and development costs for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentage)					
Staff costs	20,758	54.4%	23,366	44.0%	41,086	43.6%
Costs of materials and consumables	10,900	28.6%	18,908	35.7%	30,189	32.1%
Testing fees	273	0.7%	3,139	5.9%	8,264	8.8%
Depreciation and amortization	1,694	4.4%	1,927	3.6%	4,527	4.8%
Consulting fees	2,058	5.4%	3,747	7.1%	4,954	5.3%
Others	2,483	6.5%	1,950	3.7%	5,114	5.4%
Total	**38,166**	**100.0%**	**53,037**	**100.0%**	**94,133**	**100.0%**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff costs including salaries, benefits, share-based compensation and other compensation for our sales and marketing personnel;

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

	For the year ended December 31,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Staff costs	20,731	45.9%	23,476	48.7%	35,127	50.8%
Market development expenses	17,652	39.1%	16,881	35.0%	25,290	36.5%
Transportation and travel expenses	4,710	10.4%	5,166	10.7%	5,677	8.2%
Others	2,057	4.6%	2,692	5.6%	3,134	4.5%
Total	**45,150**	**100.0%**	**48,215**	**100.0%**	**69,228**	**100.0%**

Administrative Expenses

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

	For the year ended December 31,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Staff costs	9,772	63.9%	9,859	54.4%	19,910	42.1%
Depreciation and amortization expenses	2,098	13.7%	2,844	15.7%	13,135	27.8%
Consulting and service fees	1,146	7.5%	2,350	12.9%	7,017	14.9%
Office and utility expenses	605	4.0%	958	5.3%	1,481	3.1%
Tax and surcharges	910	6.0%	1,189	6.6%	2,933	6.2%
Others	755	4.9%	930	5.1%	2,767	5.9%
Total	**15,286**	**100.0%**	**18,130**	**100.0%**	**47,243**	**100.0%**

Other Operating Costs

Our other operating costs primarily consist of (i) restructuring related expenses; (ii) listing expenses; and (iii) donation. We recorded other operating costs of RMB 0.2 million, RMB1.0 million and RMB 28.3 million for the years ended December 31, 2019, 2020 and 2021, respectively.

Finance Costs

Our finance costs primarily consist of (i) interest on convertible bonds, primarily represents interest expenses arising from the Convertible Bonds; (ii) interest on other financial liabilities, represents interest expenses in relation to the financial liabilities of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares; (iii) interest on lease liabilities; (iv) interest on interest-bearing borrowings and (v) interest on loans from related parties. The following table sets forth the components of our finance costs for the periods indicated.

	For the year ended December 31,		
	2019	2020	2021
		RMB'000	
Interest on the convertible bonds	–	2,262	22,875
Interest on other financial liabilities	–	–	19,660
Interest on lease liabilities	270	735	2,665
Interest on interest-bearing borrowings	1,256	978	–
Interest on loans from related parties	91	397	–
Others	76	95	109
Total	**1,693**	**4,467**	**45,309**

Other Net Income

Other net income primarily consists of (i) government grants, mainly representing subsidies received from the local governments for encouragement of research and development activities of neuro-interventional medical devices to maintain and expand our product coverage, as well as government grants for high-tech companies and intellectual property development and production. Our government grants are generally one-off in nature; (ii) interest income on bank deposits; (iii) net foreign exchange gain or loss; (iv) net gain or loss on disposal of property, plant and equipment; and (v) fair value changes in financial instruments. The following table sets forth the breakdown of our other income and gains for the periods indicated.

	For the years ended December 31,		
	2019	2020	2021
		RMB'000	
Fair value changes in financial instruments	–	1,230	12,098
Government grants	6,551	9,580	6,106
Interest income on financial assets carried at amortized cost	50	137	3,957
Net foreign exchange (loss)/gain	(138)	377	(160)
Net (loss)/gain on disposal of property, plant and equipment	(21)	(68)	394
Others	10	207	2,904
Total	**6,452**	**11,463**	**25,299**

Share of Losses of an Associate

Rapid Medical has been loss-making since we made investment in it. Upon the completion of our series D investment in Rapid Medical in 2021, we obtained significant influence over Rapid

Medical and recognized our investment in Rapid Medical as interests in an associate under equity method. From the completion of our series D investment in Rapid Medical to December 31, 2021, Rapid Medical incurred a loss of RMB33.7 million, and we accordingly recorded share of losses of an associate of RMB7.5 million.

Income Tax Expenses

Our income tax expenses amounted to RMB5.4 million, RMB6.1 million and RMB7.7 million in 2019, 2020 and 2021, respectively. We recorded effective income tax rates, calculated by dividing income tax expenses by profit before taxation during the same period, of 10.4%, 11.9% and 24.2% in 2019, 2020 and 2021, respectively. In 2020, MP NeuroTech Shanghai extended its High and New Technology Enterprise certificate for a period of three years. As a High and New Technology Enterprise, MP NeuroTech Shanghai enjoys a lower EIT rate of 15% instead of the standard EIT rate of 25% in China.

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

RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 72.5% from RMB221.9 million in 2020 to RMB382.8 million in 2021, reflecting an increase of RMB113.5 million in revenue generated from sales of our hemorrhagic stroke products; an increase of RMB34.3 million in revenue generated from sales of our cerebral atherosclerotic stenosis products and an increase of RMB13.2 million of our access products.

Revenue generated from the sales of hemorrhagic stroke products increased by 113.0% from RMB100.4 million in 2020 to RMB213.9 million in 2021. The increase of hemorrhagic stroke products was primarily driven by (i) an increase in the sales volume of flow-diverting stent and (ii) the commercialization of coil embolization system.

Revenue generated from the sales of cerebral atherosclerotic stenosis products increased by 43.6% from RMB78.7 million in 2020 to RMB113.0 million in 2021. Such increase was primarily because of (i) an increase in the sales volume of our existing products and (ii) the commercialization of rapamycin target eluting vertebral stent system at the end of 2020.

Revenue generated from the sales of access products increased by 31.9% from RMB41.3 million in 2020 to RMB54.5 million in 2021. Such increase was primarily attributable to a significant increase in the sales volume of microcatheter systems and the commercialization of intracranial support catheter system.

Cost of Sales

Our cost of sales increased by 47.8% from RMB57.1 million in 2020 to RMB84.4 million in 2021 primarily due to an increase of RMB12.3 million in our manufacturing costs and RMB12.7 million in raw material costs, which were in line with our increased production and sales.

Gross Profit and Gross Profit Margin

Our gross profit increased by 81.1% from RMB164.8 million in 2020 to RMB298.4 million in 2021, primarily reflecting an increase of RMB99.1 million in gross profit from sales of our hemorrhagic stroke products, an increase of RMB29.5 million in gross profit from sales of our cerebral atherosclerotic stenosis products and an increase of RMB5.6 million in gross profit from sales of our access products. Increases in our gross profit was primarily driven by an increase in sales volume across our three product lines. Our gross profit margin increased from 74.3% in 2020 to 77.9% in 2021 primarily because a change in product mix as the sales of hemorrhagic stroke products and cerebral atherosclerotic stenosis products with a higher profit margin increased at a greater rate than the access products.

The gross profit margin for hemorrhagic stroke products increased from 77.2% in 2020 to 82.6% in 2021. The increase was primarily due to the increase in gross profit margin of flow-diverting stents and intracranial stent graft as a result of the economies of scale.

The gross profit margin for cerebral atherosclerotic stenosis products remained stable in 2020 and 2021.

Our gross profit margin for access products increased slightly from 38.9% in 2020 to 39.8% in 2021. The increase was primarily due to the increase in sale of our self-developed products, mainly microcatheter system and intracranial support catheter system, which in general have higher gross profit margins than Asahi guidewires that we distribute.

Research and Development Costs

Our research and development costs increased by 77.5% from RMB53.0 million in 2020 to RMB94.1 million in 2021, primarily due to an increase of RMB17.7 million in staff costs as we hired more research and development staff and an increase of RMB11.3 million in cost of materials and consumables and an increase of RMB5.1 million in testing fees as we continued to increase our research and development activities.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB48.2 million in 2020 to RMB69.2 million in 2021, primarily due to an increase of RMB11.7 million in staff costs as we hired more marketing staff and an increase of RMB8.4 million in market development expenses as we increased our market development activities, including academic conferences, as we introduced new products to the market and the COVID-19 pandemic was gradually brought under control in China and its domestic travel restrictions were gradually lifted in 2021.

Administrative Expenses

Our administrative expenses increased by 160.6% from RMB18.1 million in 2020 to RMB47.2 million in 2021, primarily due to an increase of RMB10.1 million in staff costs in line with our business expansion as our product portfolio continued to expand, an increase of RMB10.3 million in depreciation and amortization expenses and an increase of RMB4.7 million in consulting and service fees in relation to the Reorganization.

Other Operating Costs

Our other operating costs increased from RMB1.0 million in 2020 to RMB28.3 million in 2021, which primarily represented listing expenses and restructuring-related expenses.

Finance Costs

Our finance costs increased from RMB4.5 million in 2020 to RMB45.3 million in 2021, primarily due to an increase of RMB20.6 million in interest on convertible bonds and an increase of RMB19.7 million of interest on other financial liabilities.

Other Net Income

Other net income million increased by 120.7% from RMB11.5 million in 2020 to RMB25.3 million in 2021, mainly resulting from an increase of RMB10.9 million in fair value movement on financial assets which was primarily related to fair value changes of our investment in Rapid Medical, partially offset by a decrease of RMB3.5 million in government grant because we received one-off government grants of RMB3.2 million for general supporting of the entity's operation in 2020.

Share of Losses of an Associate

We recorded share of losses of an associate of RMB7.5 million in 2021. Upon the completion of our series D investment in Rapid Medical in 2021, we obtained significant influence over Rapid Medical and recognized our investment in Rapid Medical as interests in an associate under equity method. From the completion of our series D investment in Rapid Medical to December 31, 2021, Rapid Medical incurred a loss of RMB33.7 million, and we accordingly recorded share of losses of an associate of RMB7.5 million.

Income Tax Expense

Our income tax expense increased by 26.6% from RMB6.1 million in 2020 to RMB7.7 million in 2021, primarily due to an increase in profit before tax generated from our PRC onshore subsidiaries. Our effective income tax rate, calculated by dividing income tax expenses by profit before taxation during the same year, increased from 11.9% in 2020 to 24.2% in 2021. The increase in our effective income tax rate was mainly because our taxable profit in 2021 was primarily composed of profit recorded from our PRC onshore subsidiaries, while our taxable profit in 2020 was composed of profit recorded from both onshore and offshore subsidiaries.

Profit for the Year

For the foregoing reasons, in particular the increase in finance costs, our profit for the year decreased by 46.6% from RMB45.3 million in 2020 to RMB24.2 million in 2021.

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

Revenue

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

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

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

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

The gross profit margin for hemorrhagic stroke products decreased from 85.2% in 2019 to 77.2% in 2020, primarily because (i) we provided favorable price of hemorrhagic stroke products to our certain distributors in 2020 in view of the increased sales volume from these distributors; and (ii) in 2020, we commenced sale of coil embolization system, which had lower gross profit margin, primarily due to the relatively higher costs of imported materials for the coil embolization system than costs of materials for flow-diverting stents and intracranial stent graft.

The gross profit margin for cerebral atherosclerotic stenosis products remained stable in 2019 and 2020.

The gross profit margin for access products decreased slightly from 40.0% in 2019 to 38.9% in 2020 primarily because we offered favorable price of Asahi guidewires to our distributors in view of the increased sales volume.

Research and Development Costs

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Other Operating Costs

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

Finance Costs

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

Other Net Income

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

Income Tax Expense

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

Profit for the Year

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

DESCRIPTION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

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

	As of December 31,		
	2019	**2020**	**2021**
		RMB'000	
Non-current assets			
Property, plant and equipment	47,348	59,485	212,238
Investment Property	14,297	13,954	13,611
Intangible assets	106,756	129,406	127,385
Interest in an associate	–	–	168,211
Financial assets measured at fair value through profit or loss	38,369	37,051	–
Deferred tax assets	3,783	4,346	7,398
Other non-current assets	2,447	1,463	27,345
Total non-current assets	**213,000**	**245,705**	**556,188**
Current assets			
Inventories	37,992	55,006	87,959
Trade and other receivables	61,525	59,406	102,908
Cash and cash equivalents	22,211	425,493	593,287
Total current assets	**121,728**	**539,905**	**784,154**
Current liabilities			
Interest-bearing borrowings	(40,548)	–	–
Convertible bonds	–	(19,202)	–
Trade and other payables	(106,474)	(62,803)	(129,666)
Contract liabilities	(622)	(2,541)	(12,403)
Lease liabilities	(3,982)	(5,952)	(27,993)
Income tax payables	–	(4,256)	(4,148)
Total current liabilities	**(151,626)**	**(94,754)**	**(174,210)**
Net current (liabilities)/assets	**(29,898)**	**445,151**	**609,944**
Total assets less current liabilities	**183,102**	**690,856**	**1,166,132**
Non-current liabilities			
Convertible bonds	–	(297,794)	–
Lease liabilities	(5,105)	(8,200)	(81,705)
Deferred income	(8,592)	(9,554)	(18,124)
Other financial liabilities	–	–	(1,237,990)
Other non-current liabilities	(1,247)	(2,426)	(3,253)
Total non-current liabilities	**(14,944)**	**(317,974)**	**(1,341,072)**
Net assets/(liabilities)	**168,158**	**372,882**	**(174,940)**

Intangible Assets

Our intangible assets primarily represent capitalized development costs. We had intangible assets of RMB106.8 million, RMB129.4 million and RMB127.4 million as of December 31, 2019, 2020 and 2021, respectively. The increase in the carrying amount of our intangible assets from 2019 to 2020 was primarily due to an increase in capitalized development costs relating to our development activities. Our intangible assets decreased slightly from RMB129.4 million as of December 31, 2020 RMB127.4 million as of December 31, 2021.

Impairment test in relation to capitalized development costs

We capitalized development costs that are not yet available for use and test the capitalized development costs annually based on the recoverable amount of each individual asset at product level.

As of December 31, 2019, the capitalized development costs that were not yet available for use included *NUMEN*, *NUMEN FR*, *Bridge* and *Neurohawk*. In 2020, *NUMEN, NUMEN FR* and *Bridge* were approved by NMPA and commenced commercialization in the PRC. As a result, the capitalized development costs that were not yet available for use as of December 31, 2020 and 2021 only included capitalized development costs for *Neurohawk*.

The recoverable amount of each aforementioned product was determined based on value-in-use method, which adopted the multi-period excess earnings method.

The cash flow projections are based on the financial budgets approved by the Directors. Revenue forecasts are based on the management's expectations of the timing of the commercialization, productivity and market size of related products. Our management estimates that the relevant products will have a 10-year useful life commencing from the approval for commercialization with higher rates of revenue growth in the earlier years and declining revenue during the remaining years of the estimated useful life. The discount rates used are pre-tax and reflect specific risks relating to the relevant products.

The key assumptions used for recoverable amount calculations of each individual asset are as follows:

	As of December 31, 2019
NUMEN and NUMEN FR[(i)]	
Revenue from commercialization to peak sales (% annualized compound growth rate)	22%
Revenue for the remaining useful life (% annualized compound growth rate)	-35%
Pre-tax discount rate	28.8%

	As of December 31, 2019
Bridge[(i)]	
Revenue from commercialization to peak sales (% annualized compound growth rate)	29%
Revenue for the remaining useful life (% annualized compound growth rate)	-16%
Pre-tax discount rate	28.6%

	As of December 31,		
	2019	2020	2021
Neurohawk[(ii)]			
Revenue from commercialization to peak sales (% annualized compound growth rate)	27%	27%	22%
Revenue for the remaining useful life (% annualized compound growth rate)	-23%	-23%	-29%
Pre-tax discount rate	28.5%	29.1%	29.8%

Notes:

(i) As of December 31, 2020 and 2021, we did not identify any impairment indicators for *NUMEN, NUMEN FR* and *Bridge* by reviewing internal and external sources of information in accordance with our accounting policies. Consequently, no impairment assessment for *NUMEN, NUMEN FR* and *Bridge* as of December 31, 2020 and 2021 was performed.

(ii) *Neurohawk* was approved by the NMPA in February 2022.

Impact of possible changes in key assumptions

The recoverable amount of *NUMEN* and *NUMEN FR* is estimated to exceed its carrying amount as of December 31, 2019 by approximately RMB73 million. The recoverable amount of *Bridge* is estimated to exceed its carrying amount as of December 31, 2019 by approximately RMB27 million. The recoverable amount of *Neurohawk* is estimated to exceed its carrying amount as of December 31, 2019, 2020 and 2021 by approximately RMB19 million, RMB19 million and RMB7 million, respectively. Considering there was sufficient headroom based on assessment, our Directors do not believe that a reasonably potential change in key assumptions would cause the carrying amount of each individual asset to exceed its respective recoverable amount.

The recoverable amount of each individual asset would equal its carrying amount, if its key assumption was to change as follows with all other variables remain unchanged:

	As of December 31, 2019
NUMEN and NUMEN FR	
Revenue from commercialization to peak sales (% annualized compound growth rate)	10%
Revenue for the remaining useful life (% annualized compound growth rate)	-44%
Pre-tax discount rate	61.6%

	As of December 31, 2019
Bridge	
Revenue from commercialization to peak sales (% annualized compound growth rate)	2%
Revenue for the remaining useful life (% annualized compound growth rate)	-44%
Pre-tax discount rate	56.4%

	As of December 31,		
	2019	2020	2021
Neurohawk			
Revenue from commercialization to peak sales (% annualized compound growth rate)	19%	21%	21%
Revenue for the remaining useful life (% annualized compound growth rate)	-31%	-29%	-31%
Pre-tax discount rate	43.0%	42.0%	35.4%

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

Our financial assets at FVPL and interest in an associate both represent our investments in Rapid Medical. In April 2019, we acquired 1,495,378 series C preferred shares of Rapid Medical, representing approximately 11.85% of interests in it. We recorded this investment as financial assets at FVPL with a fair value of RMB38.4 million and RMB37.1 million as of December 31, 2019 and 2020, respectively. There was no material change in the fair value of our investment in series C preferred shares of Rapid Medical between December 31, 2019 and 2020. In April 2021, we acquired 2,987,349 series D preferred shares of Rapid Medical. Upon the completion of the transaction, we held approximately 22.28% of interest in Rapid Medical and became the largest shareholder of Rapid Medical. We also appointed one director in the board of Rapid Medical. As a result, we believe we have significant influence over Rapid Medical, and as such, Rapid Medical became our associate measured under equity method. The value of our investments in Rapid Medical in the consolidated financial position increased from RMB37.1 million as of December 31, 2020 recognized as financial assets at FVPL to RMB168.2 million as of December 31, 2021 recognized as interest in an associate, primarily due to (i) an increase in our investment in series D preferred shares of Rapid Medical; (ii) an increase in the fair value of our previous investment in series C preferred shares of Rapid Medical.

We assess whether there is any objective evidence that our interest in an associate is impaired at the end of each reporting period by considering the associate's business development process, if there is any significant financial difficulty of the associate, default or bankruptcy encountered by the associate, and adverse change in technology, economic and legal environment. We did not make any provision for impairment on our interest in Rapid Medical, because (i) we believe there was no major change in the fair value of our investments in Rapid Medical due to the proximity in time between the closing of series D preferred share investment and the measurement of our investment in Rapid Medical; and (ii) there was no material adverse change in the operation and financial performance of Rapid Medical that could lead to provision for impairment. When we made investment in Rapid Medical, we expected to incur a share of losses from it in 2021 and 2022. To the best of our Directors' knowledge, Rapid Medical achieved better financial performance beyond its planned financial target in 2021. Based on Rapid Medical's business development process and its steady financial condition, we did not identify any indicator of impairment as of December 31, 2021, and as such, no impairment was provided in the consolidated statements of profit or loss of the Group as of the same date.

Inventories

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

	As of/for the year ended December 31,		
	2019	**2020**	**2021**
		RMB'000	
Raw materials	11,690	19,245	35,639
Work in progress	7,338	8,943	15,675
Finished goods	18,964	26,818	36,645
Total	**37,992**	**55,006**	**87,959**
Inventory turnover days(1)	256	297	309
Finished goods turnover days(2)	116	146	137

Notes:

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that year by cost of sales for the corresponding year and then multiplying by 365 days.

(2) The finished goods turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of finished goods in that year by cost of sales for the corresponding year and then multiplying by 365 days.

Our inventory increased from RMB38.0 million as of December 31, 2019 to RMB55.0 million as of December 31, 2020, primarily attributable to RMB7.6 million increase in raw material primarily due to (i) an increase in our sales volume and (ii) strategic procurement of raw materials to manage the potential shortage of raw materials in anticipation of the impact of the COVID-19 pandemic and RMB7.9 million increase in finished goods as our sales volume continued to increase. Our inventories increased to RMB88.0 million as of December 31, 2021 primarily due to an increase of RMB16.4 million in raw materials and RMB9.8 million increase in finished goods. The increase in finished goods was from (i) an increase in procurement of Asahi guidewires to support the continuous growing sales, and (ii) an increase in hemorrhagic stroke products from its mass production. In 2019, 2020 and 2021, we recorded write-down of inventories of RMB2.9 million, RMB3.8 million and RMB1.6 million, respectively.

Our inventory turnover days were 256, 297 and 309 for the years ended December 31, 2019, 2020 and 2021, respectively. The turnover days for our finished goods were 116, 146 and 137 for the years ended December 31, 2019, 2020 and 2021. The increase of our inventory turnover days during the Track Record Period was primarily due to (i) an increase in procurement of raw material, which was in line with an increase in sales volume and business expansion and (ii) increased production activities to meet the market demand for our products. The increase of our finished goods turnover days from 2019 to 2020 was primarily due to the general increase in our inventory level of finished goods to support an increase in our sales volume of Asahi guidewires and promotion of hemorrhagic stroke products. Our inventory turnover days for finished goods remained relatively stable in 2021, primarily as our sales of Asahi guidewires and hemorrhagic stroke products continued to grow.

We are of the view that our inventories are mostly moving items that are suitable for sale. We regularly monitor inventory level for slow moving and obsolete items to reduce the risk of overstocking. We also sell products on a first-in-first-out basis to reduce the risk of expiration. In addition, our products generally have a shelf life of approximately two to three years. As of December 31, 2021, our inventories were primarily aged less than one year, less than our products' general shelf life. In 2019, 2020 and 2021, our overall inventory turnover days were 256 days, 297 days and 309 days, respectively, and our finished goods turnover days were 116 days, 146 days and 137 days, respectively. Our settlement progress may be relatively slow in the first two months of a year, as sales and marketing activities may slow down slightly during the Chinese New Year holiday. But overall our settlement progress of total inventories and finished goods are generally in line with the overall inventory turnover days and finished goods turnover days. For the foregoing reasons, we believe that there is no recoverability issue for our inventories.

As of April 30, 2022, RMB25.9 million, or 29.5% of our total inventories as of December 31, 2021, which consisted of raw materials, work-in-progress and finished goods, had been subsequently consumed or sold. As of April 30, 2022, RMB22.2 million, or 60.7% of our total finished goods as of December 31, 2021, had been subsequently sold.

Trade and Other Receivables

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

	As of/for the year ended December 31,		
	2019	**2020**	**2021**
		RMB'000	
Amounts due from related parties in connection with the Restructuring	–	–	66,669
Deposit and prepayment	12,077	14,905	31,248
Trade receivables	46,339	42,170	1,066
Other debtors	2,946	2,331	3,925
Income tax recoverable	163	–	–
Total	**61,525**	**59,406**	**102,908**
Trade receivable turnover days[(1)]	78	73	21

Note:

(1) The trade receivable turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivable in that year by revenue for the corresponding year and then multiplying by 365 days.

Trade and other receivables decreased from RMB61.5 million in 2019 to RMB59.4 million in 2020 primarily because our trade receivables decreased by RMB41.0 million due to our enhanced collection efforts.

The increase of trade and other receivables from RMB59.4 million in 2020 to RMB102.9 million in 2021 was primarily attributable to an increase of RMB66.7 million in amounts due from related parties in connection with the Restructuring and an increase of RMB16.3 million in deposits and prepayments, partially offset by a decrease of RMB41.1 million of trade receivables because we offered a shorter credit terms to certain distributors since 2021. Our amounts due from related parties in connection with the Restructuring primarily relates to the deemed capital contribution from related parties. See Note 28(c)(ii) to the Accountants' Report set out in Appendix I for details. We expect to settle these amounts due from related parties in connection with the Restructuring prior to June 30, 2022.

Our trade receivables turnover days remained relatively stable at 78 and 73 in 2019 and 2020, respectively. The trade receivables turnover days decreased significantly to 21 days in 2021, because we offered a shorter credit terms to certain distributors since 2021.

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

	As of December 31,		
	2019	2020	2021
		RMB'000	
Within one month	16,834	15,723	971
1 to 3 months	28,198	26,447	–
3 to 12 months	1,110	–	95
Over 12 months	197	–	–
Total	46,339	42,170	1,066

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

As of April 30, 2022, RMB0.8 million, or 78.9% of our trade receivables as of December 31, 2021, had been settled.

Cash and Cash Equivalents

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

Our cash and cash equivalent increased from RMB425.5 million as of December 31, 2020 to RMB593.3 million as of December 31, 2021 primarily attributable to cash generated from financing activities, primarily including capital contribution from the shareholders of the Company and additional proceeds from the issuance of Convertible Bonds with a principal amount of US$20 million and an interest rate of 4% in January 2021, partially offset by net payments in connection with the Restructuring and interest paid for Convertible Bonds.

Trade and Other Payables

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

	As of December 31,		
	2019	2020	2021
		RMB'000	
Trade payables	17,867	10,807	34,948
Other payables and accrued charges	17,328	15,094	39,349
Sales rebates	9,729	11,052	20,753
Sales return	3,932	2,788	5,326
Accrued payroll	19,249	19,736	29,290
Amounts due to a related party in connection with an investment	38,369	–	–
Other amounts due to a related party in connection with a recharge arrangement	–	3,326	–
Total	**106,474**	**62,803**	**129,666**
Trade payable turnover days[(1)]	130	92	99

Note:

(1) The trade payable turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade payable in that year by cost of sales for the corresponding year and then multiplying by 365 days.

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

Our trade and other payables increased to RMB129.7 million as of December 31, 2021, primarily due to (i) an increase of RMB24.1 million in trade payables, and (ii) an increase of RMB24.3 million in other payables and accrued charges.

Our trade payables turnover days decreased from 130 days for the year ended December 31, 2019 to 92 days for the year ended December 31, 2020 primarily due to more frequent settlement with our related parties. The trade payables turnover days increased to 99 days in 2021 primarily because of an increase of RMB24.1 million in trade payables during the same period due to growth of our business.

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

	As of December 31,		
	2019	2020	2021
		RMB'000	
Within one month	12,403	8,844	33,112
1 to 3 months	3,687	862	1,408
3 to 6 months	1,639	1,038	187
Over 6 months but within 1 year	51	–	65
Over 1 year	87	63	176
Total	17,867	10,807	34,948

As of April 30, 2022, RMB14.9 million, or 42.6% of our trade payables as of December 31, 2021, had been subsequently settled.

Income Tax Payable

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

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/(Liabilities)

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

	As of December 31,			As of April 30,
	2019	2020	2021	2022
		RMB'000		
				(unaudited)
Current assets				
Inventories	37,992	55,006	87,959	101,393
Trade and other receivables	61,525	59,406	102,908	118,683
Cash and cash equivalents	22,211	425,493	593,287	591,889
Total current assets	**121,728**	**539,905**	**784,154**	**811,965**
Current liabilities				
Interest-bearing borrowings	(40,548)	–	–	–
Convertible bonds	–	(19,202)	–	–
Trade and other payables	(106,474)	(62,803)	(129,666)	(132,682)
Contract liabilities	(622)	(2,541)	(12,403)	(20,086)
Lease liabilities	(3,982)	(5,952)	(27,993)	(25,952)
Income tax payable	–	(4,256)	(4,148)	(2,816)
Total current liabilities	**(151,626)**	**(94,754)**	**(174,210)**	**(181,536)**
Net current (liabilities)/assets	**(29,898)**	**445,151**	**609,944**	**630,429**

We recorded net current liabilities of RMB29.9 million as of December 31, 2019 and net current assets of RMB445.2 million as of December 31, 2020, primarily due to (i) an increase of RMB403.3 million in cash and cash equivalents resulting from the issuance of convertible bonds; (ii) an increase of RMB17.0 million in inventories; (iii) a decrease in trade and other payables of RMB43.7 million and (iv) a decrease in interest-bearing borrowings of RMB40.5 million.

Our net current assets increased to RMB609.9 million as of December 31, 2021, primarily due to (i) an increase of RMB167.8 million in cash and cash equivalent; (ii) an increase of RMB43.5 million in trade and other receivables; and (iii) an increase of RMB33.0 million in inventories, partially offset by an increase of RMB66.9 million of trade and other payables and RMB22.0 million in lease liabilities.

Our net current assets increased to RMB630.4 million as of April 30, 2022, primarily due to (i) an increase of RMB13.4 million in inventories and (ii) an increase of RMB15.8 million in trade and other receivables, partially offset by an increase of RMB7.7 million of contract liabilities.

Working Capital

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

Going forward, we expect to fund our future working capital and other cash requirements with cash generated from our operations, the net proceeds from Global Offering and, when necessary, bank and other borrowings. As of April 30, 2022, the latest practicable date for determining our indebtedness, we had capital resources of RMB591.9 million, which is cash and cash equivalents of RMB591.9 million. Taking into account our internal resources, our cash flow from operations and the estimated net proceeds from the Global Offering, our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this prospectus.

Cash Flows

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

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

Operating Activities

For the year ended December 31, 2021, we had net cash flows generated from operating activities of RMB157.4 million, primarily attributable to our profit before tax of RMB31.9 million, as adjusted for non-cash and non-operating items, which primarily include (i) amortization and depreciation of RMB31.7 million; (ii) interest expenses of RMB45.2 million; and (iii) fair value changes in financial instruments of RMB12.1 million. The amount was further adjusted by positive changes in working capital of RMB64.7 million and income tax paid. The positive changes in working capital primarily included a decrease in trade and other receivables of RMB25.8 million, an increase in trade and other payables of RMB52.6 million and increase in contract liabilities of RMB9.9 million, partially offset by an increase of RMB33.0 million in inventories.

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

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

Investing Activities

For the year ended December 31, 2021, our net cash used in investing activities was RMB186.8 million, primarily attributable to (i) payments for the investments in Rapid Medical of RMB129.7 million; (ii) placement of time deposits of RMB40.0 million and (iii) payment for the purchase of property, plant and equipment of RMB49.4 million.

For the year ended December 31, 2020, our net cash used in investing activities was RMB73.0 million, primarily attributable to (i) payments for the investments in Rapid Medical of RMB38.9 million; (ii) payment for intangible assets, including expenditures on capitalized development costs of RMB22.7 million; and (iii) payments for the purchase of property, plant and equipment of RMB11.5 million.

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

Financing Activities

For the year ended December 31, 2021, our net cash generated from financing activities was RMB200.7 million, primarily attributable to RMB277.0 million of capital contribution from the shareholders of the Company and RMB129.2 million of proceeds from issuance of convertible bonds, partially offset by RMB344.0 million in net payments in connection with the Restructuring and RMB17.9 million of interest paid for convertible bonds.

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

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

INDEBTEDNESS

As of December 31, 2019, 2020 and 2021 and April 30, 2022, except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since April 30, 2022 and up to the Latest Practicable Date, there had been no adverse change to our indebtedness. The following table sets forth the components of our indebtedness as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022
			(RMB'000)	(unaudited)
Current				
Interest-bearing borrowings	40,548	–	–	–
Convertible bonds	–	19,202	–	–
Lease liabilities	3,982	5,952	27,993	25,952
	44,530	**25,154**	**27,993**	**25,952**
Non-current				
Convertible bonds	–	297,794	–	–
Lease liabilities	5,105	8,200	81,705	74,418
Other financial liabilities	–	–	1,237,990	1,343,012
	5,105	**305,994**	**1,319,695**	**1,417,430**
Total	**49,635**	**331,148**	**1,347,688**	**1,443,382**

Interest-bearing Borrowings

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

Lease Liabilities

As of December 31, 2019, 2020 and 2021 and April 30, 2022, we recorded lease liabilities of RMB9.1 million, RMB14.2 million, RMB109.7 million and RMB100.4 million, respectively, which was primarily in relation to the properties we leased for our office premises, manufacturing, research and development facilities. We recognize a lease liability with respect to all leases, except for short-term leases and leases of low value assets. Our lease liabilities increased significantly from RMB14.2 million as of December 31, 2020 to RMB109.7 million as of December 31, 2021, primarily because we leased additional office premise and facilities for manufacturing, research and development in Zhangjiang, Shanghai.

Convertible Bonds

As of December 31, 2020 and 2021, we recorded convertible bonds of RMB317.0 million and nil. We issued convertible bonds in principal amount of US$50.0 million and US$20.0 million to BioLink Limited and BioLink NT in November 2020 and January 2021, respectively (together, the "Convertible Bonds"). The Convertible Bonds bear interest at 4% per annum with a maturity of two years. See "History, reorganization and corporate structure—The Pre-IPO Investments—2021 Conversion of Convertible Bonds" and Notes 25 and 27 to the Accountants' Report set out in Appendix I in this prospectus. As of the Latest Practicable Date, the Convertible Bonds had been fully exchanged into 11,759,125 Series A-1 Preferred Shares, which were recognized as other financial liabilities of the Group.

Other Financial Liabilities

During the Track Record Period, the Company completed the 2021 Share Allotment and Issuance, the 2021 Share Transfer and the 2021 Conversion of Convertible Bonds in November 2021. See "History, Reorganization and Corporate Structure—The Pre-IPO Investments". The liability component of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares were classified as our other financial liabilities in the consolidated statement of financial position in accordance with HKFRSs. As a result, as of April 30, 2022, we had other financial liabilities of RMB1,343.0 million. The Series A-1 Preferred Shares and the Series A-2 Preferred Shares will automatically convert into Shares upon Listing.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period represented payments for the purchase of property, plant and equipment and intangible assets. For the years ended December 31, 2019, 2020 and 2021, our capital expenditure totaled RMB50.1 million, RMB34.1 million and RMB58.0 million, respectively. We expect our capital expenditures to increase in 2022, which will primarily consist of construction of new facilities, purchase of equipment and continued expansion of our manufacturing facilities. We plan to fund our planned capital expenditures using our cash at bank and the net proceeds received from the Global Offering. For more details, see "Future Plans and Use of Proceed" in this prospectus. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

Our capital commitments at the end of each year during the Track Record Period primarily related to contracts we entered into for the construction of our manufacturing facilities and purchase of equipment and machinery. As of December 31, 2019, 2020 and 2021, our capital commitments totaled RMB1.2 million, RMB14.3 million and RMB37.7 million, respectively.

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

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

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

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

Non-HKFRS Measure

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

Note:

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

Gross Profit Margin, Net Profit Margin and Adjusted Net Profit Margin

In 2019, 2020 and 2021, our gross profit margin was 79.7%, 74.3% and 77.9%, respectively. In 2019, 2020 and 2021, our net profit margin was 25.6%, 20.4% and 6.3%, respectively, and our adjusted net profit margin was 25.6%, 21.4% and 24.0%, respectively. For details, see "—Results of Operations."

Return on Average Equity

Our return on average equity decreased from 32.6% in 2019 to 16.7% in 2020 primarily due to an increase in equity after multiple rounds of equity financing. See "History, Reorganization And Corporate Structure." Our return on average equity increased from 16.7% in 2020 to 24.4% in 2021, primarily due to the decrease in our total equity as of December 31, 2021 resulting from the issuance of Series A-1 and A-2 Preferred Shares in November 2021.

Current Ratio and Quick Ratio

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

Our current ratio decreased from 5.7 as of December 31, 2020 to 4.5 as of December 31, 2021 and our quick ratio decreased from 5.1 as of December 31, 2020 to 4.0 as of December 31, 2021 because our current liabilities increased at a greater rate than our current assets, which primarily represented an increase of RMB66.9 million of trade and other payables because of growth of our business and production scale and an increase of RMB22.0 million of lease liabilities as we entered into lease contracts in respect of certain leasehold properties during this period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to a variety of market risks, including credit risk, liquidity risk, interest rate risk and currency risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 30 in the Accountants' Report set out in Appendix I of this prospectus.

Credit Risk

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

Except for cash and cash equivalents, our financial assets measured at amortized cost are trade and other receivables (excluding prepayments for goods and property, plant and equipment), the majority of which are (i) trade receivables from the distributors, (ii) lease deposits and (iii) amounts due from related parties in connection with the Restructuring (as of December 31, 2021). As disclosed in Note 30(a) of the Accountants' Report, we have assessed that during the Relevant Periods, the expected credit losses of trade and other receivable were immaterial because (a) no trade receivables were uncollectable, and the majority of the outstanding balance of trade receivables as of December 31, 2021 were settled subsequently as of April 30, 2022; (b) lease deposits are refundable after the expiry of the leases, and no impairment of lease deposits occurred during the Track Record Period; and (c) amounts due from related parties are expected to be settled prior to June 30, 2022. Therefore, we did not recognize expected credit loss for financial assets measured at amortized cost during the Track Record Period. We will continue monitoring the credit risk from time to time.

For details and the analysis of credit quality and the maximum exposure to credit risk based on our credit policy at the end of each year during the Track Record Period, see Note 30(a) in the Accountants' Report set out in Appendix I of this prospectus.

Liquidity Risk

It is our policy to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. For details and the maturity profile of our financial liabilities as of the end of each year during the Track Record Period, see Note 30(b) in the Accountants' Report set out in Appendix I of this prospectus.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from cash at banks, deposits with banks, interest-bearing borrowings, loans from/to related parties and convertible bonds. For details and the interest rate profile of our interest-bearing financial instruments as of the end of each year during the Track Record Period, see Note 30(c) in the Accountants' Report set out in Appendix I of this prospectus.

Foreign Currency Risk

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

For details and the sensitivity analysis of our profit after tax (and retained profits) to a reasonably possible change in the US$ exchange rate for each year during the Track Record Period, with all other variables held constant, see Note 30(d) in the Accountants' Report set out in Appendix I of this prospectus.

DIVIDENDS

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

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

TRANSACTIONS WITH RELATED PARTIES

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

Financing and Leasing Arrangements

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

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

In February 2020 and May 2021, MP NeuroTech Shanghai, our subsidiary, leased out its properties to a related party and recognized rental income amounted to RMB0.3 million and RMB1.1 million for the years ended December 31, 2020 and 2021, respectively.

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

During the Track Record Period, we entered lease contracts in respect of certain leasehold properties with our related parties for our operation. As at December 31, 2021, we recorded corresponding lease liabilities due to related parties in amount of RMB0.3 million and lease receivables due from a related party of RMB1.2 million.

For the above financing and leasing arrangements, there was no sharing of resources between our Group and the relevant parties during the Track Record Period. There was no cost or expenses relating to our Group's operation or capital expenditure that was borne by the relevant related parties without being recharged to our Group.

Cash Deposits Placed in a Related Party

As of December 31, 2021, we had placed cash deposits (including accrued interest) in a total amount of RMB132.3 million in Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行股份有限公司), a related party with 13.8% equity interest held by MicroPort Group, with interest rate ranged of 2.55% per annum.

Related Party Balances

	As of December 31,		
	2019	**2020**	**2021**
Amounts due from related parties			
Trade related	–	138	1,269
Non-trade related	2,848	2,274	66,744
Amounts due to related parties			
Trade related	11,621	4,893	8,348
Non-trade related	38,369	3,326	–

We expect to settle the non-trade related party balances prior to June 30, 2022.

Other Transactions

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

	Year ended December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Service fee charged by subsidiaries of MPSC	4,678	4,133	6,603
Service fee charged by an equity-accounted investee of MPSC	27	–	450
Purchase of goods from subsidiaries of MPSC	11,271	7,184	8,607
Purchase of goods from an equity-accounted investee of MPSC	289	1,428	2,239
Purchase of equipment from subsidiaries of MPSC	631	907	1,256
Transfer of an intangible asset and equipment to subsidiaries of MPSC	501	–	–
Payment on behalf of the Group by MPSC	–	6	1,793
Payments on behalf of related parties by the Group	2,392	763	481

Service fee charged by subsidiaries of MPSC primarily represents fees charged by subsidiaries of MicroPort for services including market research, animal testing, product testing services and sterilization services. The service fees are primarily paid on a quarterly basis.

Service fee charged by an equity-accounted investee of MPSC primarily represents fees charged by an equity-accounted investee of MPSC for product testing services.

Purchase of goods from subsidiaries of MPSC primarily represents purchase of raw materials, such as stents, introducer, heat shrinkable tubes, oxygen absorbers, wires and metal lining wires, from subsidiaries of MicroPort. Purchase prices are paid within 90 days after receipt of the raw materials.

Purchase of goods from an equity-accounted investee of MPSC primarily represents purchase of raw materials from an equity-accounted investee of MPSC.

Purchase of equipment from subsidiaries of MPSC primarily represents purchase of computers and manufacturing equipment from subsidiaries of MicroPort. Purchase prices are paid in advance.

Transfer of an intangible asset and equipment to subsidiaries of MPSC primarily represents transfer of software and computers to subsidiaries of MicroPort during intra-group restructuring.

Payments on behalf of related parties by the Group primarily payments for purchase of materials and equipment on behalf of Shanghai Shenyi and Shanghai ShenTai Medtech Co., Ltd. The balances are settled on a quarterly basis.

Our Directors are of the view that each of the related party transactions set out in Note 31 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business and with normal commercial terms between the relevant parties. The above service fee and purchase price were determined after arm's length negotiation with reference to the prevailing market rate of similar service or goods. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

RESERVES

As of December 31, 2021, our Company did not have distributable reserves.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$59.5 million (including underwriting-related fees and expenses of approximately HK$13.5 million, and non-underwriting related expenses of approximately HK$46.0 million, which consist of fees and expenses of legal advisers and accountants of approximately HK$36.9 million and other fees and expenses of approximately HK$9.1 million, assuming an Offer Price of HK$24.64 per Offer Share and that the Over-allotment Option is not exercised. Listing expenses accounted for approximately 17.6% of our gross proceeds. Approximately HK$52.6 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$6.9 million, including listing expenses directly attributable to the issue of the Shares, is expected to be accounted for as a deduction from equity upon the Listing. As of December 31, 2021, listing expenses of RMB26.3 million were incurred by the Group. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED *PRO FORMA* ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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

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

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as at December 31, 2021(1)	Estimated net proceeds from the Global Offering(2)(5)	Estimated impact upon the conversion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at December 31, 2021	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(4)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK$(5)
Based on an Offer Price of HK$24.64 per Offer Share	(302,325)	263,425	1,237,990	1,199,090	2.06	2.41

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at December 31, 2021 is based on the consolidated net liabilities attributable to equity shareholders of the Company of RMB174,940,000 as at

December 31, 2021, less the intangible assets of RMB127,385,000, as extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on 13,700,000 new Shares and the indicative Offer Price of HK$24.64 per Share, after deduction of estimated underwriting fees and other related listing expenses payable by the Company (excluding listing expenses of RMB26,338,000 which have been accounted for prior to December 31, 2021) and does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The aggregated balance of the liability portion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares was RMB1,237,990,000 as of December 31, 2021 (as set out in Note 27 of Appendix I in this prospectus). Upon the Listing, the Series A-1 Preferred Shares and the Series A-2 Preferred Shares will be automatically converted into ordinary shares of the Company and will be re-designated from liabilities to equity.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments on the basis that a total of 582,658,100 Shares were in issue assuming that the Global Offering and the Share Subdivision had been completed on December 31, 2021, (including the completion of the conversion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares into ordinary shares of the Company) without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option.

(5) The estimated net proceeds from the Global Offering are converted into Renminbi at a rate of HK$1 = RMB0.85255. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2021.

NO MATERIAL ADVERSE CHANGE

Save for the subsequent events as described in Note 34 to the Accountants' Report in Appendix I to this 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 December 31, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this 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.