PEIJIA
沛嘉医疗
PEIJIA MEDICAL

沛嘉醫療有限公司

Peijia Medical Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9996

2022 Interim Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Yi ZHANG *(Chairman and Chief Executive Officer)*
Mrs. Ping Ye ZHANG
Ms. Hong YE

Non-executive Directors
Dr. Zhiyun YU
Mr. Jifeng GUAN
Mr. Fei CHEN
Mr. Jun YANG

Independent Non-executive Directors
Dr. Stephen Newman OESTERLE
Mr. Robert Ralph PARKS
Mr. Wai Ming YIP
Mr. Huacheng WEI

AUDIT COMMITTEE

Mr. Wai Ming YIP *(Chairman)*
Mr. Jifeng GUAN
Mr. Robert Ralph PARKS
Mr. Huacheng WEI

REMUNERATION COMMITTEE

Mr. Robert Ralph PARKS *(Chairman)*
Dr. Zhiyun YU
Dr. Stephen Newman OESTERLE
Mr. Huacheng WEI

NOMINATION COMMITTEE

Dr. Yi ZHANG *(Chairman)*
Mr. Fei CHEN
Dr. Stephen Newman OESTERLE
Mr. Wai Ming YIP
Mr. Huacheng WEI

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman, KY1-9010
Cayman Islands

CORPORATE HEADQUARTERS

8 Zhongtian Street
Suzhou Industrial Park, Suzhou
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

COMPANY SECRETARY

Ms. Pui Chun Hannah SUEN *(ACS, ACG)*[Note 1]
Ms. Hing Ling CHAU *(FCS, FCG)*[Note 2]

AUTHORIZED REPRESENTATIVES

Ms. Hong YE
Ms. Pui Chun Hannah SUEN *(ACS, ACG)*[Note 1]
Ms. Hing Ling CHAU *(FCS, FCG)*[Note 2]

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

Notes:

1. Ms. Pui Chun Hannah SUEN has tendered her resignation as a company secretary of the Company and an authorized representative of the Company with effect from June 17, 2022.

2. Ms. Hing Ling CHAU has been appointed as a company secretary of the Company and an authorized representative of the Company with effect from June 17, 2022.

LEGAL ADVISER

As to Hong Kong and United States laws:
O'Melveny & Myers

COMPLIANCE ADVISER

Maxa Capital Limited

PRINCIPAL SHARE REGISTRAR

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman, KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

9996

COMPANY'S WEBSITE

www.peijiamedical.com

LISTING DATE

May 15, 2020

PRINCIPAL BANKS

Bank of China
Suzhou Industrial Park Branch
8 Suzhou Avenue West
Suzhou Industrial Park
Suzhou City, Jiangsu Province
PRC

Shanghai Pudong Development Bank
Zhangjiang Technology Sub-Branch
151 Keyuan Road
Pudong New Area
Shanghai
PRC

Shanghai Pudong Development Bank
Suzhou Jinchang Sub-branch
483 Suzhou Chang Xu Road
Gusu District
Suzhou City, Jiangsu Province
PRC

FINANCIAL HIGHLIGHTS

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	Period-to-period change
Revenue	**118,799**	51,689	129.8%
Gross profit	**83,202**	37,400	122.5%
Loss before income tax	**(91,794)**	(175,174)	(47.6%)
Loss for the period and attributable to the owners of the Company	**(91,986)**	(175,174)	(47.5%)
Cash, cash equivalents and term deposits	**2,057,886**	3,024,659	(32.0%)
Research and development expenses	**(83,428)**	(131,291)	(36.5%)
Including: One-time expensing BD payments	**(12,343)**	(79,739)	(84.5%)

For the Reporting Period, our Group recorded revenue of RMB118.8 million, as compared to RMB51.7 million for the same period in 2021, representing an increase of 129.8% in revenue as compared to the same period in 2021; and loss for the period and attributable to the owners of the Company of RMB92.0 million, as compared to RMB175.2 million for the same period in 2021.

The increase in revenue was primarily attributable to: (i) commercialization of the second generation retrievable TAVR product TaurusElite®; (ii) increased sales revenue from existing neurointerventional products including Tethys® Intermediate Catheter and SacSpeed® Balloon Dilation Catheter; and (iii) commercialization of multiple new neurointerventional products including Jasper® SS Detachable Coil, etc.

BUSINESS HIGHLIGHTS

1. ROOTED IN OUTSTANDING PRODUCT PERFORMANCE AS WELL AS PROFESSIONAL MARKET EDUCATION AND PROMOTION, BOTH PRODUCT ADOPTION BY NEW HOSPITALS AND THE UTILIZATION RATE OF OUR PRODUCTS IN THE ADOPTED HOSPITALS HAVE ACCELERATED FOR OUR TRANSCATHETER VALVE THERAPEUTIC BUSINESS.

Good progress was achieved in product adoption by hospitals in 2022. As of July 31, 2022, our products entered 209 hospitals, representing an increase in 114 hospitals as compared to the end of 2021.

Although the overall market has been affected by the COVID-19 pandemic, the sales and implantation of our TaurusOne® and TaurusElite® products were in good progress, repeatedly setting new monthly highs in implantation volume. For the Reporting Period, the revenue of the Transcatheter Valve Therapeutic Business increased by 455.4% as compared to the same period in 2021, and the total implantation volume for this period has far exceeded that for the whole year of 2021.

The Transcatheter Valve Therapeutic Business has progressed rapidly since its commercial launch, thanks to our cross functional teams comprised of marketing, sales and medical professionals. The all-round support ranges from academic promotion to new technology cooperation, from patient identification to physician training, and from preoperative, intraoperative and postoperative clinical support to meticulous sales service. The product adoption by new hospitals and the utilization rate in the adopted hospitals, especially in core hospitals, continued rising. The rapid advancement of commercialization has laid a solid cash foundation for the long-term development of the Company.

2. WITH THE SUCCESSIVE LAUNCH OF FOUR ISCHEMIC PRODUCTS OF OUR NEUROINTERVENTIONAL BUSINESS IN THE FIRST HALF OF 2022, THE PRODUCT PORTFOLIO FOR OUR ISCHEMIC PRODUCT LINE HAS BEEN PRELIMINARILY ESTABLISHED, WITH ALL MAJOR DEVICES READILY IN PLACE.CONTINUED ENRICHMENT OF THE ISCHEMIC PRODUCT LINE, COUPLED WITH THE HEMORRHAGIC PRODUCT LINE WITH THE FIRST MOVER ADVANTAGES, WILL FURTHER DIVERSIFY THE REVENUE COMPOSITION OF THE NEUROINTERVENTIONAL BUSINESS.

In the first half of 2022, the registration applications of four products have been approved by the NMPA, namely, Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter, Fastunnel® Delivery Balloon Dilation Catheter and Fluxcap® Balloon Guide Catheter. The product portfolio for our ischemic product line has been preliminarily established, with all major devices readily in place.

The newly approved Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter and Fluxcap® Balloon Guide Catheter, together with the existing products including Tethys® Intermediate Catheter and Presgo® Microcatheter, formed a complete solution for AIS patients. The unique “zero exchange” technology of Fastunnel® Delivery Balloon Dilation Catheter ushered a new era of ICAD treatment. Together with SacSpeed® Balloon Dilatation Catheter, we hope to benefit more patients with ICAD.

In the first half of 2022, we continued increasing sales and expanding our share in the sizable hemorrhagic market. Thanks to our continued efforts in product upgrades and long-established sales relationships, the revenue generated from the Neurointerventional Business for the Reporting Period increased by 57.6% as compared to the same period in 2021. Our revenue from hemorrhagic products, ischemic products and vascular access products accounted for 44.2%, 25.0% and 30.6% of the revenue from the Neurointerventional Business, respectively. With increasing sales from hemorrahagic products and upcoming commercialization of recently approved ischemic products, the revenue composition of our Neurointervention Business will further diversify. This will not only build our resilience in times of change and uncertainty, but also enhance the attractiveness and synergy of our product portfolio among physicians and distributors.

3. PIONEERING IN THE NEXT-GENERATION TECHNOLOGIES OF TRANSCATHETER VALVE THERAPIES, WE HAVE DEVELOPED A COMPETITIVE AND COMPREHENSIVE PIPELINE WITH INNOVATIVE TECHNOLOGIES TO MEET THE HUGE MARKET NEEDS. BOTH BD AND INTERNALLY DEVELOPED PROJECTS ARE PROGRESSING SMOOTHLY. THE NEUROINTERVENTIONAL BUSINESS FOCUSES ON INNOVATIVE PRODUCTS SUITABLE FOR CHINESE PATIENTS AND PHYSICIANS, THROUGH THE COOPERATION BETWEEN MEDICAL AND ENGINEERING PROFESSIONALS.

In terms of the Transcatheter Valve Therapeutic Business, we have developed a strong product pipeline with a wide range of innovative product candidates through external acquisitions and internal development. Our strategy is to employ both approaches to differentiate us from the peers and strengthen our competitiveness in the next-generation technologies. As of the date of this report, the Company has four BD projects, which are deployed in the fields of aortic valve replacement for AR, mitral valve replacement, tricuspid valve replacement and mitral valve coaptation augmentation, respectively:

1) Trilogy™ Heart Valve System of JenaValve Technology Inc. ("**JenaValve**") is the first and the only transfemoral *aortic valve replacement* device of its kind to receive CE Mark approval for the treatment of both severe symptomatic aortic regurgitation and aortic stenosis as of the date of this report. We entered into a series of agreements with JenaValve in December 2021, for an exclusive license regarding Trilogy™ Heart Valve System for the treatment of AR and AS in the Greater China region. The transaction will enable us to have the most comprehensive TAVR pipeline covering major aortic valve diseases, as compared to other players in China. As of the date of this report, the technology transfer of the product is progressing smoothly. We plan to carry out registration clinical trial in 2023. Since the product has obtained CE Mark, we are preparing the implantation of Trilogy™ in Hong Kong and Macau or the rest of the Greater Bay Area within the Greater China region.

2) HighLife® TSMVR System is a leading product candidate in the field of mitral valve replacement in terms of technical route and clinical progress in the world. HighLife® TSMVR System adopted the unique "Valve-in-Ring" concept, allowing the system to realize self-centering and self-alignment. We entered into an exclusive license agreement with HighLife SAS ("**HighLife**") in the fourth quarter of 2020 and completed the technology transfer in 2021. As of the date of this report, the product is in the process of a research clinical trial conducted by West China Hospital of Sichuan University.

3) MonarQ TTVR system of inQB8 Medical Technologies, LLC ("**inQB8**") is one of the most important product candidates being developed in the field of transcatheter tricuspid valve treatment. We entered into a series of agreements with inQB8 in May 2021, a U.S.-based medical technology incubator, to explore innovative solutions for treating structural heart diseases. The transaction includes our acquisition of MonarQ TTVR technology from inQB8, for which inQB8 will continue with the device development in partnership with us. As of the date of this report, MonarQ is in the pre-clinical evaluation stage and we are currently preparing for FIM clinical trial.

4) The Sutra Hemi Valve of Sutra Medical Inc. ("**Sutra**") is a hybrid transcatheter mitral valve coaptation augmentation treatment system between valve replacement and repair technology. Our initial closing of the purchase and sale of shares of Sutra took place in August 2021. As of the date of this report, we are launching animal studies for the Sutra Hemi Valve.

In addition to BD projects, our internally developed projects are also progressing smoothly. Areas we are exploring include improving the durability of prosthetic valves, creating non-implant treatment solution for valve diseases and developing innovative mitral valve repair products:

1) TaurusNXT® is our internally developed third-generation TAVR system. TaurusNXT® incorporates our patented non-glutaraldehyde bio-tissue crosslinking technology that removes the root cause of valve calcification. The technology is expected to greatly enhance the durability and biocompatibility of the PAV. Furthermore, comparing to the traditional dry tissue technology using glycerin, TaurusNXT® adopts an ultra-low temperature vacuum freeze-drying technology to maintain the physical integrity of the valve tissue while allowing the PAV to be preloaded onto the delivery catheter system. As of the date of this report, the multi-center registration clinical trial for TaurusNXT® is in progress.

2) TaurusApex® is our internally developed fourth-generation aortic valve replacement system. By replacing bio-materials with high strength, stable and soft polymer materials, we could further improve durability and biocompatibility of prosthetic valves. TaurusApex® could also significantly simplify the product manufacturing process and reduce production cost. The development of TaurusApex® is a significant step that we take to explore innovative solutions to improve the durability of prosthetic valves. As of the date of this report, we are conducting animal studies and associated long-term follow-up evaluation on TaurusApex®, with promising results.

3) TaurusWave® Lithotripsy Valvuloplasty System is our internally developed non-implant solution, using shockwave technology to remodel calcification on the heart valves. After the treatment, the mobility of native leaflets could be significantly increased, thereby improving the hemodynamics performance. The system can be used as a stand-alone TAV treatment or prior to TAVR, in order to alleviate valve stenosis. As of the date of this report, the FIM clinical trial for TaurusWave® is in progress.

4) GeminiOne® is our internally developed transcatheter TEER device. The product has a unique design, which enables a longer coaptation length while still maintaining smaller implant size and delivery system. Other innovations include its independent leaflet grasp that reduces the complexity of the procedure, auto-locking mechanism that avoids repeatedly lock & unlock during the procedure, as well as multi-angular detachment that copes with a wider range of anatomy. GeminiOne® is designed to treat mitral valve and tricuspid valve diseases. As of the date of this report, GeminiOne® is in the pre-clinical preparation stage.

For our Neurointerventional Business, we have four ischemic products approved by the NMPA in the first half of 2022, providing more innovative and optimized treatment solutions for ICAD and AIS:

1) Fastunnel® Delivery Balloon Dilation Catheter is the first medical device in China which can realize balloon dilation and stent delivery in one device. The innovative design can reduce the number of device exchanges as required in a traditional ICAD procedure, shorten procedure time and improve the safety of the procedure.

2) Syphonet® Stent Retriever is an internally developed product based on clinical feedbacks. The product has various specifications, all compatible with 0.017-inch microcatheter. The stent is also designed with optimized radial force to maintain the integrity of the lumen, even in tortuous vessels, ensuring a smooth procedure. The product's unique design features a capture basket at the distal end, which can effectively prevent the thrombus fragments from dislodging into the blood stream, thereby improving the removal of the thrombus. Radiopaque wires in the stent and a radiopaque marker on the distal end allow for visualization of the entire retriever, facilitating physicians with better visual guidance.

3) Tethys AS® Aspiration Catheter is indicated for thrombus aspiration, featuring large lumen, great deliverability and high compressive strength. The 0.071-inch large lumen of Tethys AS® largely increases the aspiration force, which can significantly shorten the procedure time. It features a 20cm soft segment at the distal end, which better conforms to the vessels and largely enhances its deliverability to the distal vessels. The device adopts a double-layer design with outer braids and inner coils, which allows high compressive strength and helps maintain lumen integrity.

4) Fluxcap® Balloon Guide Catheter is an optimized product based on clinical feedbacks. Featuring 0.087-inch large lumen, the catheter is compatible with all 6F intermediate catheters or aspiration catheters on the market, as well as 8F introducer sheaths. The product addresses the challenge of poor compatibility of balloon guide catheters on the market and can significantly reduce the occurrence of vascular injury.

4. WE ARE MAKING CONTINUOUS EFFORTS IN OPTIMIZING SUPPLY CHAIN AND IMPROVING PRODUCTION PROCESS FOR LONG-TERM SUCCESS.

Main accomplishments include:

1) Expanding production capacity and improving productivity to support business growth;

2) Introducing and verifying more key raw material suppliers to enhance the supply chain security;

3) Optimizing the in-house manufacturing process of self-produced raw materials, focusing on mass production and product yield. In this way, we can ensure the stability of our raw material supply chain while keeping overall cost in check;

4) Automating and optimizing our manufacturing process. Through these, we have lowered our production cost with improved operating efficiency, increased product yield and reduced wastage;

5) Continuously investing in personnel training, including mentoring programs, to shorten the learning curve of employees.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

We have built a medtech platform that focuses on the high-growth interventional procedural medical device markets in China and globally. Our products and product candidates target the vast, fast-growing and under-penetrated markets with high entry barriers, including transcatheter valve therapeutic medical device market and neurointerventional procedural medical device market.

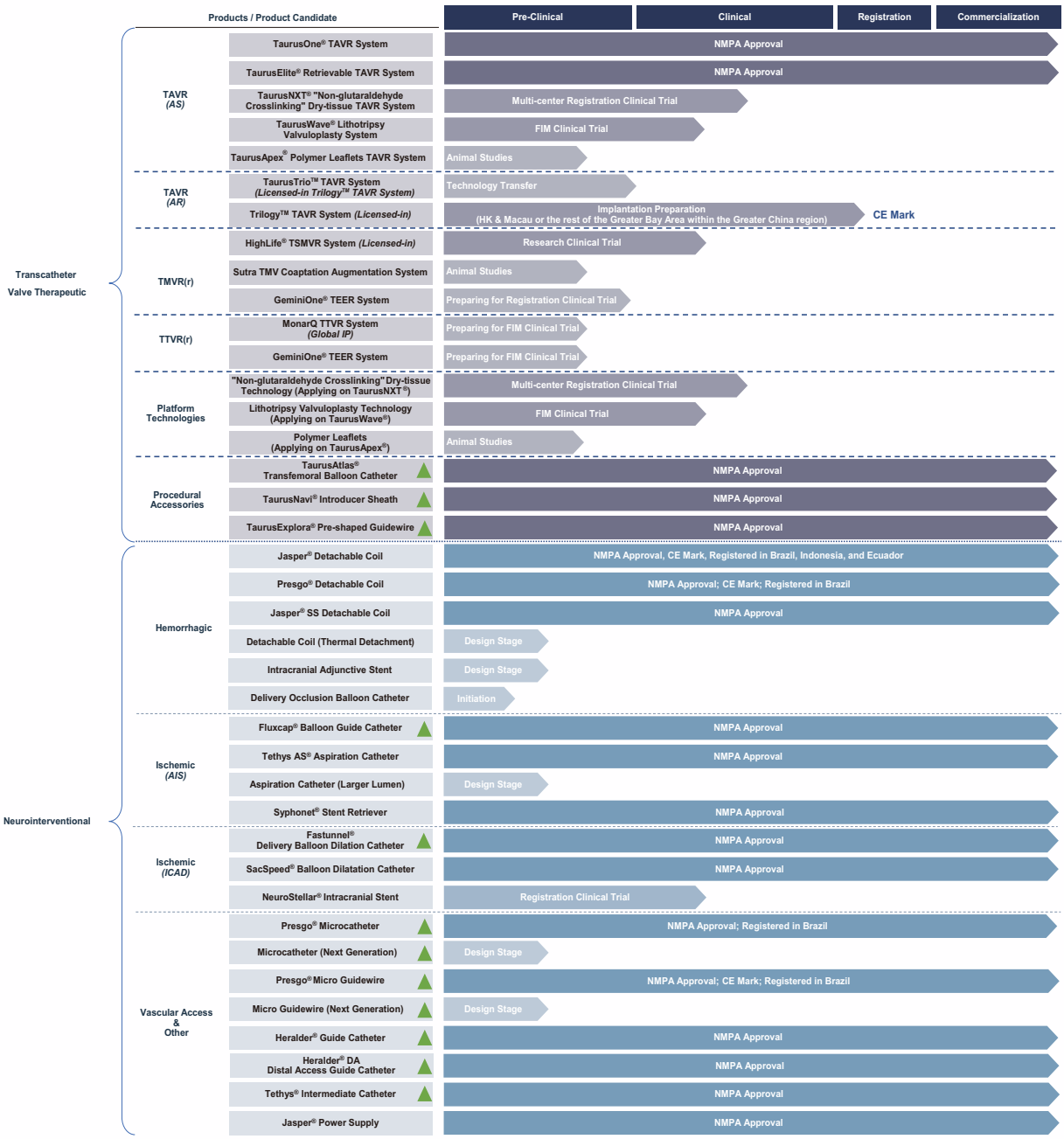
Products and Pipeline

For the Reporting Period, we obtained registration approvals from the NMPA for four neurointerventional products, namely, Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter, Fastunnel® Delivery Balloon Dilation Catheter (formerly named as Neway Balloon Microcatheter) and Fluxcap® Balloon Guide Catheter.

I. BUSINESS REVIEW (CONT'D)

Products and Pipeline (cont'd)

As of the date of this report, for our Transcatheter Valve Therapeutic Business, we had five registered products and nine product candidates at various development stages. For our Neurointerventional Business, we had fourteen registered products and seven product candidates at various development stages. The following chart summarizes the current development status of our product portfolio:



▲ Among our products, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials (免於臨床評價醫療器械目錄) promulgated by the NMPA, as amended.

I. BUSINESS REVIEW (CONT'D)

Transcatheter Valve Therapeutic Products and Product Candidates

Our Transcatheter Valve Therapeutic Business focuses on treating the most prevalent heart valve diseases, including AS, AR, MR and TR, via transcatheter approaches.

We have a comprehensive portfolio of registered and pipeline products. For the Reporting Period, our revenue generated from the sales of transcatheter valve therapeutic products amounted to RMB52.1 million, representing an increase of 455.4% from approximately RMB9.4 million recorded for the six months ended June 30, 2021.

TAV Replacement and Repair Products and Product Candidates

TaurusOne® — First-Generation TAVR System

TaurusOne® is our internally developed first-generation TAVR product, and is designed to treat aortic valve stenosis using a catheter-based approach. The product consists of a PAV, a delivery catheter system and a loading system. The PAV includes bovine pericardial leaflets, a nitinol frame, and a sealing skirt to prevent paravalvular leakage. Compared to porcine pericardial leaflets, bovine pericardial leaflets are generally more durable and perform better in terms of hemodynamic profile. The clinical trial of TaurusOne® was the first ever TAVR product registration clinical trial which is completed solely by Chinese physicians. It is also the first domestic TAVR product whose clinical results were published in the top quartile research journal. We received NMPA approval for the registration application of TaurusOne® in April 2021 and reached commercialization in May 2021.

TaurusElite® — Second-Generation Retrievable TAVR System

TaurusElite® is our internally developed second-generation retrievable TAVR product. TaurusElite® has a valve design similar to that of TaurusOne®, and yet it features a key upgrade in its delivery catheter system that allows physicians to retrieve and reposition the PAV when placing it. The feature of retrievability can largely address the challenge of valve positioning. This can improve the success rate of the TAVR procedure and the long-term benefit to patients, and through this, promote wider clinical adoption. Through the innovative design of inner and outer tubes, the pushability and flexibility of the delivery catheter system are further enhanced, effectively coping with the challenges of complex anatomy of aortic arch and horizontal aorta. The TaurusElite® delivery catheter system is also available in an inline sheath model to meet the diverse needs of doctors and for patients with complicated vascular anatomy.

We received the NMPA approval for the registration application of TaurusElite® in June 2021 and commercially launched the product in July 2021. TaurusElite® is the record-breaking domestic retrievable TAVR product in terms of the approval time as of the date of this report.

In addition to the products mentioned above, we also received NMPA approvals for the registration application of a number of procedural accessories in 2021, including TaurusAtlas® Transfemoral Balloon Catheter, TaurusNavi® Introducer Sheath and TaurusExplora® Pre-shaped Guidewire. These are important accessories to help physicians perform the TAVR procedures using Taurus-series products.

I. BUSINESS REVIEW (CONT'D)

TAV Replacement and Repair Products and Product Candidates (cont'd)

TaurusElite® — Second-Generation Retrievable TAVR System (cont'd)

We have successfully achieved commercial implantation of our TAVR products in 209 hospitals as of July 31, 2022, benefiting from the increasing number of experienced physicians and hospitals, the positive user experience of our products, and our dedicated marketing and sales capabilities for TAVR products. The product adoption by new hospitals and the utilization rate in the adopted hospitals, continued rising, repeatedly setting new monthly highs in implantation volume. For the Reporting Period, the sales from TaurusElite® comprised the majority of our sales of the Transcatheter Valve Therapeutic Business.

TaurusNXT® — Third-Generation "Non-glutaraldehyde Crosslinking" Dry-tissue TAVR System

TaurusNXT® is our internally developed third-generation TAVR system, and has significantly different tissue and structure from TaurusOne® and TaurusElite®. TaurusNXT® incorporates our patented non-glutaraldehyde bio-tissue crosslinking technology that removes the root cause of valve calcification, the number one cause of prosthetic valve degeneration. The technology is expected to greatly enhance the durability and biocompatibility of the PAV. Furthermore, comparing to the traditional dry tissue technology using glycerin, TaurusNXT® adopts an ultra-low temperature vacuum freeze-drying technology to maintain the physical integrity of the valve tissue while allowing the PAV to be pre-loaded onto the delivery catheter system. The delivery catheter system of TaurusNXT® is both retrievable and steerable, making it much easier for physicians to guide the PAV to its target position, thereby further improving the safety of the procedure. The first patient implant of TaurusNXT® was completed in September 2021. We are currently carrying out the multi-center registration clinical trial for TaurusNXT®.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TaurusNXT® SUCCESSFULLY.

TaurusApex® — Polymer Leaflets TAVR System

TaurusApex® is our internally developed fourth-generation TAVR system featuring the polymer leaflets instead of biological tissue. By replacing bio-materials with high strength, stable and soft polymer materials, we could further improve durability and biocompatibility of the prosthetic valves. The leaflets of TaurusApex® adopt the multi-layer bionic composite braided structure which better mimics the features and hemodynamic performance of human's native valves. Polymer leaflets excel biological tissue in durability, tear resistance and wear resistance.

The manufacturing process of TaurusApex® is hand-sewing free. This can not only enable precise cutting and complete edge sealing, but can also result in lower production cost. The development of TaurusApex® is a significant step that we take to explore innovative solutions to improve the durability of the prosthetic valve. We are currently conducting animal studies and associated long-term follow-up evaluation on TaurusApex®, with promising results.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TaurusApex® SUCCESSFULLY.

I. BUSINESS REVIEW (CONT'D)

TAV Replacement and Repair Products and Product Candidates (cont'd)

TaurusWave® — Lithotripsy Valvuloplasty System

Our TaurusWave® Lithotripsy Valvuloplasty System applies shockwave technology to remodel calcification on the heart valves. After the treatment, the mobility of the native valve could be improved, leading to better hemodynamic performance. The system can be used as a stand-alone TAV treatment or be used prior to TAVR, in order to alleviate valve stenosis. The first patient treatment using TaurusWave® was completed in October 2021. We are currently proceeding with FIM clinical trial for this product.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TaurusWave® SUCCESSFULLY.

TaurusTrio™ TAVR System — Licensed-in Trilogy™ TAVR Product for Aortic Regurgitation Indication

We entered into a collaboration and license agreement, a service agreement and a stock purchase agreement with JenaValve, a U.S.-based medical device company, in December 2021. Pursuant to these agreements, JenaValve has granted us an exclusive license regarding Trilogy™ Heart Valve System for the treatment of AR and AS. We are entitled to develop, manufacture, and commercialize the product in the Greater China region and JenaValve agreed to provide services, assisting us to exploit the value of the product within the region. For further details, please also refer to our announcement dated January 14, 2022.

AR is one of the most common types of aortic valve diseases. According to Frost & Sullivan, there were approximately 27.0 million patients worldwide and 3.9 million patients in China in 2020, suffering from AR. As of the date of this report, Trilogy™ Heart Valve System is the first and the only transfemoral device of its kind to receive CE Mark approval for the treatment of both severe symptomatic AR and AS. It was also granted the Breakthrough Device Designation by the United States Food and Drug Administration.

We consider this transaction an important step to strengthen our TAVR pipeline by adding first-in-class aortic valve regurgitation treatment system, hoping to benefit more patients in China by expanding indications to AR with clinically proven minimally invasive option. The transaction will enable us to have the most comprehensive TAVR pipeline covering major aortic valve diseases, as compared to other players in China. The technology transfer is in progress as of the date of this report. We are preparing the implantation of Trilogy™ in Hong Kong and Macau or the rest of the Greater Bay Area within the Greater China region.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TaurusTrio™ SUCCESSFULLY.

TMV Replacement and Repair Product Candidates

HighLife® — Licensed-in TSMVR Product

We entered into an exclusive license agreement with HighLife, a French-based medical device company focusing on the development of a novel transseptal replacement system for treating mitral valve regurgitation, in December 2020. Pursuant to the agreement, we are entitled to, among other things, manufacture, develop, and commercialize the HighLife® TSMVR device in the Greater China region. Mr. Georg BÖRTLEIN, the founder of HighLife, is also the co-founder of CoreValve Inc ("**CoreValve**"), a pioneer company focusing on TAVR which was acquired by Medtronic in 2009.

I. BUSINESS REVIEW (CONT'D)

TMV Replacement and Repair Product Candidates (cont'd)

HighLife® — Licensed-in TSMVR Product (cont'd)

The field of TMVR still faces many technical difficulties, including access to the target site, anchoring and the risk of paravalvular leakage and LVOT obstruction. Most existing approaches are either transapical or anchoring using radial force. HighLife® TSMVR product adopted the unique "Valve-in-Ring" concept, allowing the system to realize self-centering and self-alignment. This system separates the valve from its anchoring ring and delivers the two components through the femoral vein and femoral artery, respectively, through a simple three-step procedure. The 2-component design respectful for mitral valve anatomy helps to mitigate the risk of paravalvular leakage and effectively reduces catheter size. The procedure can be successfully completed using teleproctoring support. The learning curve is relatively short, evidenced by significant reduction of procedure time by the same physician.

The technology transfer of this product was completed in the third quarter of 2021, and local manufacturing in China has been established. The first mitral valve replacement procedure using HighLife® TSMVR device was completed by West China Hospital of Sichuan University in December 2021, which is also the first application of TSMVR technology in Asia. The product is currently in the process of research clinical trial.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET HighLife® SUCCESSFULLY.

GeminiOne® — TEER System

GeminiOne® is our internally developed TEER device. The product has a unique design, which enables a longer coaptation length while still maintaining smaller implant size and delivery system. Other innovations include its independent leaflet grasp that reduces the complexity of the procedure, auto-locking mechanism that avoids repeatedly lock & unlock during the procedure, as well as multi-angular detachment that copes with a wider range of anatomy. GeminiOne® is designed to treat mitral valve and tricuspid valve diseases. The product is currently in the pre-clinical evaluation stage.

Dr. Saibal KAR, who is one of the early advocates for TEER technique and a world-leading doctor specializing in TEER procedure, and Dr. Khung Keong YEO, a renowned interventional cardiologist from Singapore, are our medical consultants for GeminiOne®.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET GeminiOne® SUCCESSFULLY.

Sutra — TMV Coaptation Augmentation System

In April 2021, we entered into a stock purchase agreement with Sutra, a U.S.-based medical device company that designs and develops transcatheter solutions to treat valvular heart diseases. Sutra's key product candidate, Sutra Hemi Valve, is a trancatheter mitral valve therapeutic device that adopts a hybrid approach between valve replacement and repair technology. The device is designed to treat mitral valve regurgitation using a coaptation augmentation technology that targets only the posterior mitral valve leaflet. Sutra Hemi Valve is currently in the animal studies stage.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET Sutra Hemi Valve SUCCESSFULLY.

I. BUSINESS REVIEW (CONT'D)

TTV Replacement and Repair Product Candidates

MonarQ — Acquired TTVR Product

We entered into an IP acquisition agreement, a service agreement and a stock purchase agreement with inQB8 in May 2021, a U.S.-based medical technology incubator, to explore innovative solutions for treating structural heart diseases. The transaction includes our acquisition of a TTVR technology, namely MonarQ, from inQB8, and for which inQB8 will continue with the device development in partnership with us. MonarQ is currently in the pre-clinical evaluation stage.

In addition, we are exploring the application of GeminiOne® TEER technology in treating tricuspid valve disease. The FIM clinical trial is currently under preparation.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET MonarQ SUCCESSFULLY.

Platform Technologies

We are committed to constantly explore platform technologies which can be applied to various therapies. As of June 30, 2022, we have three patented platform technologies, namely Non-glutaraldehyde Crosslinking Dry-tissue Technology, Polymer Leaflets Technology and Lithotripsy Valvuloplasty Technology.

Non-glutaraldehyde Crosslinking Dry-tissue Technology and Polymer Leaflets Technology are currently applied in our third-generation TAVR product TaurusNXT® and our fourth-generation TAVR product TaurusApex®, respectively. These technologies can also be applied to other TAVR, TMVR or TTVR product candidates.

Lithotripsy Valvuloplasty Technology, currently applied in TaurusWave®, is our non-implant solution to treat AS by remodeling the severe calcification. We are currently carrying out FIM clinical trial for the technology. The initial results indicate the safety and efficacy of the technology. The technology can be applied on a stand-alone basis or as a pre-implantation step during the transcatheter valve replacement procedure.

Neurointerventional Products and Product Candidates

We have a comprehensive portfolio of registered and pipeline products that target both hemorrhagic and ischemic stroke markets. For the Reporting Period, our revenue generated from the sales of neurointerventional products amounted to RMB66.7 million, representing an increase of 57.6% from approximately RMB42.3 million for the six months ended June 30, 2021.

Hemorrhagic Products and Product Candidates

For the Reporting Period, our revenue generated from the sales of hemorrhagic products amounted to RMB29.5 million, representing an increase from approximately RMB25.5 million for the six months ended June 30, 2021 and accounting for 44.2% of the total revenue of the Neurointerventional Business.

Detachable Coils: we have three registered detachable coil products, namely, Jasper® Detachable Coil, Presgo® Detachable Coil and Jasper® SS Detachable Coils, with different detachment methods. We received NMPA approval for the registration application of Jasper® SS Detachable Coil, our latest generation detachable coil, in June 2021. The detachment process of Jasper® SS Detachable Coil is the same as that of the previous generation, Jasper® Detachable Coil, whereas Jasper® SS Detachable Coil is much softer in order to address specific clinical needs during the fill and finish processes of a cerebral aneurysm endovascular coiling procedure.

I. BUSINESS REVIEW (CONT'D)

Hemorrhagic Products and Product Candidates (cont'd)

We are also in the process of developing coil product that can be thermally detached. The coil is designed for framing, filling and finishing. It is an important addition to our existing product offering of embolization coils, providing an alternative and easier detachment method to physicians.

Intracranial Adjunctive Stent: Intracranial Adjunctive Stent is indicated for use with neurovascular embolization coils in the endovascular treatment of intracranial aneurysms. Stent-assisted coil embolization allows endovascular treatment of complex shaped and wide necked intracranial aneurysms. The product is currently in the design stage.

Delivery Occlusion Balloon Catheter: Balloon-assisted coil embolization is a technique involving the intra-procedural remodeling of the aneurysm neck, through the inflation of balloon across the aneurysm neck. By ensuring the framing stability and even distribution of the coils, packing density can be largely improved with proper remodeling of the aneurysm neck, thus reducing the chances of endovascular stent implantation. In addition, if the aneurysm neck requires permanent support after the coil embolization procedure, the endovascular stent can be delivered directly through the inner lumen of the catheter. The catheter provides an alternative treatment solution to physicians while simplifying the procedure.

Ischemic Products and Product Candidates

For the Reporting Period, our revenue generated from the sales of ischemic products amounted to RMB16.6 million, representing an increase of 101.9% from approximately RMB8.2 million for the six months ended June 30, 2021 and accounting for 25.0% of the total revenue of the Neurointerventional Business.

Products Designed for Treating AIS

Syphonet® Stent Retriever (formerly named as Shenyi® in English): Syphonet® Stent Retriever is an important product designed for removing thrombus in intracranial vessels in a mechanical thrombectomy procedure for patients with AIS. The product's unique design features a capture basket at the distal end, which can effectively prevent the thrombus debris from dislodging into the blood stream, thereby improving the removal of the thrombus. The stent is also designed with optimized radial force to maintain the integrity of the lumen, even in tortuous vessels. Radiopaque wires in the stent and a radiopaque marker on the distal end allow for visualization of the entire retriever, facilitating physicians with better visual guidance. The Syphonet® Stent Retriever has various specifications, all compatible with 0.017-inch microcatheter. The compatibility will improve the success rate of deployment and reduce procedure time. We received NMPA approval for the registration application of Syphonet® Stent Retriever in February 2022. The product has been commercially launched in the Reporting Period.

Tethys AS® Aspiration Catheter: our Tethys AS® Aspiration Catheter is specially designed for direct aspiration in mechanical thrombectomy. The 0.071-inch large lumen of the product largely increases the aspiration force, which can significantly shorten procedure time. It features a 20cm soft segment at the distal end, which conforms to the tortuous vessels and largely enhances its deliverability to the distal vessels. The optimized design of the transitional structure improves the trackability of the catheter, allowing the device to be delivered to the target vessel more easily. The entire device adopts a double-layer design with outer braids and inner coils, which allows high compressive strength and helps maintain lumen integrity. We received NMPA approval for the registration application of Tethys AS® Aspiration Catheter in May 2022.

I. BUSINESS REVIEW (CONT'D)

Ischemic Products and Product Candidates (cont'd)

Products Designed for Treating AIS (cont'd)

Fluxcap® Balloon Guide Catheter: Fluxcap® Balloon Guide Catheter has 0.087-inch large lumen and is compatible with 6F intermediate catheters or aspiration catheters. The reinforced layer with transition zones leads to a balance of proximal support and distal flexibility, offering a stable passage for intracranial devices. The 0.75mm non-radiopaque segment at the tip can reduce the blind spots of the physicians and thus, improving the safety of the procedure. The compliant balloon at its tip can block proximal flow and effectively prevent the thrombus from dislodging into the distal vessels. We received NMPA approval for the registration application of Fluxcap® Balloon Guide Catheter in June 2022.

With the successive launch of Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter and Fluxcap® Balloon Guide Catheter, we are able to provide physicians a fully integrated solution for mechanical thrombectomy. Physicians can rely on our product combinations for different procedures, based on the clinical manifestations of patients.

Aspiration Catheter (Larger Lumen): Aspiration Catheter (Larger Lumen) is a product candidate for treating AIS, which is in the design stage. The product features large lumen to improve aspiration capacity and efficiency, with 8F outer diameter and 0.097-inch inner diameter.

Products Designed for Treating ICAD

SacSpeed® Balloon Dilatation Catheter: we commercially launched SacSpeed® Balloon Dilatation Catheter in the fourth quarter of 2020. The Catheter is used for dilating stenosis to help with intracranial blood supply, while treating ICAD.

Fastunnel® Delivery Balloon Dilation Catheter (formerly named as Neway Balloon Microcatheter): Fastunnel® Delivery Balloon Dilation Catheter is designed for treating ICAD. As the first medical device in China which can realize balloon dilation and stent delivery in one device, its unique "zero exchange" technology ushered a new era of ICAD treatment. The product adopts an integrated design combining the features of both balloon dilation catheter and microcatheter, which can reduce the number of device exchanges and improve the safety of the procedure. The balloon uses Pebax® semi-compliant materials to achieve steady shape and safe expansion. Meanwhile, the stainless steel structure reinforces the entire device, and thus improves the trackability of the catheter and the deliverability of the intracranial stent system. In addition, the 150cm delivery system is compatible with intermediate catheters length of 135cm and below. We received NMPA approval for the registration application of Fastunnel® Delivery Balloon Dilation Catheter in May 2022.

Vascular Access Products and Product Candidates

For the Reporting Period, our revenue generated from the sales of vascular access products amounted to RMB20.4 million, representing an increase of 140.8% from approximately RMB8.5 million for the six months ended June 30, 2021 and accounting for 30.6% of the total revenue of the Neurointerventional Business in the Reporting Period.

I. BUSINESS REVIEW (CONT'D)

Vascular Access Products and Product Candidates (cont'd)

Tethys® Intermediate Catheter: we received NMPA approval for the registration application of Tethys® Intermediate Catheter in October 2020. Our Tethys® Intermediate Catheter assists the delivery of diagnostic devices and/or treatment devices to the neurovascular system and peripheral vascular system. It is applicable in various procedures, including aneurysm embolization procedures, mechanical thrombectomy procedures and ICAD procedures. The catheter provides strong support and stability, for stable operation of microcatheters, embolization coils, Stent Retrievers, and balloon dilation catheters in distal blood vessels.

Heralder® DA Distal Access Catheter: we received NMPA approval for the registration application of Heralder® DA Distal Access Catheter in June 2021, providing more options for the delivery of devices to different positions.

Other registered vascular access products include Presgo® Microcatheter, Presgo® Micro Guidewire and Heralder® Guide Catheter.

Other vascular access product candidates include Micro Guidewire (Next Generation) and Microcatheter (Next Generation), both of which are in the design stage. The Micro Guidewire (Next Generation) is a newly designed micro guidewire that can be more easily handled by physicians, achieving 1:1 torque ratio. The Microcatheter (Next Generation) adopts more advanced cutting techniques for better support and pushability, applicable in endovascular procedures for both hemorragic and ischemic stokes.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET THE ABOVE PRODUCTS OR PRODUCT CANDIDATES SUCCESSFULLY.

Research & Development

Both in-house innovation and business development opportunities are crucial to our R&D efforts. Our core R&D team is led by Dr. Yi Zhang, our chairman of the Board and chief executive officer, Mr. Kongrong PAN, our chief operating officer and Dr. Jian Fong TAN, our chief technology officer. Each of them, as an industry veteran with impressive academic and professional background, has previously worked in managerial positions at various leading players in the medical device sector.

We have also developed deep relationship with global leaders in both the transcatheter valve therapeutic and neurointerventional domains, including world-class scientists, physicians and industry practitioners. Besides licensing in cutting-edge technologies, we have also been building up our overseas R&D capabilities through close collaboration:

We are Sutra's second largest shareholder after the founder, and has right of first offer if Sutra proposes to offer or sell any new securities, subject to certain customary exceptions. Sutra will share the R&D facilities with the Company in the United States, and will also assist us in expanding R&D presence in North America. The founding team of Sutra is composed of professionals with extensive experience in both academia and industry.

inQB8 is a medtech incubator in partnership with us. Under the partnership, in the joint development of novel products and solutions in the treatment of structural heart disease, we will have exclusive privileges and rights to these technologies globally. The founding team of inQB8 has multidisciplinary backgrounds in medtech and engineering. Before founding inQB8, the team founded CardiAQ Valve Technologies ("**CardiAQ**"). CardiAQ developed the world's first transcatheter TMVR system and was later acquired by Edwards Lifesciences.

I. BUSINESS REVIEW (CONT'D)

Research & Development (cont'd)

We have established close working relationship with world-class consultants, who provide consultancy services exclusively for us in China. They are heavily involved in our R&D process, contributing significantly to our innovative aortic, mitral and tricuspid valve products:

Dr. Nicolo PIAZZA is a renowned interventional cardiologist at McGill University Health Center and the German Heart Center in Munich. He also served as the chairman or the core team member in many premier transcatheter valve therapeutics conferences, including EuroPCR, PCR London Valves and PCR-CIT China Chengdu Valves. He is actively involved in our overseas business development, product promotion and clinical trials, including the clinical trial and technology transfer of HighLife® as well as the clinical trial of TaurusWave®.

Dr. Saibal KAR became our consultant in September 2021. He is a world-leading doctor well-known for his research and achievements in the field of structural heart therapies, particularly in mitral repair space. Dr. Saibal KAR also serves as an external consultant for various multinational medical device companies such as Medtronic plc, Boston Scientific Corporation, and Abbott Vascular Inc. He worked as a principal investigator in a couple of multicenter studies and randomized studies for MitraClip™. Dr. Saibal KAR is currently advising the R&D of our mitral edge-to-edge therapies.

Dr. Khung Keong YEO became our consultant in April 2022. He is the deputy chief executive officer (data science and innovation) and a senior consultant with the Department of Cardiology at the National Heart Centre Singapore (NHCS). Dr. YEO currently leads the MitraClip™ program at NHCS, the first in Asia. He is advising the R&D of our mitral and tricuspid edge-to-edge repair therapies.

Suzhou SITRI Interventional Medtech Institute ("**IMI**"), an innovation incubation and investment platform dedicated in the field of vascular interventional medical devices, was established in October 2021. The IMI was proposed and funded by us together with Suzhou Industrial Park Administrative Committee, Suzhou Industrial Technology Research Institute, and IMI management team. The establishment of IMI will facilitate our R&D activities through providing us with access to emerging medical device technologies that might have significant global impact, which will benefit our future business expansion.

As of June 30, 2022, we had an in-house R&D team of 115 employees dedicated to the R&D of our transcatheter valve therapeutic products and neurointerventional products.

On March 1, 2022, TaurusNXT® was formally accepted by the Special Review and Approval Procedure for Innovative Medical Devices of the NMPA. Given this, we will enjoy advantages including expedited approval, as well as favorable policy support and market access. As of the date of this report, we have the highest number of medical devices accepted by the Special Review and Approval Procedure among Chinese listed transcatheter valve therapeutic peers, which once again proved our strong R&D capabilities and the innovativeness of our product pipeline.

I. BUSINESS REVIEW (CONT'D)

Intellectual Property

As of June 30, 2022, we had a robust intellectual property portfolio, consisting of a total of 89 granted and valid patents and 100 patents under application. Specifically, there are 53 granted and valid patents and 74 patents under application for our Transcatheter Valve Therapeutic Business, and 36 granted and valid patents and 26 patents under application for our Neurointerventional Business.

Manufacturing

We manufacture, assemble and examine our products at two production facilities. One is located in our self-owned properties in Suzhou, Jiangsu province, with a total area of 18,843.9 sq.m., and the other one is located in our leased properties in Shanghai with a total area of 1,188.4 sq.m..

For our Neurointerventional Business, we currently manufacture Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Microcatheter, Jasper® Detachable Coil and Jasper® Power Supply in our leased properties in Shanghai. Heralder® Guide Catheter, Tethys® Intermediate Catheter, SacSpeed® Ballon Dilatation Catheter, Jasper® SS Detachable Coil, Heralder® DA Distal Access Catheter, Syphonet® Retriever Stent, Tethys AS® Aspiration Catheter, Fastunnel® Delivery Balloon Dilation Catheter and Fluxcap® Balloon Guide Catheter are manufactured in our Suzhou facility.

For our Transcatheter Valve Therapeutic Business, we have five registered products as of June 30, 2022. All of them, namely, TaurusOne®, TaurusElite®, our first and second generation TAVR products, TaurusAtlas® Transfemoral Balloon Catheter, TaurusNavi® Introducer Sheath and TaurusExplora® Pre-shaped Guidewire, are manufactured in our Suzhou facility. Our Suzhou facility is also equipped with multiple production lines dedicated to TaurusNXT®, TaurusWave®, HighLife® and other production lines for transcatheter valve therapeutic product candidates.

We monitor compliance with our quality control system at every phase in a product life cycle. We have developed the Risk Management and Control Procedures (《風險管理控制程序》), arranged risk control measures for all phases of the product lifecycle, and used scientific tools to identify, analyze, evaluate and control risks to ensure the safety and efficacy of medical devices.

We have established an advanced quality management system. It is our responsibility to develop products that allow patients to enjoy healthy lives and strictly abide by the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), Measures for the Supervision and Administration of Medical Device Production (《醫療器械生產監督管理辦法》), Good Manufacturing Practices for Medical Devices (《醫療器械生產質量管理規範》) and other laws and regulations. Our Quality Management System is aligned to relevant laws and international standards, including GMP standards and the ISO 13485:2016 Medical devices — Quality management systems.

Over the years, we continuously expand the production capacity to meet growing market demand. Our new headquarter in Suzhou Industrial Park with a total planned construction area of around 77,600 sq.m. is under construction. Phase I will start being used in 2023.

I. BUSINESS REVIEW (CONT'D)

Commercialization

As of June 30, 2022, we had a sales and marketing team of 225 employees, with 151 of whom dedicated to the sales and marketing of our transcatheter valve therapeutic products and 74 focusing on the sales and marketing of neurointerventional products.

For our Transcatheter Valve Therapeutic Business, through well-planned internal training system and rigorous staff development plan, we have built up a professional sales and marketing team with leading expertise in academic education and marketing. Our team is comprised of:

- product specialists, who collaborate with R&D team to align product roadmap with the lifecycle of product portfolio to address unmet clinical needs;
- marketing specialists, who promote brand awareness, market education and connections with KOLs/hospitals;
- clinical support specialists, who provide seamless technical support and intensive involvement to ensure best patient outcome;
- frontline sales, who stay connected with physicians and hospitals to complete sales procedure.

In addition to the sales and marketing staff mentioned above, we also have a team of medical specialists. They are licensed physicians with extensive clinical experience and can provide full medical support for patient evaluation, procedure planning and other clinical needs.

To increase our academic influence in the industry, we actively participated in domestic and international academic conferences, as well as branded academic promotion activities organized by relevant associations in the cardiovascular field. We work closely with domestic and foreign experts and scholars, to promote the adoption of TAVR technology and increase regional implantation volume. At the same time, we have created a series of Peijia branded academic programs through the professional education platform of Yijia Institute and other digital academic media. In this way, we educate physicians about the Taurus-series products and increase the product adoption by new and emerging hospitals:

- Yijia Institute is a professional clinical education and training center under Peijia Medical that includes both online and offline channels. The aim of establishing Yijia Institute is to facilitate the adoption of TAVR technology through procedure demonstration, academic thematic discussion, case analysis, patient diagnosis and screening and etc.;
- Yijia Institute is equipped with facilities such as training classrooms, laboratories, operation rooms and etc. The institute can provide professional trainings, imaging trainings, live-streaming of procedures and other activities. The institute's online programs include Round Table Discussion, Cloud Classroom, Imaging interpretation competition and etc., helping more physicians to learn and communicate online;
- In June 2022, we launched the WeChat official and channel accounts for Yijia Institute. As a professional education platform, the accounts provide educational resources and the latest industry information of transcatheter heart valve interventions. By combining resources from both theory and practice, the platform can benefit the experts and physicians during their journey to TAVR technologies. Yijia Institute promotes the digital dissemination of professional education and industry information of transcatheter heart valve interventions in China, facilitating the development of the therapy.

I. BUSINESS REVIEW (CONT'D)

Commercialization (cont'd)

Since the launch of these programs, more than 300 experts and physicians have participated in our activities as guest speakers, with more than 40,000 attendees. We also forge long-term ties with leading experts and scholars through these programs.

The three key building blocks for accelerated commercialization of our TAVR products are accurate product positioning and superior product performance, all-around marketing and sales support as well as high-touch sales model. We are dedicated to becoming the best product partner and service provider to physicians.

As of July 31, 2022, we had TAVR implantations in 209 hospitals, well ahead of schedule. We will continue to strengthen our research cooperation with TOP/KA hospitals and size up the sales team for more coverage and adoption of our TAVR products.

For our Neurointerventional Business, our experienced marketing team has tailored marketing strategies to maximize product visibility and penetration, based on the commercialization stage and design characteristics of each product. We work closely with KOLs and physicians in the industry. In addition to actively participating in academic and industry conferences on neurointerventional therapies, we live-streamed neoruinterventional procedures conducted by physicians from top hospitals, which effectively enhanced our product reputation and brand awareness.

At the same time, we have a sales team with strong product knowledge and clinical resources. Our sales team have established extensive and in-depth relationships with industry experts, physicians and hospitals, and maintained long-term cooperation with experienced distributors. Most of our products are sold directly to hospitals mainly through distributors. We believe that through a single-tier distribution system, we can leverage our distributors' local networks and expertise to reach a wider range of end customers. On the other hand, we can better adapt to changes in end-user demand and be more responsive to clinical feedback. The single-tier distribution system also enables a healthy channel inventory level, reduces channel costs and lowers product return rate as compared to multi-tier distribution system.

As of June 30, 2022, we had 177 distributors, covering more than 1,800 hospitals in 31 provinces nationwide. We will continue to build on our sales team and distributor coverage in response to our expanding ischemic product portfolio.

I. BUSINESS REVIEW (CONT'D)

Impact of the COVID-19 Pandemic

The Chinese government has strengthened the epidemic prevention and control since the outbreak of Delta variant and Omicron variant cases successively in 2021. Despite of the social restrictions imposed, our revenue for the Reporting Period increased by 129.8% to RMB118.8 million from RMB51.7 million for the six months ended June 30, 2021. The adverse impact on our product sales, financial condition and results of procedures were limited due to our prompt and proactive actions. We will continue to enhance remedial measures in line with the government's requirements in response to the ongoing situation.

Future Outlook

In the future, we will uphold our corporate vision and continue our commitment to the development and commercialization of interventional solutions for structural heart and neurovascular diseases in China and globally. For our Transcatheter Valve Therapeutic Business, our sales and marketing team will focus on the commercialization of TaurusOne® and TaurusElite®. In addition, we will continue to actively launch clinical trials for a number of our pre-clinical stage product candidates, including GeminiOne® and MonarQ, and facilitate the progress of those that are currently in the clinical stage. We will facilitate the technology transfer of Trilogy™ from JenaValve and subsequent clinical trial. We are also in preparation of the implantations of Trilogy™ in Hong Kong and Macau or the rest of the Greater Bay Area within the Greater China region.

For our Neurointerventional Business, we intend to maintain the sales growth momentum through further penetration of our existing products. We are preparing for or have started commercial launch of the products recently approved by the NMPA during the Reporting Period, including Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter, Fastunnel® Delivery Balloon Dilation Catheter and Fluxcap® Balloon Guide Catheter. Our dedicated sales team will make efforts to commercialize these newly approved products.

We will continue to enhance our pipeline, including TMV/TTV treatment device, and other transcatheter valve therapeutic and neurointerventional product candidates; strengthening our in-house R&D capabilities while seeking deeper cooperation and strategic partnership around the globe. We will continue to strengthen our international patent portfolio and further advance our globalization strategy.

II. FINANCIAL REVIEW

Revenue

For the Reporting Period, our Group's revenue was RMB118.8 million, representing an increase of 129.8% as compared to RMB51.7 million for the six months ended June 30, 2021. Revenue from Transcatheter Valve Therapeutic Business and Neurointerventional Business were RMB52.1 million and RMB66.7 million, representing an increase of 455.4% and 57.6% as compared to RMB9.4 million and RMB42.3 million for the six months ended June 30, 2021, respectively.

The increase in revenue was primarily attributable to: (i) commercialization of the second generation retrievable TAVR product TaurusElite®; (ii) increased sales revenue from existing neurointerventional products including Tethy® Intermediate Catheter and SacSpeed® Balloon Dilation Catheter; and (iii) commercialization of multiple new neurointerventional products including Jasper® SS Detachable Coil, etc.

The following table sets forth a breakdown of our revenue generated from Neurointerventional Business for the periods indicated:

	Six months ended June 30,			
	2022		2021	
	RMB'000	**%**	RMB'000	%
	(Unaudited)		(Unaudited)	
Hemorrhagic	**29,490**	**44.2**	25,461	60.2
Vascular Access	**20,414**	**30.6**	8,476	20.0
Ischemic	**16,647**	**25.0**	8,247	19.5
Others	**145**	**0.2**	124	0.3
Total	**66,696**	**100.0**	42,308	100.0

Cost of Sales

For the Reporting Period, our Group's cost of sales was RMB35.6 million, representing an increase of 149.1% as compared to RMB14.3 million for the six months ended June 30, 2021. The increase was primarily attributable to the increase in the material costs, labor costs and overheads as a result of the increased sales volume of the Transcatheter Valve Therapeutic Business and Neurointerventional Business.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, our Group's gross profit increased by 122.5%, from RMB37.4 million for the six months ended June 30, 2021 to RMB83.2 million for the Reporting Period, in line with the increase in sales revenue. Gross profit margin is calculated as gross profit divided by revenue and multiplying the result by 100%. Our Group's gross profit margin was 70.0% for the Reporting Period, as compared to 72.4% for the six months ended June 30, 2021. The decrease in gross profit margin was primarily attributable to the amortization of technologies related to the products launched in the Reporting Period.

II. FINANCIAL REVIEW (CONT'D)

Selling and Distribution Expenses

Selling and distribution expenses increased by 327.5% from RMB21.7 million for the six months ended June 30, 2021 to RMB92.7 million for the Reporting Period. Such increase was primarily attributable to (i) increase in expenses due to market education, development of multiple distribution channels and sales promotion, in line with the increase in sales revenue; and (ii) increase in staff costs.

Administrative Expenses

Administrative expenses increased by 12.3% from RMB53.1 million for the six months ended June 30, 2021 to RMB59.6 million for the Reporting Period. The increase was primarily attributable to the increase in staff costs.

Research and Development Expenses

Research and development expenses decreased by 36.5% from RMB131.3 million for the six months ended June 30, 2021 to RMB83.4 million for the Reporting Period. Such decrease was primarily attributable to the decrease in expensing BD payments for TAVR, TMVR and TTVR products.

For the Reporting Period, R&D investment in Transcatheter Valve Therapeutic Business and Neurointerventional Business amounted to RMB58.4 million and RMB25.0 million, respectively. The following table sets forth the components of research and development expenses for the periods indicated:

	Six months ended June 30,			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Service expenses for research and development	**25,488**	**30.6**	90,250	68.7
Employee benefits expenses	**35,082**	**42.1**	24,101	18.4
Raw materials and consumables used	**17,513**	**21.0**	12,679	9.7
Depreciation and amortization	**3,126**	**3.7**	2,738	2.1
Others	**2,219**	**2.6**	1,523	1.1
Total	**83,428**	**100.0**	131,291	100.0

Other Gains/(Losses) — net

Other gains/(losses) — net increased from a net other losses of RMB21.4 million for the six months ended June 30, 2021 to a net other gains of RMB41.6 million for the Reporting Period. The increase was mainly due to the foreign exchange gains.

II. FINANCIAL REVIEW (CONT'D)

Finance Income

Finance income increased from RMB13.0 million for the six months ended June 30, 2021 to RMB18.1 million for the Reporting Period. The increase was mainly due to the bank interest income.

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As of June 30, 2022, the gearing ratio of our Group increased to 7.1% from 4.8% as of December 31, 2021.

Net Current Assets

As of June 30, 2022, our Group's net current assets were RMB1,923.2 million, as compared with RMB2,307.7 million as of December 31, 2021.

Borrowings

As of June 30, 2022, our Group's total borrowings amounted to RMB65.0 million (as of December 31, 2021: nil). Our Group's borrowings were denominated in Renminbi. In January 2022, our Group entered into an unsecured general bank borrowing agreement. The principal of the borrowing was RMB56.0 million which bore a fixed interest rate of 3.58% and will be repayable in January 2023. In March 2022, our Group entered into a secured bank loan facility agreement, which is specific for financing the construction of the new headquarter and will be matured in May 2027. The maximum amount that our Group is able to draw down under such facility is RMB400.0 million, and any drawdown will bear an interest rate corresponding to one-year loan prime rate circulated by the People's Bank of China plus 15 basis points. As of June 30, 2022, our Group has drawn down RMB9.0 million which bore an interest rate of 3.85% and will be repayable in instalments, commencing from November 2024.

Capital Management

The primary goal of our Group's capital management is to maintain our Group's stability and growth, safeguard its normal operations and maximize Shareholders' value. Our Group reviews and manages its capital structure on a regular basis. Timely adjustments are made in light of changes in operating and market conditions.

Liquidity and Financial Resources

As of June 30, 2022, our Group's total cash, cash equivalents and term deposits amounted to approximately RMB2,057.9 million, representing a decrease of 10.4% as compared to RMB2,296.1 million as of December 31, 2021. Our Group continues to maintain a strong financial position and is confident that it has sufficient funds to meet its daily business operation requirements.

We rely on capital contributions by our Shareholders as the major sources of liquidity. We also generate cash from our sales of existing commercialized products. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue, lowering production costs and improving operating efficiency.

Our Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimize the cost of funds, our Group's treasury is centralized. Cash is generally placed in deposits mostly denominated in U.S. Dollars, Hong Kong dollars and RMB. Our Group's liquidity and financing requirements are reviewed regularly.

Capital Expenditure

For the Reporting Period, our Group's total capital expenditure amounted to approximately RMB121.0 million, which was mainly used in (i) the construction of new headquarter; (ii) equipment procurement; and (iii) technologies.

II. FINANCIAL REVIEW (CONT'D)

Significant Investment

As of June 30, 2022, our Group did not have any significant investment.

Contingent Liabilities

As of June 30, 2022, our Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

As of June 30, 2022, our Group did not have any material acquisitions and disposals.

Charge on Assets

As of June 30, 2022, certain land use right of our Group was mortgaged for a long-term bank facility, of which RMB9.0 million was drawn down.

Foreign Exchange Exposure

Our Group has transactional currency exposures. Certain cash and cash equivalents as well as financial assets at fair value through profit or loss are dominated in foreign currencies and are exposed to foreign currency risk. Our management monitors foreign exchange exposure and the Company has entered into several forward exchange settlement agreements with reputable banks to hedge exchange rate risks.

Future Plans for Material Investments and Capital Asset

Our Group had not authorized any plan for material investments or acquisitions as of the date of this report.

HUMAN RESOURCES

As of June 30, 2022, our Group had 807 employees, who were all based in China. Our Group's total employee benefits for the Reporting Period were approximately RMB121.7 million, consisted of (i) wages, salaries and bonuses, (ii) social security costs and housing benefits, (iii) employee welfare and (iv) share-based compensation expenses.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant position. We invest in continuing education programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salaries, promotion and career development.

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination.

In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended June 30, 2021: nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code, as its own code to govern its corporate governance practices.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Dr. Zhang is the chairman of the Board and chief executive officer of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Dr. Zhang is in charge of overall management, business, strategic development and scientific R&D of our Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises three executive Directors (including Dr. Zhang), four non-executive Directors and four independent non-executive Directors, and therefore has a strong independent element in its composition.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of our Group during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As of June 30, 2022, the trustee of the RSU Scheme has purchased an aggregate of 5,472,000 Shares (representing approximately 0.81% of the total issued share capital of the Company) under the RSU Scheme.

As of June 30, 2022, a total of 205,935 Shares (representing approximately 0.03% of the total issued share capital of the Company) have been granted to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme.

As of June 30, 2022, a total of 202,310 Shares (representing approximately 0.03% of the total issued share capital of the Company) have been granted to an external consultant of our Group under the RSU Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

REVIEW OF FINANCIAL INFORMATION AND INTERIM REPORT

Audit Committee

The Company has established an Audit Committee with written terms of reference in accordance with the Listing Rules. As of the date of this report, the Audit Committee comprises one non-executive Director, namely Mr. Jifeng GUAN, and three independent non-executive Directors, namely, Mr. Robert Ralph PARKS, Mr. Wai Ming YIP and Mr. Huacheng WEI. Mr. Wai Ming YIP is the chairman of the Audit Committee.

The Audit Committee has held relevant discussions with the Company's management, and reviewed the unaudited interim financial statements of the Group for the Reporting Period and this interim report. The Audit Committee considered that the interim results of the Group for the Reporting Period are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There was no change in the Board and the information of Directors since the date of 2021 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares, underlying Shares and debentures of the Company

Name of Director	Capacity/nature of interest	Number of Shares interested [1]	Approximate percentage of the Company's issued share capital [2]
Dr. ZHANG	Beneficial owner [3]	9,890,440	1.46%
	Trustee [4]	33,233,560	4.91%
	Interest of controlled corporation [5]	90,685,640	13.40%
	Interest held jointly with other persons [6]	20,379,299	3.01%
	Interest of spouse [7]	1,021,500	0.15%
Mrs. Ping Ye ZHANG	Beneficial owner	1,021,500	0.15%
	Trustee [4]	33,233,560	4.91%
	Interest held jointly with other persons [6]	111,064,939	16.41%
	Interest of spouse [7]	9,890,440	1.46%
Ms. Hong YE	Beneficial owner [8]	20,379,299	3.01%
	Interest of controlled corporation [5]	90,794,640	13.42%
	Interest held jointly with other persons [6]	44,145,500	6.52%
Mr. Fei CHEN	Interest of controlled corporation [9]	19,952,740	2.95%
Dr. Stephen Newman OESTERLE	Beneficial owner [10]	101,550	0.02%
Mr. Robert Ralph PARKS	Beneficial owner [11]	104,385	0.02%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Long positions in the Shares, underlying Shares and debentures of the Company (cont'd)

Notes:

(1) All interests stated are long position.

(2) The calculation is based on the total number of 676,814,177 ordinary shares of the Company in issue as of June 30, 2022.

(3) Dr. ZHANG beneficially owns 5,232,720 Shares, and is also interested in options to 4,657,720 Shares pursuant to outstanding options granted under the Share Option Plan.

(4) Jinnius Drive Trust, Hanlindale Trust and THE ZHANG LIVING TRUST were respectively established by Dr. ZHANG and Mrs. Ping Ye ZHANG as grantor. Both Dr. ZHANG and Mrs. Ping Ye ZHANG are trustees of Jinnius Drive Trust, Hanlindale Trust and THE ZHANG LIVING TRUST. Therefore, under the SFO, each of Dr. ZHANG and Mrs. Ping Ye ZHANG is deemed to be interested in an aggregate 33,233,560 Shares held by the three trusts, including 15,713,560 Shares held by Jinnius Drive Trust, 17,094,000 Shares held by Hanlindale Trust and 426,000 Shares held by THE ZHANG LIVING TRUST.

(5) XinYue International Limited was owned as to 65% by Dr. ZHANG and 35% by Ms. Hong YE as of June 30, 2022. Therefore, under the SFO, each of Dr. ZHANG and Ms. Hong YE is deemed to be interested in 90,685,640 Shares held by XinYue International Limited.

(6) Dr. ZHANG, Jinnius Drive Trust, Mrs. Ping Ye ZHANG, Hanlindale Trust, Ms. Hong YE and XinYue International Limited are Concert Parties based on the Concert Party Agreement. Therefore, under the SFO, each of Dr. ZHANG, Jinnius Drive Trust, Mrs. Ping Ye ZHANG, Hanlindale Trust, Ms. Hong YE and XinYue International Limited is deemed to be interested in the aggregate equity interests of all the Concert Parties.

(7) Dr. ZHANG and Mrs. Ping Ye ZHANG are spouses. Therefore, Dr. ZHANG and Mrs. Ping Ye ZHANG are deemed to be interested in the equity interests held by each other under the SFO.

(8) Ms. Hong YE beneficially owns 14,688,960 Shares, and is also interested in options to 5,690,339 Shares pursuant to outstanding options granted under the Share Option Plan.

(9) Shanghai Liyi Biotech, L.P. holds 19,952,740 Shares directly. Shanghai Liyao Investment Management Co., Ltd. is 100% owned by Mr. Fei CHEN, and is the general partner of Shanghai Liyi Investment Management Partnership (Limited Partnership). In addition, Shanghai Liyi Investment Management Partnership (Limited Partnership) is the general partner of Shanghai Liyi Biotech, L.P.. Therefore, under the SFO, each of Mr. Fei CHEN, Shanghai Liyao Investment Management Co., Ltd. and Shanghai Liyi Investment Management Partnership (Limited Partnership) is deemed to be interested in 19,952,740 Shares held by Shanghai Liyi Biotech, L.P..

(10) As of June 30, 2022, a total of 101,550 Shares have been granted to Dr. Stephen Newman OESTERLE under the RSU Scheme, pursuant to his service contract with the Company. Please refer to the announcement of the Company dated October 5, 2020 for further details.

(11) As of June 30, 2022, a total of 104,385 Shares have been granted to Mr. Robert Ralph PARKS under the RSU Scheme, pursuant to his service contract with the Company. Please refer to the announcement of the Company dated October 5, 2020 for further details.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONT'D)

Long positions in the Shares, underlying Shares and debentures of the Company (cont'd)

Save as disclosed above and to the best knowledge of the Directors, as of June 30, 2022, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as of June 30, 2022, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares interested [1]	Approximate percentage of the Company's issued share capital [2]
Jinnius Drive Trust [3]	Beneficial owner	15,713,560 (L)	2.32% (L)
	Interest held jointly with other persons [5]	139,496,879 (L)	20.61% (L)
Hanlindale Trust [3]	Beneficial owner	17,094,000 (L)	2.53% (L)
	Interest held jointly with other persons [5]	138,116,439 (L)	20.41% (L)
XinYue International Limited [4]	Beneficial owner	90,685,640 (L)	13.40% (L)
	Interest held jointly with other persons [5]	64,524,799 (L)	9.53% (L)
LAV Aero Limited	Beneficial owner	42,428,460 (L)	6.27% (L)
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation [6]	42,428,460 (L)	6.27% (L)
LAV GP IV, L.P.	Interest of controlled corporation [6]	42,428,460 (L)	6.27% (L)
LAV Corporate IV GP, Ltd.	Interest of controlled corporation [6]	42,428,460 (L)	6.27% (L)
Mr. Yi SHI	Interest of controlled corporation [6]	42,428,460 (L)	6.27% (L)
HH SUM-XXIV Holdings Limited	Beneficial owner	41,698,980 (L)	6.16% (L)
Hillhouse Capital Management, Ltd.	Investment manager [7]	41,698,980 (L)	6.16% (L)
Hillhouse Fund IV, L.P.	Interest of controlled corporation [7]	41,698,980 (L)	6.16% (L)
Matrix Partners China IV, L.P.	Beneficial owner	36,050,780 (L)	5.33% (L)
Matrix China Management IV, L.P.	Interest of controlled corporation [8]	39,655,440 (L)	5.86% (L)
Matrix China IV GP GP, Ltd.	Interest of controlled corporation [8]	39,655,440 (L)	5.86% (L)
FIL Limited	Interest of controlled corporation [9]	59,677,000 (L)	8.82% (L)
Pandanus Associates Inc.	Interest of controlled corporation [9]	59,677,000 (L)	8.82% (L)
Pandanus Partners L.P.	Interest of controlled corporation [9]	59,677,000 (L)	8.82% (L)
Brown Brothers Harriman & Co.	Agent	40,232,400 (L)	5.94% (L)
		40,232,400 (P)	5.94% (P)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (CONT'D)

Notes:

(1) (L) denotes long position, (P) denotes lending pool.

(2) The calculation is based on the total number of 676,814,177 ordinary shares of the Company in issue as of June 30, 2022.

(3) Jinnius Drive Trust and Hanlindale Trust were discretionary trusts and respectively established by Dr. ZHANG and Mrs. Ping Ye ZHANG as grantor. Both Dr. ZHANG and Mrs. Ping Ye ZHANG are trustees of Jinnius Drive Trust and Hanlindale Trust. Therefore, under the SFO, each of Dr. ZHANG and Mrs. Ping Ye ZHANG is deemed to be interested in an aggregate 32,807,560 Shares held by the two trusts, including 15,713,560 Shares held by Jinnius Drive Trust and 17,094,000 Shares held by Hanlindale Trust.

(4) XinYue International Limited was owned as to 65% by Dr. ZHANG and 35% by Ms. Hong YE as of June 30, 2022. Therefore, under the SFO, each of Dr. ZHANG and Ms. Hong YE is deemed to be interested in 90,685,640 Shares held by XinYue International Limited.

(5) Dr. ZHANG, Jinnius Drive Trust, Mrs. Ping Ye ZHANG, Hanlindale Trust, Ms. Hong YE and XinYue International Limited are Concert Parties based on the Concert Party Agreement. Therefore, under the SFO, each of Dr. ZHANG, Jinnius Drive Trust, Mrs. Ping Ye ZHANG, Hanlindale Trust, Ms. Hong YE and XinYue International Limited is deemed to be interested in the aggregate equity interests of all the Concert Parties.

(6) To the best of the Directors' knowledge, LAV Aero Limited is wholly-owned by LAV Biosciences Fund IV, L.P., a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund IV, L.P. is LAV GP IV, L.P., whose general partner is LAV Corporate IV GP, Ltd., a Cayman company owned by Mr. Yi SHI. Therefore, under the SFO, each of LAV Biosciences Fund IV, L.P., LAV GP IV, L.P., LAV Corporate IV GP, Ltd. and Mr. Yi SHI is deemed to be interested in 42,428,460 Shares held by LAV Aero Limited.

In addition, to the best of the Directors' knowledge, upon completion of the Global Offering and taking into account the 2,523,000 Shares to be subscribed for by LAV Aero Limited at the Offer Price of HK$15.36 pursuant to the cornerstone investment agreement as further described under the section headed "Cornerstone Placing" in the Prospectus, LAV, which collectively refers to LAV Aero Limited and Shanghai Liyi Biotech, L.P., controls the exercise of 9.86% of the voting power at the general meeting of the Company. Shanghai Liyi Biotech, L.P. holds 19,952,740 Shares directly.

(7) To the best of the Directors' knowledge, Hillhouse Capital Management, Ltd. owns HH SUM-XXIV Holdings Limited. Therefore, under the SFO, Hillhouse Capital Management, Ltd. is deemed to be interested in 41,698,980 Shares held by HH SUMXXIV Holdings Limited.

(8) To the best of the Directors' knowledge, Matrix China Management IV, L.P. is the general partner of Matrix Partners China IV, L.P. and Matrix Partners China IV-A, L.P., both are the beneficial owners of the Company. The general partner of Matrix China Management IV, L.P. is Matrix China IV GP GP, Ltd.. Therefore, under the SFO, each of Matrix China Management IV, L.P. and Matrix China IV GP GP, Ltd. is deemed to be interested in an aggregate 39,655,440 Shares held by the two companies, including 36,050,780 Shares held by Matrix Partners China IV, L.P. and 3,604,660 Shares held by Matrix Partners China IV-A, L.P..

(9) To the best of the Directors' knowledge, FIL Limited through various subsidiaries holding an aggregate 59,677,000 Shares. In additional, Pandanus Partners L.P. is wholly-owned by Pandanus Associates Inc., and FIL Limited is owned as to 37.01% by Pandanus Partners L.P.. Therefore, under the SFO, each of Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited is deemed to be interested in an aggregate 59,677,000 Shares held by the subsidiaries of FIL Limited.

Save as disclosed above and to the best knowledge of the Directors, as of June 30, 2022, no person had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE INCENTIVE SCHEMES

1. Share Option Plan

The Company has approved and adopted a Share Option Plan on December 27, 2019, a summary of the principal terms of which are set out in the section headed "D. Share Incentive Schemes — 1. Share Option Plan" in Appendix IV to the Prospectus.

The Company has granted some Options (as defined below) to qualified persons (as defined below) under the Share Option Plan, with vesting commencement date earlier than December 27, 2019. Prior to December 27, 2019, the Share Option Plan was yet formally adopted but nonetheless the Company not discussed with its employees regarding potential granting of options with principal terms such as vesting schedule. In the course of preparation for the Listing, the Company formalized and adopted the Share Option Plan pursuant to the board resolutions and shareholders' resolutions of the Company dated December 27, 2019. To give effect to previous discussions with employees regarding their options, the Company has, pursuant to the board resolutions and shareholders' resolutions abovementioned, ratified and consolidated such options such that they were regarded as being granted under and be subject to the rules of the Share Option Plan with their original vesting schedule.

(a) Purpose and Principal Terms

The purpose of the Share Option Plan is to enable the Group to grant options or awards to qualified persons (as determined by the sole opinion of the Board) including any director, employee, adviser and consultant of the Company or any of its associated companies as incentives, attraction, motivation or rewards by reason of their contribution or potential contribution to the Company and/or any of our associated companies. The principal terms of the Share Option Plan are as follows:

1) Subject to any alterations set out under the Share Option Plan in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company that may take place after the Listing, the maximum number of Shares in respect of which options or awards may be granted under the Share Option Plan shall be 2,911,989 Shares (or 58,239,780 as adjusted after Capitalization Issue), representing approximately 12.7% of the total issued share capital of the Company immediately before completion of the Global Offering.

2) An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when a copy of the Grant Letter has been duly signed by the grantee, and a non-refundable payment of HK$0.10 or its RMB equivalent has been made in favour of the Company by way of consideration for the grant and is received by the Company on or before the relevant acceptance date.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(a) Purpose and Principal Terms (cont'd)

3) No option or award under the Share Option Plan will be granted after the Listing Date, although provisions of the Share Option Plan will in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted pursuant to the Share Option Plan ("**Option**") on or prior to the Listing Date or otherwise as may be required in accordance with the provisions of the Share Option Plan and Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this Scheme.

4) A grantee may subscribe for the Shares on the exercise of an Option at the price approved by the Board in its absolute discretion with reference to factors which may include business performance and value of the Company and individual performance of the relevant grantee, and in any case, shall not be less than the par value of the Shares.

5) An Option is personal to the grantee and is not assignable and no grantee is permitted in any way to sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so (with the exception that the grantee may transfer the Options to a trust in which he/she is a beneficiary thereof or the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Plan may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding Options or any part thereof granted to such Grantee without compensation.

6) The Shares to be allotted upon the exercise of an Option is subject to the constitutional documents of the Company for the time being in force and, once issued, ranks pari passu in all respects with and has the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue.

7) Each grantee to whom a share award has been granted shall be entitled to the Shares they are awarded in accordance with the terms (including any restrictions and vesting requirement that may be imposed) of the Share Option Plan and the Grant Letter. However, in any case, a grantee is not entitled to exercise any Option until the Listing Date.

8) In terms of rights on death or termination of employment:

(i) If the grantee ceases to be an eligible participant of the Share Option Plan as a result of death, ill-health, injury or disability (including permanent disability), provided that the grantee's relationship with the Group had not been otherwise terminated by the occurrence of events which would have caused his Option(s) to lapse (as defined in the Share Option Plan), the grantee or his personal representatives is entitled within 12 months from the date of cessation of being an eligible participant or death to exercise his Option in full (to the extent not already exercised);

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(a) Purpose and Principal Terms (cont'd)

8) (cont'd)

(ii) If the grantee ceases to be an eligible participant of the Share Option Plan as a result of termination of his relationship with the Group due to the occurrence of events which would have caused his Option(s) to lapse (as defined in the Share Option Plan), the grantee's Options will terminate on the date of such cessation without compensation, regardless of whether the Options are exercisable or not;

(iii) If the grantee's ceases to be an eligible participant of the Share Option Plan as a result of termination of his relationship with the Group for any reason other than those referred to in (i) and (ii) above, the grantee may exercise his Option up to his entitlement at the date of cessation of being an eligible participant (to the extent not already exercised) within 60 days following the date of such cessation.

9) The Board may, at any time, alter in any respect the terms and conditions of the Share Option Plan and the regulations for the Share Option Plan's administration and operation, provided that such alteration does not adversely affect the terms of issue of any Option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Option prior to such alteration except with the Grantee's written consent or by special resolution passed at a meeting of the grantees.

10) The Company by ordinary resolution of the Board may at any time resolve to terminate the operation of the Share Option Plan and in such event no further Options shall be offered but the provisions of the Share Option Plan shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Plan and Options granted prior to such termination shall continue to be valid and exercisable in accordance with this Scheme.

(b) Establishment of Employee Trust

On December 31, 2019, the Company entered into a trust deed with Trident Trust Company (HK) Limited (the "**Trustee**"), pursuant to which the Trustee has agreed to act as the trustee to administer the Share Option Plan and to hold the Shares underlying the options granted under the Share Option Plan.

To the extent permitted under the Scheme and applicable law and regulations, the Trustee shall follow the instruction of Dr. ZHANG in respect of the exercise of voting rights (if any) and powers in relation to the Shares underlying the Options until the Shares underlying the Options have been transferred outside of the Trust to the relevant Grantee(s) or their designated nominee(s).

The trust deed will terminate automatically upon the expiry of the trust period as stipulated in the Trust Deed provided that the Trustee has received all fees, costs, expenses and other amounts payable to it under or in connection with the terms of this Deed.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants

As of June 30, 2022, outstanding options to subscribe for an aggregate of 35,918,512 Shares (as adjusted after Capitalization Issue) have been granted to a total of 130 eligible participants by the Company under the Share Option Plan.

A summary of the grantees who have been granted options under the Share Option Plan is set forth below:

Grantee	Position/Relationship	Number of Shares under outstanding options granted (as adjusted after Capitalization Issue)	Note(s)
Directors			
Dr. Yi ZHANG	Executive Director; Chairman; Chief Executive Officer	4,657,720	1, 2, 3, 4, 5
Hong YE	Executive Director; Board Secretary	5,690,339	6, 7, 8, 13, 16
Chief Management			
Leo TSAI	Chief Financial Officer	7,944,340	7, 9, 10
Kongrong Karl PAN	Chief Operating Officer	2,225,000	11
Jian Fong TAN	Chief Technology Officer	4,467,540	7, 12
Other Grantees			
125 other option holders including former and current employees and consultants of the Group	Not applicable	10,933,573	13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27
		35,918,512	

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes:

1. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

2. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when a qualified initial public offering ("**IPO**") is achieved (which this Offering qualifies for) at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

3. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when certain product candidate obtains relevant regulatory approvals and has commenced sales for one year at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

4. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when certain product candidate obtains relevant regulatory approvals at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

5. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when certain product candidates commence their corresponding clinical trials at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

6. With vesting commencement date on August 24, 2011 and exercisable when a qualified IPO is achieved (which this IPO qualifies for) at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

7. With vesting commencement date on December 31, 2019 and in accordance with a vesting schedule, the Shares subject to the corresponding options will be vested in equal proportions in yearly intervals, but in any event not later than the fourth anniversary of the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), US$0.39 (equivalent to approximately HK$3.04), or US$0.55 (equivalent to approximately HK$4.27), respectively.

8. With vesting commencement date on December 27, 2019 and exercisable when a qualified IPO is achieved (which this IPO qualifies for), at an exercise price of US$0.73 (equivalent to approximately HK$5.69).

9. With vesting commencement date on December 27, 2019 and exercisable when a qualified IPO is achieved (which this Offering qualifies for), at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), or US$0.65 (equivalent to approximately HK$5.06), respectively.

10. With vesting commencement date on April 7, 2020 and in accordance with a vesting schedule, 9.09% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 18.18% of the Shares on the first anniversary, 27.27% of the Shares on the second anniversary, and 45.45% on the third anniversary, and are exercisable at an exercise price of US$0.65 (equivalent to approximately HK$5.06).

11. With vesting commencement date on January 1, 2017 and exercisable immediately and in yearly intervals, in equal proportions on the last day of each calendar year, when certain long service condition is satisfied, but in any event before the fifth anniversary of the vesting commencement date, at an exercise price of US$0.25 (equivalent to approximately HK$1.94).

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

12. With vesting commencement date on August 31, 2020 and in accordance with a vesting schedule, 20% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 50% of the Shares on the first anniversary, and 30% of the Shares on the second anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of US$0.65 (equivalent to approximately HK$5.06).

13. With vesting commencement date on December 31, 2020 and in accordance with a vesting schedule, 50% of the Shares subject to the corresponding options will be vested on the vesting commencement date and the remainder on the first anniversary, and each exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

14. For one eligible participant, with vesting commencement date on September 1, 2016 and exercisable in yearly intervals, in equal proportions, when certain performance condition is satisfied, but in any event not later than the fourth anniversary of the vesting commencement date, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

15. For one eligible participant, with vesting commencement date on June 30, 2021 and in accordance with a vesting schedule, 20% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 20% of the Shares on the first anniversary, 20% of the Shares on the second anniversary, and 40% of the Shares on the third anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), or US$0.39 (equivalent to approximately HK$3.04), respectively.

16. With vesting commencement date on August 18, 2020 and in accordance with a vesting schedule for the eligible participants, 20% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 50% of the Shares on the second anniversary, and 30% of the Shares on the third anniversary, and are exercisable at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), or US$0.39 (equivalent to approximately HK$3.04), respectively.

17. With vesting commencement dates falling on either the December 31 of 2019, 2020, 2021, 2022, or 2023 and in accordance with a vesting schedule for each of the eligible participants, the Shares subject to the corresponding options will be vested at annual intervals, but in any case not later than the fourth anniversary of the vesting commencement date, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, and exercisable at an exercise price of, where applicable, US$0.03 (equivalent to approximately HK$0.23), or US$0.39 (equivalent to approximately HK$3.04), respectively.

18. For one eligible participant, with vesting commencement date on January 1, 2015 and exercisable when certain sales target is satisfied as determined by the Board at its discretion, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

19. For one eligible participant, with vesting commencement date on December 31, 2020, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

20. For two eligible participants, with vesting commencement date on April 30, 2010 and on October 25, 2018 and exercisable 12 months after a qualified IPO is achieved (which this Offering qualifies for), at an exercise price of US$0.029 (equivalent to approximately HK$0.23), and US$0.18 (equivalent to approximately HK$1.38), respectively.

21. For three eligible participants, with vesting commencement date on February 28, 2018 and exercisable if certain employment condition is satisfied, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

22. For one eligible participant, with vesting commencement date on December 31, 2019 and exercisable when certain product candidates obtain registration certificates and production permits, at an exercise price of US$0.39 (equivalent to approximately HK$3.04); with vesting commencement date on December 31, 2020, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

23. For one eligible participant, with vesting commencement date on December 31, 2019 and exercisable when certain sales target is satisfied as determined by the Board at its discretion, at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

24. For 19 eligible participants, with vesting commencement date on December 31, 2021 and in accordance with their respective vesting schedules, the Shares subject to the corresponding options will be vested in equal proportions at annual intervals, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, but in any event not later than the fourth anniversary of the vesting commencement date, and are exercisable at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

25. For one eligible participant, with vesting commencement date on July 31, 2019, and exercisable when certain product candidate successfully completes a clinical trial, at an exercise price of US$0.65 (equivalent to approximately HK$5.06).

26. For 14 eligible participants, with vesting commencement date on December 27, 2019 and exercisable when a qualified IPO is achieved (which this Offering qualifies for), at an exercise price of US$0.73 (equivalent to approximately HK$5.69).

27. For one eligible participant, with vesting commencement date on August 18, 2021, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

28. The exercise price has been adjusted to give effect to the Capitalization Issue and rounded to two decimal places.

Please refer to Note 24 to the consolidated financial statements for further details.

As of June 30, 2022, no other options have been granted or agreed to be granted by our Company under the Share Option Plan.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme

The Company has conditionally approved and adopted an RSU scheme on April 28, 2020, the RSU Scheme shall be valid and effective for the period of 10 years commencing on the Listing Date. The principal terms of which are set out in the section headed "D. Share Incentive Schemes — 2. RSU Scheme" in Appendix IV to the Prospectus. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

The purpose of the RSU Scheme is to incentivize eligible participants in the RSU Scheme for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

The maximum number of Shares which may be granted under the RSU Scheme is 6,100,420, representing 1% of the total number of Shares in issue on the Listing Date.

As of June 30, 2022, the trustee of the RSU Scheme has purchased an aggregate of 5,472,000 Shares (representing approximately 0.81% of the total issued share capital of the Company) under the RSU Scheme. A total of 205,935 Shares (representing approximately 0.03% of the total issued share capital of the Company) have been granted to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme. A total of 202,310 Shares (representing approximately 0.03% of the total issued share capital of the Company) have been granted to an external consultant of the Group under the RSU Scheme.

Please refer to Notes 23 and 24 to the consolidated financial statements for further details.

3. Share Option Scheme

The Company has conditionally approved and adopted a Share Option Scheme on April 28, 2020, and the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. A summary of the principal terms of which are set out in the section headed "D. Share Incentive Schemes — 3. Share Option Scheme" in Appendix IV to the Prospectus.

(a) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(b) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares:

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of these classes of participants shall not, by itself, unless the Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to the participant's contribution to the development and growth of the Group.

(c) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 61,004,200 (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option, which represents approximately 9.02% of issued shares as of the date of this report.

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(c) Maximum number of Shares (cont'd)

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, the Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Grant of options to connected persons

(i) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

(ii) Where any grant of options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

1. representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

2. having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

Such further grant of options must be approved by the Shareholders in a general meeting. The Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in a general meeting.

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(f) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any Business Day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant.

Please refer to Note 24 to the consolidated financial statements for further details.

Details of the outstanding options and movements during the Reporting Period under the Share Option Scheme are set out as follows:

Grantee	Position/ Relationship	Date of Grant	Vesting Period	Exercise Period	Exercise Price (HK$)	Outstanding at the beginning of the period	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at the end of the period
233 Employees (Note)	Not applicable	7/12/2021	2021/1/1–2025/12/31	2021/12/7–2031/12/6	15.26	2,873,273	0	0	0	358,045	2,515,228
		7/12/2021	2021/7/1–2026/6/30	2021/12/7–2031/12/6	15.26	432,525	0	0	0	120,000	312,525
		7/12/2021	2022/1/1–2024/12/31	2021/12/7–2031/12/6	15.26	100,000	0	0	0	0	100,000
		7/12/2021	2022/1/1–2026/12/31	2021/12/7–2031/12/6	15.26	4,395,588	0	0	0	631,251	3,764,337
						7,801,386	0	0	0	1,109,296	6,692,090

Note: There were 249 employees at the beginning of the period. A total of 1,109,296 options were lapsed due to the resignation of 16 employees during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Net proceeds from the Global Offering and the Listing on the Listing Date, and the full exercise of the Over-allotment Option, after deduction of the underwriting fees and commissions and expenses of the Company in connection with the Global Offering was approximately HK$2,587.98 million. The Group would apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the Prospectus.

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as of June 30, 2022:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK$ million	Utilised amount as of June 30, 2022 HK$ million	Unutilised amount as of June 30, 2022 HK$ million	Expected timeline for unutilised amount
Development and commercialization of our Core Product and other major product candidates	65	1,682.18	326.43	1,355.75	Yr2025
Ongoing pre-clinical studies and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our other product candidates in our pipeline	10	258.80	258.8	0	
Strengthen our research and development capabilities to enrich our product pipeline	8	207.04	57.87	149.17	Yr2024
Expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities	10	258.80	246.89	11.91	Yr2022
Working capital and other general corporate purposes	7	181.16	148.42	32.74	Yr2023
Total	**100**	**2,587.98**	**1,038.41**	**1,549.57**	

As of June 30, 2022, net proceeds from the Global Offering not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

USE OF PROCEEDS FROM THE PLACING

On January 22, 2021, the Company entered into the Placing Agreement with Morgan Stanley & Co. International plc, pursuant to which the Company appointed Morgan Stanley & Co. International plc as its placing agent to procure not less than six Placees who are Independent Third Parties to subscribe up to 33,800,000 Placing Shares at the placing price of HK$29.38 per Placing Share in accordance with the terms and conditions of the Placing Agreement. The net placing price per Placing Share after deducting related fees and expenses is approximately HK$28.74 per Share. The Placing Shares have a market value of approximately HK$1,012.31 million based on the closing price of HK$29.95 per Share as of January 21, 2021 and an aggregate nominal value of US$3,380. The Placing Shares represented approximately 5.3% of the existing issued share capital of the Company as of the Placing Agreement date, and approximately 5.1% of the enlarged issued share capital of the Company immediately following the completion of the Placing.

The Placing was completed on January 29, 2021. An aggregate of 33,800,000 Placing Shares have been successfully placed to not less than six Placees. The net proceeds from the Placing were approximately HK$971.48 million, of which the intended use was set out in the announcement of the Company dated January 22, 2021. The Placing is being undertaken to strengthen the Group's financial position and for the long term funding of its business, expansion and growth plan. The table below sets forth the utilisation of the net proceeds from the Placing and the unused amount as of June 30, 2022:

Business objective as stated in the Announcement of the Company dated January 22, 2021	Percentage to total amount %	Net proceeds HK$ million	Utilised amount as of June 30, 2022 HK$ million	Unutilised amount as of June 30, 2022 HK$ million	Expected timeline for unutilized amount
To fund potential product licensing and possible merger and acquisition opportunities in the area of mitral valve replacement and repair treatment, including a collaboration and license agreement for transeptal mitral valve replacement with HighLife SAS dated December 18, 2020 (for further details, please refer to the voluntary announcement of the Company, published on December 21, 2020)	100	971.48	623.42	348.06	Yr2025
To fund potential product licensing and possible merger and acquisition opportunities in other areas including tricuspid valve replacement and repair treatment					
To fund ongoing technology transfer, product development, and research and development, across the Group					
For other general corporate purposes					
Total	**100**	**971.48**	**623.42**	**348.06**	

As of June 30, 2022, net proceeds from the Placing not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, our Group is not aware of any material subsequent events after the Reporting Period.

By order of the Board
Peijia Medical Limited
Dr. Yi ZHANG
Chairman and Executive Director

Hong Kong, August 19, 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Peijia Medical Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 50 to 83, which comprises the interim condensed consolidated balance sheet of Peijia Medical Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at June 30, 2022 and the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 19, 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the six months ended June 30, 2022

	Note	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	**118,799**	51,689
Cost of sales	6	**(35,597)**	(14,289)
Gross profit		**83,202**	37,400
Selling and distribution expenses	6	**(92,670)**	(21,679)
Administrative expenses	6	**(59,609)**	(53,082)
Research and development expenses	6	**(83,428)**	(131,291)
Other income	7	**2,195**	2,237
Other gains/(losses)-net	8	**41,557**	(21,399)
Operating loss		**(108,753)**	(187,814)
Finance income	9	**18,080**	12,980
Finance costs	9	**(1,121)**	(340)
Finance income — net		**16,959**	12,640
Loss before income tax		**(91,794)**	(175,174)
Income tax expense	10	**(192)**	—
Loss for the period and attributable to the owners of the Company		**(91,986)**	(175,174)
Total comprehensive loss for the period and attributable to the owners of the Company		**(91,986)**	(175,174)
Loss per share attributable to the owners of the Company			
Basic and diluted loss per share (in RMB per share)	11	**(0.14)**	(0.27)

The above condensed consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2022

	Note	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	*12*	**21,199**	25,014
Property, plant and equipment	*13*	**213,801**	151,205
Investment properties	*14*	**7,279**	7,549
Intangible assets	*15*	**399,471**	276,502
Investment accounted for using equity method	*16*	**500**	—
Other receivables	*17*	**12,644**	—
Prepayments	*18*	**3,193**	52,613
Term deposits	*19*	**170,000**	—
Financial assets at fair value through profit or loss	*20*	**236,241**	224,424
Total non-current assets		**1,064,328**	737,307
Current assets			
Inventories	*21*	**84,060**	66,107
Trade and other receivables	*17*	**64,854**	33,333
Prepayments	*18*	**56,960**	30,809
Cash and cash equivalents	*19*	**1,887,886**	2,296,112
Total current assets		**2,093,760**	2,426,361
Total assets		**3,158,088**	3,163,668

Interim Condensed Consolidated Balance Sheet

As at June 30, 2022

	Note	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity attribute to owners of the Company			
Share capital and share premium	*22*	**6,369,462**	6,339,597
Treasury shares held in a trust	*23*	**(84,507)**	(84,549)
Other reserves		**60,103**	69,139
Accumulated losses		**(3,396,988)**	(3,305,002)
Total equity		**2,948,070**	3,019,185
Liabilities			
Non-current liabilities			
Lease liabilities		**2,614**	4,082
Deferred tax liabilities	*25*	**20,320**	20,320
Borrowings	*26*	**9,025**	—
Other payables	*27*	**6,246**	—
Deferred income		**1,220**	1,374
Total non-current liabilities		**39,425**	25,776
Current liabilities			
Lease liabilities		**1,928**	3,545
Borrowings	*26*	**56,000**	—
Trade and other payables	*27*	**112,208**	115,162
Contract liabilities		**457**	—
Total current liabilities		**170,593**	118,707
Total liabilities		**210,018**	144,483
Total equity and liabilities		**3,158,088**	3,163,668

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

	Share capital and share premium RMB'000	Other reserves RMB'000	Treasury shares held in a trust RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at January 1, 2021 (Audited)	5,512,758	54,409	(23,126)	(2,730,786)	2,813,255
Comprehensive loss:					
Loss for the period	—	—	—	(175,174)	(175,174)
Total comprehensive loss	—	—	—	(175,174)	(175,174)
Transactions with owners in their capacity as owners:					
Issuance of ordinary shares	810,559	—	—	—	810,559
Acquisition of shares by the trust	—	—	(6,551)	—	(6,551)
Restricted share units vested	(57)	(742)	799	—	—
Share-based payments	—	10,010	—	—	10,010
Balance at June 30, 2021 (Unaudited)	6,323,260	63,677	(28,878)	(2,905,960)	3,452,099
Balance at January 1, 2022 (Audited)	**6,339,597**	**69,139**	**(84,549)**	**(3,305,002)**	**3,019,185**
Comprehensive loss:					
Loss for the period	**—**	**—**	**—**	**(91,986)**	**(91,986)**
Total comprehensive loss	**—**	**—**	**—**	**(91,986)**	**(91,986)**
Transactions with owners in their capacity as owners:					
Exercise of share options	**31,159**	**(14,239)**	**—**	**—**	**16,920**
Acquisition of shares under the RSU Scheme	**—**	**—**	**(3,094)**	**—**	**(3,094)**
Restricted share units vested	**(1,294)**	**(1,842)**	**3,136**	**—**	**—**
Share-based payments	**—**	**7,045**	**—**	**—**	**7,045**
Balance at June 30, 2022 (Unaudited)	**6,369,462**	**60,103**	**(84,507)**	**(3,396,988)**	**2,948,070**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	**(230,833)**	(178,210)
Interest received	**19,291**	36,075
Interest paid	**(141)**	(42)
Net cash used in operating activities	**(211,683)**	(142,177)
Cash flows from investing activities		
Payments for property, plant and equipment	**(50,619)**	(28,364)
Payments for right-of-use assets	**—**	(8,300)
Payments for intangible assets	**(70,349)**	(1,108)
Payments for financial assets at fair value through profit or loss	**—**	(32,244)
Payments for investment accounted for using equity method	**(500)**	—
Payments for term deposits	**(170,000)**	—
Payments for settlement of foreign exchange forward contracts	**(18,982)**	—
Proceeds from disposal of property, plant and equipment	**1**	1
Net cash used in investing activities	**(310,449)**	(70,015)
Cash flows from financing activities		
Net proceeds from issue of ordinary shares	**—**	810,559
Proceeds from exercise of share options	**762**	—
Payments for listing expenses	**—**	(3,041)
Acquisition of shares under the RSU Scheme	**(3,094)**	(6,551)
Proceeds from bank borrowings	**65,025**	—
Interest paid to bank borrowings	**(937)**	—
Principal elements of lease payments	**(1,431)**	(827)
Net cash generated from financing activities	**60,325**	800,140
Net (decrease)/increase in cash and cash equivalents	**(461,807)**	587,948
Cash and cash equivalents at beginning of the period	**2,296,112**	2,458,161
Exchange gains/(losses) on cash and cash equivalents	**53,581**	(21,450)
Cash and cash equivalents at end of the period	**1,887,886**	3,024,659

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2022

1 GENERAL INFORMATION

Peijia Medical Limited (the "**Company**", or "**Peijia Medical**") was incorporated in the Cayman Islands on May 30, 2012 as an exempted company with limited liability under the Company Law of the Cayman Islands. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the business of (i) research and development, manufacturing and sales of transcatheter valve therapeutic medical devices ("**Transcatheter Valve Therapeutic Business**") and (ii) research and development, manufacturing and sales of neurointerventional procedural medical devices ("**Neurointerventional Business**") in the People's Republic of China (the "**PRC**") and other countries. Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Medical Technology (Suzhou) Co., Ltd. ("**Peijia Suzhou**") and Peijia Medical Technology (Shanghai) Co., Ltd. ("**Peijia Shanghai**"), and Neurointerventional Business is primarily operated by Achieva Medical Limited ("**Achieva Medical**") together with its subsidiaries ("**Achieva Group**").

The address of the Company's registered office is Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010 Cayman Islands.

The Company's shares have been listed on the main board of the Stock Exchange of Hong Kong Limited since May 15, 2020.

This condensed consolidated interim financial information is presented in Renminbi ("**RMB**"). This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the half-year reporting period ended June 30, 2022 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2021 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:

Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IAS 37	Onerous contracts — cost of fulfilling a contract
Amendments to IFRSs	Annual improvements to IFRS standards 2018–2020 cycle
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use

The adoption of these amendments to standards and interpretations did not have any impact on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

(b) New standards and interpretations not yet adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the year are as follows:

		Effective date
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group's operation.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

4 SEGMENT

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the Chief Operating Decision–Maker ("**CODM**"). The CODM, who is responsible for allocating resource and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

The CODM assessed the performance of the operation segments mainly based on segment revenues, cost of sales, selling and distribution expenses, administrative expenses, and research and development expenses of each operation segment. Thus, segment result would present revenues, cost of sales, selling and distribution expenses, administrative expenses, research and development expenses and gross profit for each segment, which is in line with CODM's performance review.

As a result of this evaluation, the Group determined that it has operating segments as follows:

Transcatheter Valve Therapeutic Business

Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Suzhou and Peijia Shanghai, which is engaged in the business of research and development, manufacturing and sales of transcatheter valve therapeutic medical devices.

Neurointerventional Business

Neurointerventional Business is primarily operated by Achieva Medical together with its subsidiaries, which is engaged in the business of research and development, manufacturing and sales of neurointerventional procedural medical devices.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenue is mainly generated in China.

4 SEGMENT (CONT'D)

The segment information provided to the Group's CODM for reportable segments for the six months ended June 30, 2022 and 2021 is as follows:

	Six months ended June 30, 2022		
	Transcatheter Valve Therapeutic Business RMB'000 (Unaudited)	**Neurointerventional Business RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Revenue	**52,103**	**66,696**	**118,799**
Cost of sales	**(11,365)**	**(24,232)**	**(35,597)**
Selling and distribution expenses	**(67,306)**	**(25,364)**	**(92,670)**
Administrative expenses	**(42,372)**	**(17,237)**	**(59,609)**
Research and development expenses	**(58,436)**	**(24,992)**	**(83,428)**
Segment loss	**(127,376)**	**(25,129)**	**(152,505)**

	Six months ended June 30, 2021		
	Transcatheter Valve Therapeutic Business RMB'000 (Unaudited)	Neurointerventional Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	9,381	42,308	51,689
Cost of sales	(1,907)	(12,382)	(14,289)
Selling and distribution expenses	(6,437)	(15,242)	(21,679)
Administrative expenses	(38,060)	(15,022)	(53,082)
Research and development expenses	(107,993)	(23,298)	(131,291)
Segment loss	(145,016)	(23,636)	(168,652)

5 REVENUE

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from sales of goods — at a point in time	**118,799**	51,689

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Change of work in process and finished goods	**(9,087)**	(10,296)
Raw materials and consumables used		
— Research and development expenses	**17,513**	13,125
— Cost of raw material	**17,544**	13,707
Service expenses for research and development	**26,652**	90,742
Employee benefits expenses	**121,739**	66,345
Promotion expenses	**21,133**	8,305
Professional services	**14,558**	5,899
Depreciation of property, plant and equipment *(Note 13)*	**9,842**	6,417
Utilities and office expenses	**8,208**	5,262
Amortisation of intangible assets *(Note 15)*	**6,025**	4,752
Entertainment expenses	**6,170**	3,584
Travelling and transportation expenses	**4,466**	3,741
Auditor's remuneration	**1,930**	2,007
Depreciation and amortisation of right-of-use assets *(Note 12)*	**1,592**	1,024
Depreciation and amortisation of investment properties *(Note 14)*	**270**	270
Others	**22,749**	5,457
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**271,304**	220,341

7 OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental Income	**452**	357
Government grants-related to income	**1,589**	1,742
Government grants-related to assets	**154**	138
	2,195	2,237

8 OTHER GAINS/(LOSSES) — NET

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange gains/(losses) — net	**60,900**	(21,341)
Losses on disposal of property, plant and equipment	**—**	(102)
Losses on disposal of right-of-use assets	**(397)**	—
Loss from foreign exchange forward contracts	**(18,982)**	—
Others	**36**	44
	41,557	(21,399)

9 FINANCE INCOME — NET

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income:		
Bank interest income	**18,080**	12,980
Finance costs:		
Interest expense on lease liabilities	**(141)**	(42)
Interest expense on bank borrowings	**(980)**	—
Exchange losses on financial assets at fair value through profit or loss	**—**	(298)
	(1,121)	(340)
Finance income — net	**16,959**	12,640

10 INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	**(192)**	—
Deferred income tax	**—**	—
Income tax expense	**(192)**	—

The Group's principal applicable taxes and tax rates are as follows:

(a) Mainland China

No provision for Mainland China income tax has been provided for at a rate of 25% or 15% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), as the Group's PRC entities have no estimated assessable profits.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175%-200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that period.

(b) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Group has no estimated assessable profit.

(c) Enterprises incorporated in other places are subject to income tax rates of 0%–0.26% prevailing in the places in which the Group operated.

11 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by weighted average number of ordinary shares issued during the period.

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Numerator:		
Loss attributable to owners of the Company *(RMB'000)*	**91,986**	175,174
Denominator:		
Weighted average number of ordinary shares in issue *(thousand)*	**672,171**	659,910
Basic loss per share *(RMB)*	**0.14**	0.27

(i) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months period ended June 30, 2022 and 2021, the Company had one category of potential ordinary shares: the stock options granted to employees. As the Group incurred losses for the six months periods ended June 30, 2022 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti–dilutive. Accordingly, diluted loss per share for the respective six months periods ended June 30, 2022 and 2021 are the same as basic loss per share.

12 RIGHT-OF-USE ASSETS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Right-of-use assets		
— Land use rights *(a)*	**16,669**	16,928
— Buildings *(b)*	**4,530**	8,086
	21,199	25,014

(a) Land use rights

(i) The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the remaining lease term is 29–40 years as of June 30, 2022. The movements of land use rights are analysed as follows:

	Land use rights RMB'000
At December 31, 2021 (Audited)	
Cost	18,156
Accumulated amortisation	(1,228)
Net book value	16,928
Six months ended June 30, 2022 (Unaudited)	
Opening net book value	16,928
Amortisation charge	(259)
Closing net book value	16,669
At June 30, 2022 (Unaudited)	
Cost	18,156
Accumulated amortisation	(1,487)
Net book value	16,669

12 RIGHT-OF-USE ASSETS (CONT'D)

(b) Buildings

(i) The Group leases offices for own use. Information about leases for which the Group is a lessee is presented below:

	Buildings RMB'000
At December 31, 2021 (Audited)	
Cost	12,243
Accumulated depreciation	(4,157)
Net book value	8,086
Six months ended June 30, 2022 (Unaudited)	
Opening net book value	8,086
Additions	2,310
Termination	(4,361)
Depreciation charge	(1,505)
Closing net book value	4,530
At June 30, 2022 (Unaudited)	
Cost	7,148
Accumulated depreciation	(2,618)
Net book value	4,530

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture RMB'000	Electronic equipment RMB'000	Machinery RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At December 31, 2021 (Audited)								
Cost	53,528	4,724	16,115	53,187	2,483	28,609	31,063	189,709
Accumulated depreciation	(9,751)	(1,732)	(7,271)	(7,075)	(819)	—	(11,856)	(38,504)
Net book value	43,777	2,992	8,844	46,112	1,664	28,609	19,207	151,205
Six months ended June 30, 2022 (Unaudited)								
Opening net book value	43,777	2,992	8,844	46,112	1,664	28,609	19,207	151,205
Transferred in from construction in progress	—	—	—	9,043	—	(15,602)	6,559	—
Transferred to intangible assets	—	—	—	—	—	(66)	—	(66)
Additions	—	169	2,078	4,024	3	65,597	634	72,505
Disposals	—	—	(1)	—	—	—	—	(1)
Depreciation charge *(Note 6)*	(1,540)	(377)	(2,244)	(2,753)	(232)	—	(2,696)	(9,842)
Closing net book value	42,237	2,784	8,677	56,426	1,435	78,538	23,704	213,801
At June 30, 2022 (Unaudited)								
Cost	53,528	4,889	18,168	66,200	2,486	78,538	38,256	262,065
Accumulated depreciation	(11,291)	(2,105)	(9,491)	(9,774)	(1,051)	—	(14,552)	(48,264)
Net book value	42,237	2,784	8,677	56,426	1,435	78,538	23,704	213,801

14 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
At December 31, 2021 (Audited)			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(1,444)	(43)	(1,487)
Net book value	6,961	588	7,549
Six months ended June 30, 2022 (Unaudited)			
Opening net book value	6,961	588	7,549
Depreciation and amortisation charge *(Note 6)*	(263)	(7)	(270)
Closing net book value	6,698	581	7,279
At June 30, 2022 (Unaudited)			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(1,707)	(50)	(1,757)
Net book value	6,698	581	7,279

(i) For the six months ended June 30, 2022, depreciation and amortisation have been charged to "administrative expenses" amounted to RMB270,000 (unaudited) (six months ended June 30, 2021: RMB270,000).

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Technologies RMB'000	Computer Software RMB'000	Total RMB'000
At December 31, 2021 (Audited)				
Cost	51,658	240,873	3,691	296,222
Accumulated amortisation	—	(18,012)	(1,708)	(19,720)
Net book value	51,658	222,861	1,983	276,502
Six months ended June 30, 2022 (Unaudited)				
Opening net book value	51,658	222,861	1,983	276,502
Additions	—	127,388	1,540	128,928
Transferred in from construction in progress	—	—	66	66
Amortisation charge *(Note 6)*	—	(5,103)	(922)	(6,025)
Closing net book value	51,658	345,146	2,667	399,471
At June 30, 2022 (Unaudited)				
Cost	51,658	368,261	5,297	425,216
Accumulated amortisation	—	(23,115)	(2,630)	(25,745)
Net book value	51,658	345,146	2,667	399,471

16 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Joint venture *(a)*	**500**	—

The amounts recognised in the consolidated income statement are as follows:

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Joint venture *(a)*	—	—

16 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD (CONT'D)

(a) Investments in joint venture

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Beginning of the period	—	—
Additions	500	—
End of the period	500	—

17 TRADE AND OTHER RECEIVABLES

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Trade receivables from third parties *(a)*	16,227	—
Other receivables from third parties	7,962	3,639
Value-added tax recoverable	9,603	14,550
Interest receivables	4,264	5,475
Deposits	1,441	1,926
Other receivables from employees *(b)*	28,802	—
Others	9,199	7,743
Total	77,498	33,333
Less: non-current portion	(12,644)	—
Current portion	64,854	33,333

(a) At June 30, 2022 and December 31, 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Within 6 months	16,227	—

(b) Other receivables from employees included a loan to an employee amounted to RMB12,644,000, of which the nominal value was HKD16,000,000 (equivalent to RMB13,372,000). The loan was interest-free and will be repayable in March 2024.

18 PREPAYMENTS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Prepayments to:		
— inventories	**40,295**	19,860
— research and development service	**4,228**	2,940
— equipment not received	**3,193**	1,607
— intellectual property under research and development	**—**	51,006
— others	**12,437**	8,009
Total	**60,153**	83,422
Less: non-current portion	**(3,193)**	(52,613)
Current portion	**56,960**	30,809

19 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Cash in bank	**2,057,886**	2,296,112
Less: term deposits with initial term of over one year *(a)*	**(170,000)**	—
	1,887,886	2,296,112

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Cash and cash equivalents and term deposits are denominated in:		
— USD	**501,499**	566,431
— HKD	**549,477**	611,193
— RMB	**1,006,910**	1,118,488
	2,057,886	2,296,112

(a) The directors of the Company considered that the carrying amount of the term deposits with initial terms of over one year was approximated to their fair value as at June 30, 2022.

20 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Unlisted equity investments (i)	**236,241**	224,424

(i) The movements in the carrying value of the unlisted equity investments for the periods are as follows:

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Opening balance	**224,424**	3,262
Additions	**—**	32,244
Foreign exchange gains/(losses)	**11,817**	(298)
Closing balance	**236,241**	35,208

As at June 30, 2022, the unlisted equity investments represented preferred shares of three unlisted entities owned by the Group with amounts of USD4,199,973 (approximately RMB28,188,000), USD22,999,920 (approximately RMB154,362,000) and USD8,000,004 (approximately RMB53,691,000), respectively. The equity interest percentage owned by the Group over these three entities are 14%, 50% and 3% respectively. As the Group has preferential rights compared with the ordinary shareholders, which significantly differentiate the risks and rewards undertaken, these investments are accounted as financial assets at fair value through profit or loss.

21 INVENTORIES

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Raw materials	**49,687**	40,821
Finished goods	**28,536**	18,873
Work in progress	**5,837**	6,413
	84,060	66,107

22 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at December 31, 2021 (Audited)	**671,334,904**	**474**	**6,339,123**	**6,339,597**
Exercise of share options	**5,479,273**	**3**	**31,156**	**31,159**
Restricted share units vested under the trust	**—**	**—**	**(1,294)**	**(1,294)**
As at June 30, 2022 (Unaudited)	**676,814,177**	**477**	**6,368,985**	**6,369,462**

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at December 31, 2020 (Audited)	632,918,000	449	5,512,309	5,512,758
Issuance of ordinary shares (i)	33,800,000	22	810,537	810,559
Restricted share units vested under the trust	—	—	(57)	(57)
As at June 30, 2021 (Unaudited)	666,718,000	471	6,322,789	6,323,260

(i) In January 2021, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, an aggregate of 33,800,000 placing shares to not less than six places at a price of HK$29.38 per placing share, representing 5.1% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing.

23 TREASURY SHARES HELD IN A TRUST

	Number of treasury shares	Amount RMB'000
As at January 1, 2022 (Audited)	**(4,640,546)**	**(84,549)**
Acquisition of shares under restricted share units plan (i)	**(451,000)**	**(3,094)**
Restricted share units vested under the trust (ii)	**106,453**	**3,136**
As at June 30, 2022 (Unaudited)	**(4,985,093)**	**(84,507)**

(i) On December 31, 2019, the Company and Trident Trust Company (HK) Limited (the "**Trident Trust**"), an independent third party, set up the peijia employee benefit trust which entered into a trust deed pursuant to which Trident Trust has agreed to act as the trustee to administer the peijia employee benefit trust and to hold the ordinary shares under the peijia employee benefit trust through the nominee, Best Achiever Management Limited (the "**Nominee**").

For the six months ended June 30, 2022, the Nominee made on-market purchases of 451,000 (unaudited) shares according to the Company's instruction (six months ended June 30, 2021: 277,000 (unaudited)). The shares held in the trust are accounted for as treasury shares of the Company.

(ii) For the six months ended June 30, 2022, 106,453 restricted share (unaudited) units were vested under the trust (six months ended June 30, 2021: 32,350 (unaudited)).

24 SHARE-BASED PAYMENTS

(a) Stock options

(i) Stock options granted to employees in 2017

In 2017, the Company granted 462,500 stock options to senior management members as rewards for their services and in exchange for their full-time devotion and professional expertise.

The exercise price of granted options is USD5.00 or USD7.8084 per ordinary share. The stock options included certain performance conditions, which required the employees to complete a service period and still in the same position as when granted. The vesting term of the stock options includes a five-year and one-year vesting schedule respectively. The five-year vesting schedule consisting of a cliff vesting of twenty percent (20%) on every anniversary of the grant date. All options shall expire in ten years from the respective grant dates.

24 SHARE-BASED PAYMENTS (CONT'D)

(a) Stock options (cont'd)

(ii) Stock options granted to employees in 2019

In 2019, the Company granted 2,473,941 stock options to certain directors, senior management members and employees of the Group as rewards for their services and in exchange for their full-time devotion and professional expertise.

The weighted average exercise price of granted options is USD8.7630 per ordinary share. The vesting term of the stock options includes different vesting schedule, which varies from one year to six years with different performance conditions respectively. All options shall expire in ten years from the respective grant dates.

As at April 28, 2020, the number and exercise price of above stock options have been adjusted to give effect to the capitalization issue.

(iii) Stock options granted to employees in 2021

On December 7, 2021, the Company granted 7,801,386 stock options to senior management members and employees of the Group as rewards for their services and in exchange for their full-time devotion and professional expertise.

The exercise price of granted options is HKD15.26 per ordinary share. The vesting term of the stock options includes different vesting schedule, which varies from one year to six years with different performance conditions respectively. All options shall expire in ten years from the grant dates.

(iv) The financial impact of stock options is as follows:

Movements in the number of stock options are as follows:

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
At the beginning of period	**50,008,962**	46,893,480
Exercised	**(5,479,273)**	—
Forfeited	**(1,919,087)**	(69,000)
At the end of period	**42,610,602**	46,824,480

24 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units

A restricted share award scheme (the "**RSU Scheme**") was approved and adopted pursuant to a resolution passed on April 28, 2020. The directors of the Company may, from time to time, at its absolute discretion grant restricted share units to selected person in accordance with the RSU Scheme. The overall limit on the number of restricted share units under the RSU Scheme is 6,100,420 shares and the maximum number of shares which may be awarded to any selected person under the RSU Scheme shall not exceed 1% of the issued share capital of the Company as at April 28, 2020.

For the six months ended June 30, 2022, the restricted share units granted to directors and a consultant of the Group are as follows:

Restricted share units granted to	Number of granted (Unaudited)	Grant date (Unaudited)	Vesting period (Unaudited)
Directors	**101,442**	**Grant quarterly**	**3 years**
Consultant	**65,876**	**Grant quarterly**	**—**

For the six months ended June 30, 2021, the restricted share units granted to directors and a consultant of the Group are as follows:

Restricted share units granted to	Number of granted (Audited)	Grant date (Audited)	Vesting period (Audited)
Directors	26,374	Grant quarterly	3 years
Consultant	21,800	Grant quarterly	—

The fair value of the restricted share units is measured on the basis of an observable market price as at grant date.

The total expense recognised in the consolidated statement of comprehensive loss for the six months ended June 30, 2022 for the restricted share units granted is approximately RMB1,162,000 (unaudited)(six months ended June 30, 2021: RMB958,000(unaudited)).

As at June 30, 2022, 22,720 restricted share units remained unvested or unexercised (December 31, 2021: 169,615).

24 SHARE-BASED PAYMENTS (CONT'D)

(c) Expense for the share-based payments has been charged to the consolidated statements of comprehensive loss as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Stock options		
Research and development expenses	**6,514**	3,534
Administrative expenses	**3,291**	5,245
Selling and distribution expenses	**2,974**	190
Cost of sales	**975**	83
	13,754	9,052
Restricted share units		
Administrative expenses	**512**	477
Research and development expenses	**650**	481
	1,162	958
Total	**14,916**	10,010

25 DEFERRED TAX ASSETS AND LIABILITIES

(i) The movements in deferred tax assets and deferred liabilities for the six months ended June 30, 2022, without taking into consideration the offsetting of balanced within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses RMB'000
As at January 1, 2022 (Audited)	20,280
Charge to consolidated statements of comprehensive loss	(1,369)
As at June 30, 2022 (Unaudited)	18,911

Deferred tax liabilities

	Property, plant and equipment acquired in business combination RMB'000	Investment property acquired in business combination RMB'000	Land use rights acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
As at January 1, 2022 (Audited)	1,357	615	446	38,182	40,600
Credit to consolidated statements of comprehensive loss	(63)	(23)	(6)	(1,277)	(1,369)
As at June 30, 2022 (Unaudited)	1,294	592	440	36,905	39,231

(ii)

	June 30, 2022 RMB'000 (Unaudited)
Deferred tax liabilities	
— to be recovered within 12 months	**3,976**
— to be recovered more than 12 months	**35,255**
	39,231

26 BORROWINGS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Non-current		
Bank borrowings — secured (i)	**9,025**	—
Less: Current portion of non-current borrowings — secured	**—**	—
	9,025	—
Current		
Bank borrowings — unsecured (ii)	**56,000**	—
Total	**65,025**	—

(i) Bank borrowings — secured

In March 2022, the Group entered into a secured bank loan facility agreement, which is specific for financing the construction of the new headquarter and will be matured in May 2027. The maximum amount that the Group is able to draw down under such facility is RMB400,000,000, and any drawdown will bear an interest rate corresponding to one-year loan prime rate circulated by the People's Bank of China plus 15 basis points.

As at June 30, 2022, the Group has drawn down RMB9,025,000 which was mortgaged by a land use right of the Group with a carrying amount of RMB9,775,000. The drawdown bore an interest rate of 3.85% and will be repayable in instalments, commencing from November 2024.

(ii) In January 2022, the Group entered into an unsecured general bank borrowing agreement. The principal of the borrowing was RMB56,000,000, which bore a fixed interest rate of 3.58% and will be repayable in January 2023.

(iii) At December 31, 2021 and June 30, 2022, the Group's borrowings were repayable as follows:

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Within 1 year	**56,000**	—
Between 1 and 5 years	**9,025**	—
Total	**65,025**	—

27 TRADE AND OTHER PAYABLES

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Trade payables to third parties	**10,445**	54,168
Other payables to third parties	**57,443**	31,116
Staff salaries, bonus and welfare payables	**32,468**	24,490
Interest payable	**65**	—
Accrued taxes other than income tax	**18,033**	5,388
Total	**118,454**	115,162
Less: non-current position	**(6,246)**	—
Current position	**112,208**	115,162

An ageing analysis of the trade payables based on the invoice date, is as follows:

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Within 1 year	**10,315**	54,003
More than 1 year	**130**	165
	10,445	54,168

28 FAIR VALUE ESTIMATION

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

(i) Fair value hierarchy

The following table presents the Group's assets and liabilities that were measured at fair value at June 30, 2022:

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Assets:				
Financial assets at fair value through profit or loss *(Note 20)*				
— Unlisted equity investments	**—**	**—**	**236,241**	**236,241**

The following table presents the Group's assets and liabilities that were measured at fair value at December 31, 2021:

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Assets:				
Financial assets at fair value through profit or loss *(Note 20)*				
— Unlisted equity investments	—	—	224,424	224,424

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

28 FAIR VALUE ESTIMATION (CONT'D)

(i) Fair value hierarchy (cont'd)

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at June 30, 2022.

Level 1: The fair value of financial instruments traded in active markets (e.g. publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques applied as of June 30, 2022 and December 31, 2021.

28 FAIR VALUE ESTIMATION (CONT'D)

(iii) Fair value measurements using significant unobservable inputs (level 3)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2022.

The changes in level 3 instruments for the six months ended June 30, 2022 and 2021 are presented in Note 20.

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Valuation techniques	Significant unobservable inputs	Range of inputs
Unlisted equity securities	**Equity allocation model**	**Risk free rate** **Volatility**	**1.22%~1.41%** **38.93%~45.49%**

Valuation processes

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments.

If the fair values of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower, the loss before income tax for the six months ended June 30, 2022 and 2021 would have been approximately RMB23,624,000 lower/higher and RMB3,520,800 lower/higher, respectively.

(iv) Fair values of other financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, trade and other receivables, borrowings, trade and other payables and lease liabilities) approximate their fair values.

29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended June 30, 2022 and 2021, and balances arising from related party transactions as at June 30, 2022 and as at December 31, 2021.

(a) Name of and relationship with related parties

Name of related party	Nature of relationship
Key management personnel	Key management personnel

(b) Transactions with related parties

Other than the transaction disclosed in Note 17, there is no other transaction with related parties.

(c) Balances with related parties

Other receivables

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Key management personnel	**28,802**	—

(d) Key management compensation

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, wages and bonuses	**6,195**	6,019
Housing fund, medical insurance and other social insurance	**467**	329
Share-based compensation expenses	**4,257**	5,624
	10,919	11,972

30 CAPITAL COMMITMENTS

The following is the details of capital expenditure contracted for but not effective or provided in the consolidated financial information.

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Property, plant and equipment	**130,935**	181,471

31 DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: nil).

DEFINITIONS

In this interim report, the following expressions shall have the meanings set out below, unless the context otherwise requires:

"Achieva" or "Achieva Group"	includes Achieva Medical and its subsidiaries, i.e., Achieva HK, Achieva Shanghai, Achieva Suzhou and Jiangxi Zhisheng
"Achieva HK"	Achieva Medical HK Limited, an exempted company incorporated under the laws of Hong Kong on March 25, 2009, being an indirect wholly-owned subsidiary of the Company
"Achieva Medical"	Achieva Medical Limited, an exempt limited liability company incorporated under the laws of the Cayman Islands on November 2, 2005, being a wholly-owned subsidiary of our Company
"Achieva Shanghai"	Achieva Medical (Shanghai) Co., Ltd. (加奇生物科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on March 21, 2006, being an indirect wholly-owned subsidiary of the Company
"Achieva Suzhou"	Achieva Medical (Suzhou) Co., Ltd. (上海加奇生物科技蘇州有限公司), a limited liability company incorporated under the laws of PRC on November 29, 2016, being an indirect wholly-owned subsidiary of the Company
"AIS"	acute ischemic stroke, a disease occurs when the blood flow through the cerebral areries is blocked by a clot (i.e., a large amount of thickened blood)
"aortic valve"	a valve in the human heart between the left ventricle and the aorta
"AR"	aortic regurgitation
"AS"	aortic stenosis
"Audit Committee"	the audit committee of the Board
"BD"	business development
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this report and for geographical reference only, Hong Kong, Macau and Taiwan

"CODM"	chief operating decision-maker
"Company" or "our Company"	Peijia Medical Limited (沛嘉醫療有限公司), an exempt limited liability company incorporated under the laws of the Cayman Islands on May 30, 2012
"Concert Parties"	Dr. Yi ZHANG, Mrs. Ping Ye ZHANG, Ms. Hong YE, Jinnius Drive Trust, Hanlindale Trust and XinYue International Limited, being parties to the Concert Party Agreement, and each a "Concert Party"
"Concert Party Agreement"	the agreement entered into among the Concert Parties dated January 21, 2020
"confirmatory clinical trial"	a controlled clinical trial of a medical device product designed to demonstrate statistically significant clinical efficacy and safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure), for regulatory approval of such product
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which, for purposes of this report, refers to TaurusOne®
"COVID-19"	coronavirus disease 2019
"delivery catheter system"	an integral delivery catheter with a tip, a sheath tube, a catheter and a handle system used to deliver and release the PAV to the target position
"Director(s)"	the director(s) of the Company
"Dr. Zhang"	Dr. Yi Zhang, one of our Founders, and our chairman, Chief Executive Officer, an executive Director of our Company and our substantial shareholder upon Listing
"FIM"	First-in-man, a stage of clinical trial
"Founders"	Dr. Yi ZHANG, Mrs. Ping Ye ZHANG and Ms. Hong YE
"Frost & Sullivan"	a research & consulting firm which specialized in producing industry research reports
"Global Offering"	has the meaning as ascribed to it under the Prospectus

"Group," "our Group," "our," "we," or "us"	our Company and all of its subsidiaries (including but not limited to Achieva), or any one of them as the context may require or, where the context refers to any time prior to its incorporation or the Share Swap, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"ICAD"	intracranial atherosclerotic disease, a disease occurs when plaque (cholesterol, fatty deposits and other materials) builds up in the blood vessels at the base of the brain, causing them to narrow and harden
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of our Company under the Listing Rules
"KOL(s)"	Key Opinion Leader(s), renowned physicians that are able to influence their peers' medical practice
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date, Friday, May 15, 2020, on which the Shares were listed and dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"LVOT"	Left ventricular outflow tract
"mechanical thrombectomy"	a type of minimally-invasive therapy in which blood clot is removed from arteries using imaging techniques guiding medical devices through patients' arteries to the blood clot
"mitral valve"	the valve that lets blood flow from one chamber of the heart, the left atrium, to another called the left ventricle

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MR"	mitral regurgitation
"MS"	mitral stenosis
"Neurointerventional Business"	the business of our Group in research and development of neurointerventional procedural medical devices
"neurointerventional procedural medical devices"	medical devices for treatment of neurovascular diseases using interventional endovascular technique
"neurovascular diseases"	also known as cerebrovascular diseases, including any abnormality of the blood vessels within the brain and spine or abnormality with supplying blood to such areas
"Nomination Committee"	the nomination committee of the Board
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), formerly known as the China Food and Drug Administration or the CFDA
"Over-allotment Option"	has the meaning as ascribed to it under the Prospectus
"PAV"	prosthetic aortic valve, the artificial valve of our TAVR Products
"Peijia Shanghai"	Peijia Medical Technology (Shanghai) Co., Ltd. (沛嘉醫療科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on February 24, 2012, being an indirect wholly-owned subsidiary of our Company
"Peijia Suzhou"	Peijia Medical Technology (Suzhou) Co., Ltd. (沛嘉醫療科技(蘇州)有限公司), a limited liability company incorporated under the laws of PRC on March 4, 2013, being an indirect wholly-owned subsidiary of our Company
"Placee(s)"	any individuals, corporate, institutional or other investor(s) procured by the Placing Agent or their respective agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
"Placing"	the placing of 33,800,000 Placing Shares pursuant to the terms of the Placing Agreement

"Placing Agreement"	the conditional placing agreement entered into between the Company and Morgan Stanley & Co. International plc dated January 22, 2021 in relation to the Placing
"Placing Shares"	33,800,000 Placing Shares to be placed pursuant to the Placing Agreement
"Preferred Shares"	the Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and/or Series C-1 Preferred Shares
"Prospectus"	the prospectus of the Company dated May 5, 2020, in relation to the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the six months ended June 30, 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit award scheme of the Company conditionally approved and adopted by our Shareholders on April 28, 2020, the principal terms of which are set out in Prospectus
"R&D"	research and development
"Series A Preferred Shares"	the 1,900,000 series A preferred shares of our Company, par value US$0.0001 per share
"Series A-1 Preferred Shares"	the 2,088,204 series A-1 preferred shares of our Company, par value US$0.0001 per share
"Series B Preferred Shares"	the 1,527,110 series B preferred shares of our Company, par value US$0.0001 per share
"Series C Preferred Shares"	the 1,969,118 series C preferred shares of our Company, par value US$0.0001 per share
"Series C-1 Preferred Shares"	the 3,406,191 series C-1 preferred shares of our Company, par value US$0.0001 per share
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)

"Share Option Scheme"	the share option scheme conditionally adopted by the Company on April 28, 2020, a summary of the principal terms of which is set forth in the paragraph headed "Appendix IV — Statutory and General Information — D. Share Incentive Schemes" in the Prospectus
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Incentive Schemes"	the Share Option Plan, the RSU Scheme and the Share Option Scheme
"sq.m."	square meter, a unit of area
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"TAVR"	transcatheter aortic valve replacement, a catheter-based technique to implant a new aortic valve in an interventional procedure that does not involve open-chest surgery
"TEER"	transcatheter edge-to-edge repair
"TMVR"	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery
"TOP/KA hospitals"	hospitals in China which complete at least 100 (TOP) or 50 (KA) TAVR procedures each year
"transcatheter valve therapeutic medical devices"	medical devices for the treatment of valvular heart diseases using cardiovascular interventional technique by implanting a prosthetic valve through an artery
"tricuspid valve"	the valve on the right dorsal side of the mammalian heart, between the right atrium and the right ventricle, the function of which is to prevent back flow of blood from the right ventricle into the right atriums
"TSMVR"	transseptal mitral value replacement
"TTVR"	transcatheter tricuspid valve replacement, a catheterbased technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"valvular heart diseases"	the failure or dysfunction of one or more of the four heart valves, where the valves become too narrow and hardened to open fully, or are unable to close completely
"valvuloplasty"	a procedure using balloons to repair a heart valve with a narrowed opening and to improve blood flow through the valve
"%"	per cent