

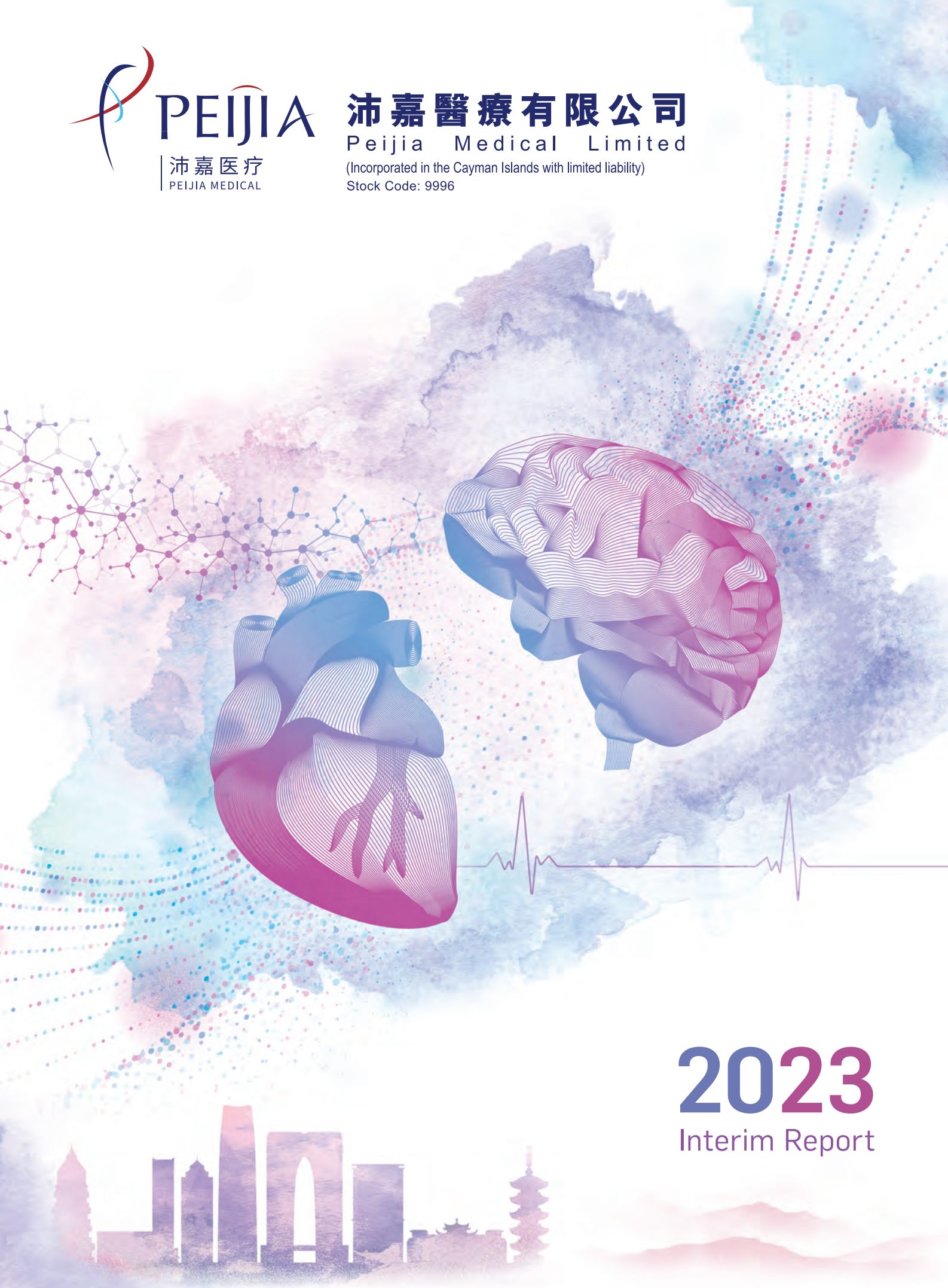


沛嘉醫療有限公司

Peijia Medical Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9996



2023

Interim Report

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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. Hing Ling CHAU (*FCS, FCG*)

AUTHORIZED REPRESENTATIVES

Ms. Hong YE

Ms. Hing Ling CHAU (*FCS, FCG*)

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and

Registered Public Interest Entity Auditor

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,		Period-to-period change
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Revenue	224,871	118,799	89.3%
Gross profit	172,957	83,202	107.9%
Loss before income tax	(211,473)	(91,794)	130.4%
Loss for the period	(212,075)	(91,986)	130.6%
Cash, cash equivalents and term deposits	1,162,627	2,057,886	-43.5%
Research and development expenses	(171,295)	(83,428)	105.3%
Including: One-time BD expenses*	(87,922)	(12,343)	612.3%

* This item is not required by, or presented in consolidated financial statements in accordance with, IFRS.

For the Reporting Period, our Group recorded revenue of RMB224.9 million, as compared to RMB118.8 million for the same period in 2022, representing an increase of 89.3% as compared to the same period in 2022; and loss for the period and attributable to the owners of the Company of RMB212.1 million, as compared to RMB92.0 million for the same period in 2022.

The increase in revenue was primarily attributable to the following reasons:

- (i) the commercialization of TAVR products (including the first-generation product TaurusOne® and second-generation retrievable product TaurusElite®), has been accelerated, further increasing the Group's market share;
- (ii) the sales volume of the Group's existing neurointerventional products (including Tethys® Intermediate Catheter, SacSpeed® Balloon Dilatation Catheter, Jasper® Detachable Coil and Syphonet® Stent Retriever, etc.) has increased constantly, hence continuously contributing to the revenue growth of the Group; and
- (iii) the Group's ischemic products (including Fastunnel® Delivery Balloon Dilatation Catheter, etc.) whose registration applications were approved by the National Medical Products Administration of the PRC in the second quarter of 2022, have since been commercialized, contributing to the increase in the revenue of the Group.

BUSINESS HIGHLIGHTS

1. WE TOOK ADVANTAGE OF INDUSTRY RECOVERY TO FURTHER ACCELERATE THE COMMERCIALIZATION OF TAVR PRODUCTS, SIGNIFICANTLY INCREASING HOSPITAL COVERAGE AND MARKET SHARE.

With the recovery of procedure volume across the market and the increasing unit production of the sales team, we have seen substantial growth in terminal implant volume and market share for our first- and second-generation TAVR products. During the Reporting Period, our products were implanted in more than 120 new hospitals, bringing total penetration to more than 410 hospitals, a figure comparable to peers. For the Reporting Period, the terminal implant volume of our TAVR products was near 1,250 units, surpassing the number of units implanted for the year ended December 31, 2022, with an estimated market share of over 20%.

The increase in hospital coverage and market share have further demonstrated our superior product performance and effective marketing strategies. In the future, our professional sales and marketing team will continue to educate the market and provide compliant and high-quality services to physicians to further promote the utilization and application of the therapy and further improve the benefits for patients.

2. WE HAVE SUCCESSFULLY LAUNCHED THE MULTI-CENTER REGISTRATION CLINICAL TRIAL FOR TaurusTrio™ AND WE CONTINUE TO ADVANCE THE REGISTRATION CLINICAL TRIAL FOR THE NEXT GENERATION OF PRODUCTS IN OUR CORE PIPELINE.

During the Reporting Period, we successfully reached several milestone events for the Trilogy™ Heart Valve System, an AR indication TAVR product by obtaining the exclusive license from JenaValve Technology Inc. (“JenaValve”). In May 2023, we completed the first commercial implantation of Trilogy™ in Hong Kong. Additionally, we completed the technology transfer of the product to our local manufacturing site in the PRC, allowing for in house production of TaurusTrio™ TAVR system, which is technically consistent with Trilogy™. In July 2023, we officially launched the multi-center registration clinical trial of TaurusTrio™ in the PRC. As of the date of this report, no transfemoral AR indication TAVR product has been approved for marketing by the NMPA in the PRC.

Our next-generation transcatheter valve therapeutic pipeline is steadily advancing. Our Company is leading the industry with several products that have entered the registration clinical trial stage, including (i) TaurusNXT®, our *Non-glutaraldehyde Crosslinked* Dry-tissue TAVR product; (ii) TaurusTrio™, our AR indication TAVR product; (iii) GeminiOne®, our mitral valve TEER product; and (iv) HighLife®, our TSMVR product. As of the date of this report, our Company’s Transcatheter Valve Therapeutic Business had five commercialized products and nine product candidates in various stages of development; among them, five products entered the NMPA Green Path for Special Review Procedures of Innovative Medical Devices.

Business Highlights

3. OUR NEUROINTERVENTIONAL PRODUCT PORTFOLIO IS MATURE AND COMPREHENSIVE. THE COMMERCIALIZATION OF PRODUCTS IN THE HEMORRHAGIC, ISCHEMIC AND VASCULAR ACCESS PRODUCT LINES HAS BEEN FULLY ACCELERATED.

During the Reporting Period, the sales volume of our newly launched ischemic products gradually increased. With a mature and comprehensive commercialized product portfolio and an extensive distributor network, our neurointerventional segment recorded revenue of RMB117.1 million, representing a better-than-expected period-over-period increase of 75.6%. Among these, hemorrhagic, ischemic and vascular access products accounted for 27.3%, 39.1% and 33.1% (44.2%, 25.0% and 30.6% for the six months ended June 30, 2022) of the segment revenue, respectively. We actively embraced the national and local volume-based procurements. Our detachable coils have won bids in the provincial and province alliance VBPs. Among our detachable coils, Jasper® Detachable Coil won third place in Group A for the 21-province alliance VBP led by Jilin Province, which will accelerate the hospital admission and sales volume increase of this product in the cities within the alliance.

In June 2023, the registration application of DCwire™ Micro Guidewire, a new generation of neurointerventional micro guidewire, was approved by the NMPA. DCwire™ Micro Guidewire is designed based on the concept of “microstructure”, which allows the device to be precisely controlled and easy to super select vessels, enabling physicians to build vascular access quickly and more easily during procedures. As of the date of this report, our Company’s Neurointerventional Business had sixteen commercialized products and eight product candidates in various stages of development.

4. WE ARE LEADING THE NEUROINTERVENTION INDUSTRY THROUGH COLLABORATION WITH MEDICAL AND ENGINEERING PROFESSIONALS TO PIONEER NEW TECHNIQUES.

Based on the superior design and performance of our products, our Company and physicians have collaborated to develop many innovative techniques for neurointerventional procedures that directly address unmet clinical needs and pain points. The use of cutting-edge techniques significantly improves the physician’s experience and procedure’s efficacy, leading to greater benefits for patients. Key techniques include:

BASIS: BASIS technique is a balloon angioplasty with the distal protection of stent retriever for ICAS-LVO developed based on Syphonet® Stent Retriever. This technique allows simultaneous treatment of proximal stenosis and distal embolization, reducing procedure time and improving patient outcomes. In addition, by minimizing the need for device exchange compared to conventional procedures, it reduces the risk of complications. Also, utilizing the capture basket of Syphonet® Stent Retriever for protection can reduce the risk of thrombus debris dislodging into the blood stream caused by balloon dilatation.

Zero-exchange: Zero-exchange technique is developed based on the Fastunnel® Delivery Balloon Dilatation Catheter. Compared to the traditional PTAS procedure for ICAD, this technique reduces the number of device exchanges and simplifies the operation steps, thereby reducing the risk and improving the safety of the procedure.

TRUST: TRUST technique is a transradial coaxial catheter technique using a short sheath, Simmons catheter and Tethys® Intermediate Catheter developed based on the features of Tethys® Intermediate Catheter, which has a soft segment at the distal end and allows high compressive strength. The transradial approach is associated with a relatively lower complication rate and greater patient comfort than the transfemoral approach. The coaxial technique minimizes device exchange and simplifies the procedure, thereby reducing the risk of complications.

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

During the Reporting Period, we implemented additional cost optimization and expense control measures. Main accomplishments include:

- (i) expansion of production capacity and improvement of productivity to support business growth;
- (ii) introduction and verification of additional key raw material suppliers to lower production cost and enhance the supply chain security;
- (iii) optimization of 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;
- (iv) automation and optimization of our manufacturing process. We have lowered our production cost with improved operating efficiency, increased product yield and reduced waste; and
- (v) continuous investment 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 the registration approval from the NMPA for one neurointerventional product, namely DCwire™ Micro Guidewire. As of the date of this report, for our Transcatheter Valve Therapeutic Business, we had five registered products and nine product candidates in various development stages. For our Neurointerventional Business, we had sixteen registered products and eight product candidates in various development stages. The following chart summarizes the current development status of our product portfolio:

I. BUSINESS REVIEW (CONT'D)

Products and Pipeline (cont'd)

Products / Product Candidate		Pre-Clinical	Clinical	Registration	Commercialization	
Transcatheter Valve Therapeutic	TAVR(r) (AS)	TaurusOne® TAVR System ★		NMPA Approval		
		TaurusElite® Retrievable TAVR System ★		NMPA Approval		
		TaurusNXT® Non-glutaraldehyde Crosslinked Dry-tissue TAVR System ★	Multi-center Registration Clinical Trial			
		TaurusWave® Lithotripsy Valvuloplasty System	Research Clinical Trial			
		TaurusApex® Polymeric Trileaflet TAVR System	Animal Studies			
	TAVR (AF)	TaurusTrio™ TAVR System (Licensed-in Trilogi™ TAVR System) ★	Multi-center Registration Clinical Trial			
		Trilogi™ TAVR System (Licensed-in)		CE Mark; Commercialization (HK & Macau or the rest of the Greater Bay Area within the Greater China region)		
	TMVR(r)	HighLife® TSMVR System (Licensed-in) ★	Multi-center Registration Clinical Trial			
		Sutra TMV Coaptation Augmentation System	Animal Studies			
	TTVR(r)	GeminiOne® TEER System	Multi-center Registration Clinical Trial			
		MonarQ™ TTVR System (Global IP)	Compassionate Use			
	Platform Technologies	GeminiOne® TEER System	Preparing for FIM Clinical Trial			
		Non-glutaraldehyde Crosslinked Dry-tissue Technology (Utilized in TaurusNXT®)	Multi-center Registration Clinical Trial			
		Lithotripsy Valvuloplasty Technology (Utilized in TaurusWave®)	Research Clinical Trial			
	Procedural Accessories	Polymeric Trileaflet (Utilized in TaurusApex®)	Animal Studies			
		TaurusAtlas® Transfemoral Balloon Catheter		NMPA Approval		
		TaurusNav® Introducer Sheath		NMPA Approval		
	Neurointerventional	Hemorrhagic	TaurusExplora® Pre-shaped Guidewire ▲		NMPA Approval	
Jasper® Detachable Coil				NMPA Approval; CE Mark; Registered in Brazil, Indonesia, and Ecuador		
Jasper® Detachable Coil II			Design Stage			
Presgo® Detachable Coil				NMPA Approval; CE Mark; Registered in Brazil		
Jasper® SS Detachable Coil				NMPA Approval		
NRcoil™ Detachable Coil				NMPA Approval		
Ischemic (AIS)		Intracranial Adjunctive Stent	Design Stage			
		Fluxcap® Balloon Guide Catheter ▲		NMPA Approval		
		Tethys AS® Aspiration Catheter		NMPA Approval		
		Aspiration Catheter (Larger Lumen)	Design Stage			
Ischemic (ICAD)		Syphonet® Stent Retriever		NMPA Approval		
		Fastunnel® Delivery Balloon Dilatation Catheter ▲		NMPA Approval		
		Fastunnel® Delivery Balloon Dilatation Catheter II ▲	Design Stage			
		SacSpeed® Balloon Dilatation Catheter		NMPA Approval		
		SacSpeed® Balloon Dilatation Catheter II	Design Stage			
		NeuroStellar® Intracranial Stent	Completed Patient Enrollment of Registration Clinical Trial, Patient Follow-up			
Vascular Access & Other		Presgo® Microcatheter ▲		NMPA Approval; Registered in Brazil		
		Presgo® Micro Guidewire ▲		NMPA Approval; CE Mark; Registered in Brazil		
	DCwire™ Micro Guidewire ▲		NMPA Approval			
	Heralder® Guide Catheter ▲		NMPA Approval			
	Heralder® DA Distal Access Guide Catheter ▲		NMPA Approval			
	Tethys® Intermediate Catheter ▲		NMPA Approval			
	Tethys® Intermediate Catheter II ▲	Design Stage				
	Radial Artery Support Catheter ▲	Design Stage				
Jasper® Power Supply		NMPA Approval				

★ Among our products, these devices are accepted by the Special Review and Approval Procedure for Innovative Medical Devices of the NMPA.

▲ 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.

Management Discussion and Analysis

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 commercialized and pipeline products. For the Reporting Period, our revenue generated from the sales of transcatheter valve therapeutic products amounted to RMB107.7 million, representing an increase of 106.8% from approximately RMB52.1 million recorded for the six months ended June 30, 2022.

Transcatheter Aortic Valve 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 severe calcific AS using 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 completed entirely by Chinese physicians. It is also the first domestic TAVR product whose clinical results were published in the top quartile research journal. We received the NMPA approval for the registration application of TaurusOne® in April 2021 and commercialized the product 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® but features a key upgrade to its delivery catheter system — allowing physicians to retrieve and reposition the PAV during placement, addressing one of the key challenges. This also improves the success rate of TAVR procedures and the long-term benefits to patients, which will ultimately promote wider clinical adoption. Furthermore, the design consists of inner and outer tubes that further enhance the pushability and flexibility of the delivery catheter system, and effectively deal with the challenges posed by the complex anatomy of the 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 treat patients with complicated vascular anatomy.

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

In addition to the products mentioned above, we also received the 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.

For the Reporting Period, the sales from TaurusElite® comprised the majority of our sales of the Transcatheter Valve Therapeutic Business.

I. BUSINESS REVIEW (CONT'D)

Transcatheter Aortic Valve Replacement and Repair Products and Product Candidates (cont'd)

TaurusNXT® — Third-Generation Non-glutaraldehyde Crosslinked 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 main source of valve calcification, the primary cause of prosthetic valve degeneration. The technology is expected to greatly enhance the durability and biocompatibility of the PAV. Additionally, compared to the traditional dry tissue technology using glycerin, TaurusNXT® utilizes 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. As of the date of this report, we are carrying out the multi-center registration clinical trial for TaurusNXT®.

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

TaurusApex® — Polymeric Trileaflet TAVR System

TaurusApex® is our internally developed fourth-generation TAVR system featuring the polymeric trileaflet instead of biological tissue. By replacing bio-materials with high strength, stable and soft polymer materials, we are able to 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. Polymeric trileaflet excels biological tissue in durability, tear resistance and wear resistance. As of the date of this report, we are 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.

TaurusWave® — Lithotripsy Valvuloplasty System

Our TaurusWave® Lithotripsy Valvuloplasty System applies shockwave technology to remodel calcification on the valves. After the treatment, the mobility of the native valve is improved, leading to better hemodynamic performance. The system can be used as a stand-alone transcatheter aortic valve treatment or be used prior to TAVR, in order to alleviate valve stenosis. The first patient treatment using TaurusWave® was completed in October 2021. As of the date of this report, the research clinical trial of this product is in progress.

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

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Transcatheter Aortic Valve Replacement and Repair Products and Product Candidates (cont'd)

TaurusTrio™ — Licensed-in Trilogy™ TAVR Product for AR 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 for the Trilogy™ Heart Valve System for the treatment of symptomatic, severe AR or symptomatic, severe AS. We are entitled to develop, manufacture, and commercialize the Trilogy™ Heart Valve System in the Greater China region, and JenaValve agreed to provide services, allowing us to leverage the value of the product within the region. For further details, please refer to our announcement dated January 14, 2022.

The Trilogy™ Heart Valve System is the first commercial transfemoral TAVR system to receive CE Mark approval for the treatment of both symptomatic, severe AR and symptomatic, severe AS worldwide. The system's proprietary locator can not only anchor without calcification but also ensure valve commissure alignment. Its design, which includes supra-annular prosthesis and large-open cells, also benefits long-term hemodynamic and future percutaneous coronary intervention. Its valve inflow end is designed with 24 high-density mesh holes to provide annular compliance and sealing.

We have successfully launched Trilogy™ in Hong Kong with the first two commercial implants completed in May 2023. Also, we have successfully completed the technology transfer and established local manufacturing of TaurusTrio™ in Suzhou, realizing technical consistency with Trilogy™. As of the date of this report, we have launched the multi-center registration clinical trial of TaurusTrio™, with the first patient enrollment successfully completed in July 2023.

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

Transcatheter Mitral Valve Replacement and Repair Product Candidates

HighLife® — Licensed-in TSMVR Product

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

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Transcatheter Mitral Valve 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® adopts the unique “Valve-in-Ring” concept, allowing it to self-center and self-align. This system separates the valve from its anchoring ring and delivers the two components through the femoral artery and femoral vein, respectively, through a simple three-step procedure. The 2-component design designed 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.

As of the date of this report, we are carrying out the multi-center registration clinical trial for HighLife®.

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

GeminiOne® — TEER System

GeminiOne® is our internally developed TEER device, designed to treat mitral valve and tricuspid valve diseases. The product has a unique design, which enables a longer coaptation length while 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 repeated locking and unlocking during the procedure, as well as multi-angular detachment that copes with a wider range of anatomy.

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

As of the date of this report, we are carrying out the multi-center registration clinical trial to treat moderate to severe or severe degenerative MR for GeminiOne® and are planning to carry out the early feasibility studies of this product in the United States.

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

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Transcatheter Mitral Valve Replacement and Repair Product Candidates (cont'd)

Sutra Hemi Valve — Transcatheter Mitral Valve Coaptation Augmentation System

In April 2021, we entered into a stock purchase agreement with Sutra Medical Inc. (“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 transcatheter mitral valve therapeutic device that adopts a hybrid approach between valve replacement and repair technology. The device is designed to treat MR using a coaptation augmentation technology that targets only the posterior mitral valve leaflet. As of the date of this report, Sutra Hemi Valve is in the animal studies stage.

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

Transcatheter Tricuspid Valve 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 Medical Technologies, LLC (“inQB8”), a U.S.-based medical technology incubator, in May 2021, 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 to develop the device in partnership with us.

The MonarQ™ TTVR system is an innovative option for treating TR. Such system has a unique biodynamic attachment system that utilizes and preserves the heart’s natural motion to secure the implant to the native leaflets, distribute systolic loads, and minimize paravalvular leaks over a wide range of annulus sizes.

As of the date of this report, we have successfully completed two implants with MonarQ™ for compassionate use in Europe and are planning to carry out the early feasibility studies of this product in the United States.

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

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

Platform Technologies

We are committed to constantly exploring platform technologies that can be applied to a variety of therapies. As of the date of this report, we have three patented platform technologies, namely *Non-glutaraldehyde Crosslinked Dry-tissue Technology*, *Polymeric Trileaflet Technology* and *Lithotripsy Valvuloplasty Technology*.

Non-glutaraldehyde Crosslinked Dry-tissue Technology and *Polymeric Trileaflet Technology* are currently utilized in our third-generation TAVR product, TaurusNXT®, and our fourth-generation TAVR product, TaurusApex®. These technologies can also be utilized with other TAVR, TMVR or TTVR product candidates.

Lithotripsy Valvuloplasty Technology, currently utilized in the TaurusWave® system, is a non-implant solution to treat AS by remodeling the severe calcification. The research clinical trial of this product is currently underway. 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.

I. BUSINESS REVIEW (CONT'D)

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 RMB117.1 million, representing an increase of 75.6% from approximately RMB66.7 million for the six months ended June 30, 2022.

Hemorrhagic Products and Product Candidates

For the Reporting Period, we generated a total revenue of RMB32.0 million from hemorrhagic products, representing an increase of 8.4% from approximately RMB29.5 million for the six months ended June 30, 2022 and accounting for 27.3% of the total revenue of the Neurointerventional Business.

Detachable Coils: we have four registered detachable coil products with different detachment methods, namely, Jasper® Detachable Coil, Presgo® Detachable Coil, Jasper® SS Detachable Coil and NRcoil™ Detachable Coil. We received the NMPA approval for the registration application of Jasper® SS 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. We received the NMPA approval for the registration application of NRcoil™ Detachable Coil, our latest generation coil product which can be thermally detached, in August 2023. The coil is designed for framing, filling and finishing. It is a significant addition to our existing product offering of embolization coils, providing an alternative detachment method to physicians. As of the date of this report, we are preparing for the commercialization of NRcoil™ Detachable Coil.

Meanwhile, we are optimizing the performance of our current product by developing the next generation, Jasper® Detachable Coil II, based on clinical feedback.

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. As of the date of this report, the product is in the design stage.

Ischemic Products and Product Candidates

For the Reporting Period, our revenue generated from the sales of ischemic products amounted to RMB45.9 million, representing an increase of 175.5% from approximately RMB16.6 million for the six months ended June 30, 2022 and accounting for 39.1% of the total revenue of the Neurointerventional Business.

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Ischemic Products and Product Candidates (cont'd)

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. Additionally, the stent is designed with an 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, providing 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 the NMPA approval for the registration application of Syphonet® Stent Retriever in February 2022. As of the date of this report, we are continuing facilitating the commercialization of this product.

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. As of the date of this report, we are continuing facilitating the commercialization of this product.

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 the NMPA approval for the registration application of Fluxcap® Balloon Guide Catheter in June 2022. As of the date of this report, we are continuing facilitating the commercialization of this product.

I. BUSINESS REVIEW (CONT'D)

Ischemic Products and Product Candidates (cont'd)

Products Designed for Treating AIS (cont'd)

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 needs 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. We also carried out the design of SacSpeed® Balloon Dilatation Catheter II, based on clinical feedback.

Fastunnel® Delivery Balloon Dilatation Catheter

(formerly named as Neway Balloon Microcatheter): Fastunnel® Delivery Balloon Dilatation Catheter is designed for treating ICAD. As the first medical device in China which combines balloon dilatation and stent delivery in one device, its unique “zero exchange” technique redefines ICAD treatment. The product utilizes an integrated design combining the features of both balloon dilatation 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 the NMPA approval for the registration application of Fastunnel® Delivery Balloon Dilatation Catheter in May 2022. As of the date of this report, we are continuing facilitating the commercialization of this product.

Meanwhile, we are trying to optimize product performance by developing the next generation, Fastunnel® Delivery Balloon Dilatation Catheter II, based on clinical feedback.

NeuroStellar® Intracranial Stent:

NeuroStellar® Intracranial Stent is designed for treating ICAD. The product is compatible with 0.017-inch microcatheter and is designed with optimized radial force which enables better stent apposition. As of the date of this report, we have completed the patient enrollment of the registration clinical trial for this product.

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Vascular Access Products and Product Candidates

For the Reporting Period, we generated a total revenue of RMB38.8 million from vascular access products, representing an increase of 89.9% from approximately RMB20.4 million for the six months ended June 30, 2022 and accounting for 33.1% of the total revenue in the Neurointerventional Business.

Tethys® Intermediate Catheter: we received the 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 and peripheral vascular system. It is applicable in various procedures, including aneurysm embolization, mechanical thrombectomy and ICAD procedures. The catheter provides strong support and stability for the operation of microcatheters, embolization coils, stent retrievers, and balloon dilatation catheters in distal blood vessels. We also carried out the design of Tethys® Intermediate Catheter II, based on clinical feedback.

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

DCwire™ Micro Guidewire: we received the NMPA approval for the registration application of DCwire™ Micro Guidewire in June 2023. DCwire™ Micro Guidewire is designed based on the idea of “microstructure”. The term “microstructure” refers to the design of a multi-layered micro-structured device made of multiple materials through precision manufacturing. DCwire™ Micro Guidewire has realized the manufacturing precision as well as the unique material properties of “microstructure”, which allows the device to be precisely controlled and easy to super select vessels, enabling physicians build vascular access quickly and more easily during procedures.

Radial Artery Support Catheter: the Radial Artery Support Catheter is used to build access via the radial artery. The product combines delivery accuracy with better bending resistance and better support, to meet the needs for hemorrhagic and ischemic treatments via radial artery access. As of the date of this report, the product is in the design stage.

Other commercialized vascular access products include Presgo® Microcatheter, Presgo® Micro Guidewire and Heraldier® Guide Catheter.

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

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Research & Development

In-house innovation and business development opportunities are crucial to the Company's R&D pipeline. Our core R&D team is led by Dr. Yi ZHANG (Chairman and chief executive officer), Mr. Kongrong Karl PAN (chief operating officer) and Dr. Jian Fong TAN (chief technology officer). All of them are industry veterans with impressive academic and professional backgrounds, having previously worked in managerial positions at various leading players in the medical device sector.

We have extensive relationships with global leaders in both the transcatheter valve therapeutic and neurointerventional fields, including world-class scientists, physicians and industry experts. In addition to the licensing of cutting-edge technologies, we have also established overseas R&D capabilities through close collaboration:

For Sutra, the Company is the second-largest shareholder beside the founder, and has the right of first offer if Sutra proposes to offer or sell any new securities, subject to certain customary exceptions. We share R&D facilities with Sutra in the United States, and they have assisted us in expanding our R&D presence in North America. The founding team of Sutra is composed of professionals with extensive academic and industrial experience.

For inQB8, it is a medtech incubator in partnership with the Company. Under the partnership, we will have exclusive global privileges and rights to the technologies regarding the joint development of novel products and solutions in treating structural heart disease. The founding team of inQB8 has a multidisciplinary background in medtech and engineering. Before founding inQB8, the team founded CardiAQ Valve Technologies, which developed the world's first TMVR system and was later acquired by Edwards Lifesciences.

We have established close working relationship with world-class consultants, who provide 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 has also served as either the chairman or a 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 joined the Company as a 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 has worked as a principal investigator in several multi-center studies and randomized studies for MitraClip™. Dr. Saibal KAR is currently advising on the R&D of our mitral edge-to-edge therapies.

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Research & Development (cont'd)

Dr. Khung Keong YEO joined the Company as a 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 Center Singapore (“NHCS”). Dr. YEO currently leads Asia’s first MitraClip™ program at NHCS. 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 to the field of vascular interventional medical devices, was established in October 2021. The IMI was proposed and funded together by the Company and 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 by 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, 2023, we had an in-house R&D team of 143 employees dedicated to the R&D of our transcatheter valve therapeutic products and neurointerventional products.

Intellectual Property

As of June 30, 2023, we had a robust intellectual property portfolio, consisting of a total of 110 granted and valid patents and 146 patents under application. Specifically, there are 71 granted and valid patents and 101 patents under application for our Transcatheter Valve Therapeutic Business, and 39 granted and valid patents and 45 patents under application for our Neurointerventional Business.

Manufacturing

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

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

For our Transcatheter Valve Therapeutic Business, we have five registered products as of June 30, 2023. 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 TaurusTrio™, TaurusNXT®, TaurusWave®, HighLife® and other production lines for transcatheter valve therapeutic product candidates.

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

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Manufacturing (cont'd)

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.

We have continuously expanded our 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 be ready for production in the second half of 2023.

Commercialization

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 and make connections with KOLs/hospitals, emphasizing on the optimization and iteration of product candidates;
- professional education specialists, who promote brand awareness and make connections with KOLs/hospitals emphasizing on market education;
- clinical support specialists, who provide seamless technical support and intensive involvement to ensure best patient outcome; and
- frontline sales, who stay connected with physicians and hospitals to complete sales procedure.

In addition to the sales and marketing staff as 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 have 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 Yijia Institute, a professional education platform, and other digital academic media outlets. We use these academic programs to educate physicians about the Taurus-series products and increase product adoption by new and emerging hospitals:

- Yijia Institute is Peijia Medical's professional clinical education and training center that includes both online and offline channels. Yijia Institute was established to facilitate the adoption of TAVR technology through procedure demonstration, academic thematic discussion, case analysis, patient diagnosis and screening and etc.;

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Commercialization (cont'd)

- 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 video accounts for Yijia Institute. As a professional education platform, the accounts provide educational resources and the latest industry information in transcatheter valve interventions. By combining resources from both theory and practice, the platform benefits the experts and physicians during their use of TAVR technologies. Yijia Institute promotes the digital dissemination of professional education and industry information in transcatheter valve interventions in China, facilitating the further development of the therapy.

The three key building blocks for accelerated commercialization of our TAVR products are: accurate product positioning and superior product performance; well rounded sales and marketing support; and a high-touch sales model covering every production stage of the product. We are dedicated to becoming the best product partner and service provider to physicians.

As of June 30, 2023, we had 199 employees dedicated to the sales and marketing of our transcatheter valve therapeutic products. Accumulatively, we have placed our products in over 410 hospitals, increasing by over 120 hospitals compared to that as of December 31, 2022.

For our Neurointerventional Business, our experienced sale and 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 neurointerventional procedures conducted by physicians from top hospitals, which effectively enhanced our product reputation and brand awareness. Moreover, based on the excellent design and performance of our products as well as unmet clinical needs and pain points, we collaborated with physicians to develop a number of innovative techniques for neurointerventional procedures, such as the BASIS (Balloon Angioplasty with the distal protection of Stent retriever) technique based on the Syphonet® Stent Retriever, the Zero-Exchange technique based on the Fastunnel® Delivery Balloon Dilatation Catheter, and the TRUST (TransRadial coaxial catheter technique Using a short sheath, Simmons catheter and Tethys® intermediate catheter) technique based on Tethys® Intermediate Catheter.

In addition, we have a sales team with strong product knowledge and clinical resources. Our sales team has established extensive relationships with industry experts, physicians and hospitals, and maintained long-term cooperation with experienced distributors. As of June 30, 2023, we had 85 employees dedicated to the sales and marketing of our neurointerventional products and our distributor network covers approximately 2,100 hospitals in 31 provinces and municipalities across China.

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Commercialization (cont'd)

At the same time, the Company actively embraced the national and local VBPs. Our detachable coils have won bids in the provincial and province alliance VBPs. Among them, Jasper® Detachable Coil won the bid as the third place in Group A for the 21-province alliance VBP led by Jilin province, which will accelerate the hospital admission and volume increase of this product in the cities within the alliance.

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 our registered TAVR products, including TaurusOne® and TaurusElite® to continuously increase our market share. In addition, we will continue to facilitate the clinical progress of our pipeline products in China, including TaurusNXT®, TaurusTrio™, HighLife®, GeminiOne® and MonarQ™ etc. in the hope of bringing safe and effective treatment solutions to patients. Out of China, we are planning overseas clinical trials for those product candidates which have global competencies, including MonarQ™ and GeminiOne®.

For our Neurointerventional Business, we intend to maintain the sales growth momentum through further penetration of our existing products. We will continue to increase the market share of our new ischemic products which were approved by the NMPA in the second quarter 2022 and facilitate the commercialization of our newly approved vascular access product, DCwire™ Micro Guidewire.

We will continue to enhance our pipeline, including transcatheter mitral valve/transcatheter tricuspid valve 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.

Management Discussion and Analysis

II. FINANCIAL REVIEW

Revenue

For the Reporting Period, our Group's revenue was RMB224.9 million, representing an increase of 89.3% as compared to RMB118.8 million for the six months ended June 30, 2022. Revenue from Neurointerventional Business and Transcatheter Valve Therapeutic Business were RMB117.1 million and RMB107.7 million, representing an increase of 75.6% and 106.8% as compared to RMB66.7 million and RMB52.1 million for the six months ended June 30, 2022, respectively.

The increase in revenue was primarily attributable to: (i) commercialization of transcatheter aortic valve replacement products, of which the revenue increased by RMB50.5 million; (ii) increase of sales volume of Tethys® Intermediate Catheter, of which the revenue increased by RMB17.5 million; (iii) increase of sales volume of Syphonet® Stent Retriever, of which the revenue increased by RMB11.7 million; (iv) increase of sales volume of SacSpeed® Balloon Dilatation Catheter, of which the revenue increased by RMB10.4 million; and (v) increase of sales volume of Fastunnel® Delivery Balloon Dilatation Catheter, of which the revenue increased by RMB5.4 million.

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

	Six months ended June 30,			
	2023		2022	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Ischemic	45,857	39.1	16,647	25.0
Vascular Access	38,758	33.1	20,414	30.6
Hemorrhagic	31,958	27.3	29,490	44.2
Others	572	0.5	145	0.2
Total	117,145	100.0	66,696	100.0

Cost of Sales

For the Reporting Period, our Group's cost of sales was RMB51.9 million, representing an increase of 45.8% as compared to RMB35.6 million for the six months ended June 30, 2022. 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 107.9%, from RMB83.2 million for the six months ended June 30, 2022 to RMB173.0 million for the Reporting Period, in line with the increase in 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 76.9% for the Reporting Period, as compared to 70.0% for the six months ended June 30, 2022.

Management Discussion and Analysis

II. FINANCIAL REVIEW (CONT'D)

Selling and Distribution Expenses

Selling and distribution expenses increased by 85.7% from RMB92.7 million for the six months ended June 30, 2022 to RMB172.1 million for the Reporting Period. Such increase was primarily attributable to (i) promotion for new products; (ii) the increase in market education, development of multi-sales channels, which was in line with the increase of revenue; (iii) increase in the headcount of sales and marketing team to expand the market in Mainland China.

Administrative Expenses

Administrative expenses increased by 4.7% from RMB59.6 million for the six months ended June 30, 2022 to RMB62.4 million for the Reporting Period. The increase was primarily attributable to increase in staff costs.

Research and Development Expenses

Research and development expenses increased by 105.3% from RMB83.4 million for the six months ended June 30, 2022 to RMB171.3 million for the Reporting Period. Such increase was primarily attributable to the service expenses paid for the research and development of TAVR products.

For the Reporting Period, R&D investment in Transcatheter Valve Therapeutic Business and Neurointerventional Business amounted to RMB145.8 million and RMB25.5 million, respectively. The following table sets forth the components of research and development expenses for the periods indicated:

	Six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
Service expenses for research and development	103,109	60.2	25,488	30.6
Employee benefits expenses	37,607	22.0	35,082	42.1
Raw materials and consumables used	23,064	13.5	17,513	21.0
Depreciation and amortization	4,396	2.6	3,126	3.7
Other	3,119	1.7	2,219	2.6
Total	171,295	100.0	83,428	100.0

Finance Income

Finance income increased from RMB18.1 million for the six months ended June 30, 2022 to RMB22.0 million for the Reporting Period. The increase was mainly due to the bank interest income.

Management Discussion and Analysis

II. FINANCIAL REVIEW (CONT'D)

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As of June 30, 2023, the gearing ratio of our Group decreased to 15.7% from 25.7% as of December 31, 2022. The decrease was primarily attributable to the payment for certain business development project, of which certain milestone achieved for the year ended 31 December 2022 and corresponding payments were settled during the Reporting Period.

Net Current Assets

As of June 30, 2023, our Group's net current assets were RMB1,217.4 million, as compared with RMB1,429.4 million as of December 31, 2022.

Borrowings

As of June 30, 2023, our Group's borrowings which bore interest rates of 3.8%-3.85% were RMB184.1 million, as compared with RMB126.8 million as of December 31, 2022, consisting of RMB70.8 million of a long-term borrowing which bore an interest rate of 3.8%-3.85% and RMB56.0 million of a short-term borrowing which bore an interest rate of 3.58%. The purpose of the long-term borrowing was for financing the construction of the new headquarter.

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, 2023, our Group's total cash, cash equivalents and term deposits amounted to approximately RMB1,162.6 million, representing a decrease of 36.8% as compared to RMB1,839.7 million as of December 31, 2022. 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 revenue of existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, and improving cost control and 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 RMB246.6 million, which was mainly used in (i) the construction of new headquarter; (ii) equipment procurement; and (iii) technologies.

Management Discussion and Analysis

II. FINANCIAL REVIEW (CONT'D)

Significant Investment

Our Group maintained a healthy financial position throughout the Reporting Period. To better develop a competitive and comprehensive pipeline to meet larger unmet market needs, we have engaged in investing and held a significant investment as at June 30, 2023 as follows:

On May 26, 2021, our Group acquired 50% equity interests of inQB8 for a consideration of approximately US\$23.0 million. As of June 30, 2023, our Company's ownership of inQB8 was 50%. As of June 30, 2023, the fair value of the equity interests held by our Group in inQB8 amounted to approximately RMB166.2 million, representing approximately 5.88% of our Group's total asset as of June 30, 2023. Our Group recorded a gain on fair value change of approximately RMB6.0 million for the Reporting Period and no dividend was received for the Reporting Period.

inQB8 is a medical device incubator company headquartered in Massachusetts, USA, exploring and developing new solutions for major cardiovascular diseases, including structural heart disease, type A aortic dissection, HFpEF and HFmrEF. InQB8 incubates and proceeds various start-up projects through prototype design, bench testing, and preclinical testing, allowing these early concepts to develop within inQB8 until the project is acquired or grown into an independent cardiovascular company. At present, inQB8 is in strategic cooperation with our Group to develop an innovative product for treating TR, MonarQ™ TTVR system. They have completed first patient implant for compassionate use in Denmark in November 2022.

Save as disclosed in this report, our Group did not hold any significant investments in any other companies' equity interest during the Reporting Period.

Contingent Liabilities

As of June 30, 2023, our Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

For the Reporting Period, our Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Charge on Assets

As of June 30, 2023, a land use right and a building under construction of our Group with carrying amounts of RMB9.4 million and RMB258.3 million, respectively, have been mortgaged for a long-term bank borrowing.

Future Plan for Material Investment and Capital Assets

Save as disclosed in the Prospectus, this interim report and other announcements and circulars published by the Company up to the date of this interim report, the Group does not have other plans for material investments and capital assets for Reporting Period and up to the date of this interim report.

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.

SUPPLEMENTARY INFORMATION

HUMAN RESOURCES

As of June 30, 2023, our Group had 1,006 employees, all of whom were based in China. Our Group's total employee benefits for the Reporting Period were approximately RMB159.4 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended June 30, 2022: 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, 2023, the trustee of the RSU Scheme has purchased an aggregate of 5,859,000 Shares (representing approximately 0.8631% of the total issued share capital of the Company) under the RSU Scheme.

The aggregate consideration paid by the Company for RSU is HK\$113,886,805.64, including all the transaction fees.

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 2022 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Supplementary Information

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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, 2023, 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⁾	32,916,560	4.85%
	Interest of controlled corporation ⁽⁵⁾	90,685,640	13.36%
	Interest held jointly with other persons ⁽⁶⁾	19,342,299	2.85%
	Interest of spouse ⁽⁷⁾	1,021,500	0.15%
Mrs. Ping Ye ZHANG	Beneficial owner	1,021,500	0.15%
	Trustee ⁽⁴⁾	32,916,560	4.85%
	Interest held jointly with other persons ⁽⁶⁾	110,027,939	16.21%
	Interest of spouse ⁽⁷⁾	9,890,440	1.46%
Ms. Hong YE	Beneficial owner ⁽⁸⁾	19,342,299	2.85%
	Interest of controlled corporation ⁽⁵⁾	90,685,640	13.36%
	Interest held jointly with other persons ⁽⁶⁾	43,828,500	6.46%
Mr. Fei CHEN	Interest of controlled corporation ⁽⁹⁾	19,952,740	2.94%
Dr. Stephen Newman OESTERLE	Beneficial owner ⁽¹⁰⁾	205,084	0.03%
Mr. Robert Ralph PARKS	Beneficial owner ⁽¹¹⁾	207,919	0.03%

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 678,856,808 ordinary shares of the Company in issue as of June 30, 2023.
- (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 32,916,560 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 109,000 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, 2023. 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 13,651,960 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, 2023, a total of 205,084 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, 2023, a total of 207,919 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.

Supplementary Information

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, 2023, 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, 2023, 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)	2.31% (L)
	Interest held jointly with other persons ⁽⁵⁾	138,142,879 (L)	20.35% (L)
Hanlindale Trust ⁽³⁾	Beneficial owner	17,094,000 (L)	2.52% (L)
	Interest held jointly with other persons ⁽⁵⁾	136,792,439 (L)	20.15% (L)
XinYue International Limited ⁽⁴⁾	Beneficial owner	90,685,640 (L)	13.36% (L)
	Interest held jointly with other persons ⁽⁵⁾	63,170,799 (L)	9.31% (L)
LAV Aero Limited	Beneficial owner	46,845,460 (L)	6.90% (L)
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation ⁽⁶⁾	46,845,460 (L)	6.90% (L)
LAV GP IV, L.P.	Interest of controlled corporation ⁽⁶⁾	46,845,460 (L)	6.90% (L)
LAV Corporate IV GP, Ltd.	Interest of controlled corporation ⁽⁶⁾	46,845,460 (L)	6.90% (L)
LAV Asset Management (Hong Kong) Limited	Investment manager	47,906,460 (L)	7.06% (L)
Mr. Yi SHI	Interest of controlled corporation ⁽⁶⁾	46,845,460 (L)	6.90% (L)
HH SUM-XXIV Holdings Limited	Beneficial owner	41,698,980 (L)	6.14% (L)
Hillhouse Capital Management, Ltd.	Investment manager ⁽⁷⁾	41,698,980 (L)	6.14% (L)
Hillhouse Fund IV, L.P.	Interest of controlled corporation ⁽⁷⁾	41,698,980 (L)	6.14% (L)
Matrix Partners China IV, L.P.	Beneficial owner	33,519,580 (L)	4.94% (L)
Matrix China Management IV, L.P.	Interest of controlled corporation ⁽⁸⁾	32,682,320 (L)	4.81% (L)
Matrix China IV GP GP, Ltd.	Interest of controlled corporation ⁽⁸⁾	32,682,320 (L)	4.81% (L)
FIL Limited	Interest of controlled corporation ⁽⁹⁾	59,677,000 (L)	8.79% (L)
Pandanus Associates Inc.	Interest of controlled corporation ⁽⁹⁾	59,677,000 (L)	8.79% (L)
Pandanus Partners L.P.	Interest of controlled corporation ⁽⁹⁾	59,677,000 (L)	8.79% (L)
Brown Brothers Harriman & Co.	Agent	33,821,000 (L)	4.98% (L)
		33,821,000 (P)	4.98% (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 678,856,808 ordinary shares of the Company in issue as of June 30, 2023.
- (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, 2023. 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.
- (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 SUM-XXIV 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 32,682,320 Shares held by the two companies, including 29,711,580 Shares held by Matrix Partners China IV, L.P. and 2,970,740 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 addition, 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, 2023, 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.

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.

Supplementary Information

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.

(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.
- 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.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

- 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) The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.
- 9) 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);

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(a) Purpose and Principal Terms (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.
- 10) 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.

- 11) 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

No option or award under the Share Option Plan has been granted after the Listing Date. As of June 30, 2023, outstanding options to subscribe for an aggregate of 33,652,881 Shares have been granted to a total of 124 eligible participants by the Company under the Share Option Plan. The total number of Shares available for issue under the Share Option Plan as of the date of this interim report is 33,652,881, which represents 4.96% of the issued Shares as of the date of this interim report. The Share Option Plan will expire on December 26, 2029, and the remaining life of the Share Option Plan is approximately six years as at the date of this interim report.

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 of June 30, 2023	Weighted average closing price of Shares immediately before the options were exercised (HK\$)	Note(s)
		As of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period			
Directors								
Dr. Yi ZHANG	Executive Director; Chairman; Chief Executive Officer	4,657,720	0	0	0	4,657,720	—	1, 2, 3, 4, 5
Hong YE	Executive Director; Board Secretary	5,690,339	0	0	0	5,690,339	—	6, 7, 8, 16
Other Grantees								
Other option holders including former and current employees and consultants of the Group	Not applicable	24,880,602	0	1,434,780	141,000	23,304,822	10.63	7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26
		35,228,661	0	1,434,780	141,000	33,652,881		

Supplementary Information

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. For one eligible participant, 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. For 47 eligible participants, 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).
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 one 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.

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

21. For two 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, 2020 and exercisable when certain product candidates obtain registration certificates and production permits, at an exercise price of US\$0.39 (equivalent to approximately HK\$3.03); with vesting commencement date on December 31, 2021, 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\$3.03).
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 11 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 13 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. 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, 2023, 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 principal terms of which are set out in the section headed "D. Share Incentive Schemes — 2. RSU Scheme" in Appendix IV to the Prospectus.

(a) Term

Subject to the termination provision of the RSU Scheme, it shall be valid and effective for a period of 10 years commencing on the Listing Date. As such, the remaining life of the RSU Scheme is approximately 6.5 years as of the date of this interim report. Upon the expiry of the RSU Scheme, no further Awards (as defined below) will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the RSU Scheme and in such event no further Awards will be granted but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSU which are granted during the life of the RSU Scheme and which remain unvested immediately prior to the termination of the operation of the scheme.

(b) Purpose

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.

(c) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following categories of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up the Awards (as defined below):

- (i) the employees or officers (including executive, non-executive and independent non-executive Directors);
- (ii) any person or entity that provides research, development, consultancy and other technical or operational or administrative support to the Group; and
- (iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its Subsidiaries.

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

(d) Awards

An award pursuant to the RSU Scheme (an "**Award(s)**") gives a RSU Participant a conditional right when the relevant restricted share unit (an "**RSU(s)**") vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSU, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion. Each RSU represents one underlying Share.

(e) Grant and Acceptance of Awards

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board imposes pursuant thereto, the Board shall be entitled at any time during the life of the RSU Scheme to make a grant to any RSU Participant, as the Board may in its absolute discretion determine. For the avoidance of doubt, "grant" used in this "Supplemental Information — Shares Incentive Schemes — 2. RSU Scheme" section has the meaning as defined under Chapter 17 of the Listing Rules, and such meaning only applies to this section of this interim report.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of their RSU to the attainment or performance of milestones by any member of the Group, the grantee or any group of RSU Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

A grant shall be made to a RSU Participant in such form as the Board may from time to time determine (the "**Notice of Grant**") and such grant shall be subject to the terms as specified in the RSU Scheme. The RSU Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the RSU Scheme. Such Award shall remain open for acceptance by the RSU Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after May 15, 2030 or after the RSU Scheme has been terminated in accordance with the provisions hereof. To the extent that the Award is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

If the RSU Participant accepts the offer of grant of RSU(s) by signing the Notice of Grant, he is required to sign an acceptance notice and return it to the Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the RSU Participant of a duly executed acceptance notice, the RSU(s) is deemed granted to such RSU Participant from the date of the Notice of Grant, and the RSU Participant becomes a grantee (the "**Grantee**") in the RSU Scheme.

(f) Vesting

The Board has the sole discretion to determine the vesting criteria, conditions and the time for any grant of Award(s) to any Grantee (including, if applicable, a purpose price of shares awarded), which may also be adjusted and re-determined by the Board from time to time. If the vesting conditions are not satisfied or waived by the Board, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion. The Grantee may obtain either Shares or an equivalent value in cash when the Award vests.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

(g) *Restriction on Grant of Awards*

The Board may not grant any Awards where (a) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained; (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect the RSU Scheme, unless the Board determines otherwise; (c) where granting the Award would result in a breach by the Company, its subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or where such grant of Award would result in a breach of the limits of the RSU Scheme.

Any Awards granted under the RSU Scheme and any other share scheme (as defined under the Listing Rules) to a specific participant (excluding any options and awards lapsed in accordance with the terms of such scheme) in a 12 month period up to and including the date of an Award shall not exceed 1% of the total issued Share capital of the Company unless such Award is approved by the shareholders of the Company (with the Participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting).

Further, no grant shall be made to, nor shall any grant be capable of acceptance by, any RSU Participant at a time when the RSU Participant would or might be prohibited from dealing in the Shares by any applicable rules, regulations or laws. In particular, where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Any grant of an Award to any connected person (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

(h) General and Maximum Limit

The maximum number of Shares which may be granted under the RSU Scheme is 6,100,420, representing approximately 0.9% of the number of issued Shares capital of the Company as of June 30, 2023. All of the Shares were held by Trident Trust Company (HK) Limited, a trust established for the administration of the RSU Scheme. No new Shares may be allotted pursuant to the RSU Scheme.

The voting rights attached to the Shares underlying the Award shall at all times be exercised by the enforcer or adviser of Trident Trust Company (HK) Limited in accordance with the terms of the relevant trust deed, provided that in accordance with the Listing Rules, the trustee of Trident Trust Company (HK) Limited holding unvested Shares shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

A summary of the Awards granted to Directors and service providers under the RSU Scheme as of June 30, 2023 are as follows:

Participant	Date of grant	Number of RSU granted	Vesting period	Closing price of Shares immediately before the date of grant (HK\$)	Value of award as at the date of grant ⁽⁷⁾	Number of RSUs			Weighted average closing price of Shares immediately before the RSUs were vested (HK\$)		
						As of January 1, 2023	Vested during the Reporting Period	Cancelled or Lapsed during the Reporting Period ⁽⁴⁾		Granted but not vested balance as of June 30, 2023	
Directors											
Robert Ralph PARKS	October 30, 2020	2,835	⁽¹⁾	24.65	US\$12,842	567	567	—	0	7.39	
	September 30, 2020	7,056	⁽¹⁾	26.85	US\$25,000	1,411	—	—	1,411		
	December 31, 2020	6,871	⁽¹⁾	28.35	US\$25,000	1,374	—	—	1,374		
	March 31, 2021	7,828	⁽¹⁾	24.7	US\$25,000	3,132	1,566	—	1,566		
	June 30, 2021	5,359	⁽¹⁾	35.9	US\$25,000	2,144	1,072	—	1,072		
	September 30, 2021	9,129	⁽¹⁾	20.05	US\$25,000	3,652	—	—	3,652		
	December 31, 2021	14,586	⁽¹⁾	12.54	US\$25,000	5,834	—	—	5,834		
	April 1, 2022	25,709	⁽¹⁾	7.1	US\$25,000	15,426	5,142	—	10,284		
	June 30, 2022	25,012	⁽¹⁾	7.69	US\$25,000	15,006	5,002	—	10,004		
	September 30, 2022	31,755	⁽¹⁾	5.85	US\$25,000	19,053	—	—	19,053		
	December 31, 2022	20,020	⁽¹⁾	9.56	US\$25,000	12,012	—	—	12,012		
	1 April 2023	19,907	⁽¹⁾	9.83	US\$25,000	0	7,964	—	11,943		
	30 June 2023	31,852	⁽¹⁾	5.86	US\$25,035	0	12,742	—	19,110		
	Stephen Newman OESTERLE	September 30, 2020	7,056	⁽¹⁾	26.85	US\$25,000	1,411	—	—	1,411	7.39
		June 30, 2020	2,835	⁽³⁾	35.8	US\$12,842	—	—	—	—	
		December 31, 2020	6,871	⁽¹⁾	28.35	US\$25,000	1,374	—	—	1,374	
March 31, 2021		7,828	⁽¹⁾	24.7	US\$25,000	3,132	1,566	—	1,566		
June 30, 2021		5,359	⁽¹⁾	35.9	US\$25,000	2,144	1,072	—	1,072		
September 30, 2021		9,129	⁽¹⁾	20.05	US\$25,000	3,652	—	—	3,652		
December 31, 2021		14,586	⁽¹⁾	12.54	US\$25,000	5,834	—	—	5,834		
April 1, 2022		25,709	⁽¹⁾	7.1	US\$25,000	15,426	5,142	—	20,567		
June 30, 2022		25,012	⁽¹⁾	7.69	US\$25,000	15,006	5,002	—	20,010		
September 30, 2022		31,755	⁽¹⁾	5.85	US\$25,000	19,053	—	—	19,053		
December 31, 2022		20,020	⁽¹⁾	9.56	US\$25,000	12,012	—	—	12,012		
1 April 2023		19,907	⁽¹⁾	9.83	US\$25,000	0	7,964	—	11,943		
30 June 2023		31,852	⁽¹⁾	5.86	US\$25,035	0	12,742	—	19,110		

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

(h) General and Maximum Limit (cont'd)

Participant	Date of grant	Number of RSU granted	Vesting period	Closing price of Shares immediately before the date of grant (HK\$)	Value of award as at the date of grant ⁽⁷⁾	As of January 1, 2023	Number of RSUs			Weighted average closing price of Shares immediately before the RSUs were vested (HK\$)
							Vested during the Reporting Period	Cancelled or Lapsed during the Reporting Period ⁽⁴⁾	Granted but not vested balance as of June 30, 2023	
Service Providers⁽⁸⁾										
	June 1, 2020	10,844	⁽²⁾	25.35	US\$37,500	—	—	—	—	11.38
	September 1, 2020	10,693	⁽²⁾	25.8	US\$37,500	—	—	—	—	
	December 1, 2020	14,067	⁽²⁾	20.6	US\$37,500	—	—	—	—	
	March 1, 2021	11,766	⁽²⁾	23.8	US\$37,500	—	—	—	—	
	June 1, 2021	10,034	⁽²⁾	28.95	US\$37,500	—	—	—	—	
	September 1, 2021	12,802	⁽²⁾	22.85	US\$37,500	—	—	—	—	
	October 14, 2021	50,000	⁽²⁾	20.6	US\$131,213	—	—	—	—	
	December 1, 2021	16,228	⁽²⁾	16.78	US\$37,500	—	—	—	—	
	March 1, 2022	22,593	⁽²⁾	12.3	US\$37,500	—	—	—	—	
	May 31, 2022	43,283	⁽²⁾	6.48	US\$37,500	—	—	—	—	
	August 31, 2022	46,721	⁽²⁾	6.25	US\$37,500	—	—	—	—	
	December 1, 2022	49,186	⁽²⁾	7.73	US\$50,000	—	—	—	—	
	September 21, 2020	60,133 ⁽⁹⁾	⁽¹⁰⁾	28.6	RMB1,500,000	105,391 ⁽⁶⁾	—	—	105,391	
	March 1, 2023	17,064	⁽²⁾	11.38	US\$25,000	—	17,064	—	—	
	June 1, 2023	27,281	⁽²⁾	6.82	US\$25,000	—	—	—	—	

Notes:

- RSUs were granted on a quarterly basis on March 31, June 30, September 30 and December 31 unless otherwise agreed. 40% of the RSUs granted shall vest immediately upon granting, 20%, 20% and 20% of the RSUs granted shall vest on the first, second and third anniversary of the respective grant dates. The RSUs are granted with the purchase price of zero.
- The Award vests immediately upon grant. The RSUs are granted with the purchase price of zero.
- The Award vests immediately upon grant.
- No RSUs granted to Directors or service providers were cancelled or lapsed during the Reporting Period.
- One of the service providers is a consultant, who is a former employee of Peijia Medical. He had resigned from Peijia Medical on December 31, 2021 and became a consultant of Peijia Medical immediately upon his resignation. Pursuant to a contract entered into on January 1, 2022 between the Company, Suzhou Peijia, and the consultant, the RSUs held by the consultant continue to remain valid.
- Number of RSUs under the award as of January 1, 2023 and June 30, 2023 are indicative only, and are based on an illustrative exchange rate of HK\$1:RMB0.89327 and an illustrative closing price of HK\$9.56 per Share (being the closing price of the Shares on December 30, 2022). The number of RSUs eventually received by the participant may be greater or smaller than the indicated amount, as the number of RSUs to be vested is determined at each vesting date.
- Awards granted to Directors and service providers were granted with reference to a fixed monetary value. Therefore, no valuation on the fair value of the award as of the date of grant was made on the RSUs granted.
- No service providers were granted RSUs in any 12-month period exceeding 0.1% of the issued Shares.
- The award was granted at an absolute monetary value of RMB1,500,000. Number of RSUs under the award is indicative only, and is based on the exchange rate of HK\$1:RMB0.87219 and the closing price of the Shares on September 21, 2020, being HK\$28.6 per Shares. The number of RSUs eventually received by the participant may be greater or smaller than the indicated amount, as the number of RSUs to be vested is determined at each vesting date.
- The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of the grant date respectively.

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

(h) General and Maximum Limit (cont'd)

A summary of the Awards granted to employees (excluding Directors) under the RSU Scheme as of June 30, 2023 are as follows:

Date of grant	Monetary value of the Award ⁽¹⁾ (RMB)	Vesting Period	Closing price of Shares immediately before the date of grant (HK\$)	Indicative number of RSUs under the unvested Award as of January 1, 2023 ⁽⁴⁾	Monetary value of the unvested Award as of January 1, 2023 (RMB)	Number of RSUs vested during the Reporting Period ⁽⁷⁾	Number of RSUs lapsed during the Reporting Period ⁽⁸⁾	Indicative number of RSUs under the unvested Award as of June 30, 2023 ⁽⁴⁾	Monetary value of the unvested Award as of June 30, 2023 (RMB)
Employees (excluding Directors)⁽⁹⁾									
October 12, 2020	2,000,000	⁽⁷⁾	28	163,941	1,400,000	0	—	163,941	1,400,000
December 21, 2020	7,000,000	⁽⁸⁾	24.4	585,503	5,000,000	0	—	585,503	5,000,000
April 1, 2022	3,000,000	⁽¹³⁾	7.1	281,042	2,400,000	0	—	281,042	2,400,000
October 28, 2021	200,000	⁽⁹⁾	18.66	—	—	0	—	—	—
March 1, 2021	5,000,000	⁽⁸⁾	23.8	468,403	4,000,000	99,176	—	351,302	3,000,000
April 1, 2021	1,050,000	⁽¹⁰⁾	24.75	81,970	700,000	40,673	—	40,985	350,000
April 1, 2021	500,000	⁽¹¹⁾	24.75	—	—	0	—	—	—
August 9, 2021	1,750,000	⁽⁶⁾	29.35	—	—	0	—	—	—
March 1, 2021	350,000	⁽¹⁸⁾	23.8	40,985	350,000	6,942	—	32,788	280,000
November 4, 2021	750,000	⁽¹⁴⁾	17.28	87,826	750,000	0	—	87,826	750,000
November 4, 2021	426,023 ⁽¹⁵⁾	⁽¹²⁾	17.28	39,910	340,818	0	—	39,910	340,818
November 4, 2021	1,789,296 ⁽¹⁵⁾	⁽¹²⁾	17.28	167,622	1,431,438	0	—	167,622	1,431,438
November 4, 2021	1,278,069 ⁽¹⁵⁾	⁽¹²⁾	17.28	119,730	1,022,455	0	—	119,730	1,022,455
January 1, 2023	1,250,000	⁽¹⁹⁾	7.31	146,376	1,250,000	25,976	—	117,101	1,000,000
May 25, 2023	1,000,000	⁽¹¹⁾	7.46	—	—	150,201	—	—	—
May 25, 2023	5,660,404	⁽¹¹⁾	7.46	—	—	850,201	—	—	—
Including: top five highest paid employees⁽⁹⁾									
December 21, 2020	7,000,000	⁽⁸⁾	24.4	585,503	5,000,000	0	—	585,503	5,000,000
April 1, 2022	3,000,000	⁽¹³⁾	7.1	281,042	2,400,000	0	—	281,042	2,400,000
April 1, 2021	500,000	⁽¹¹⁾	24.75	—	—	0	—	—	—
May 25, 2023	1,000,000	⁽¹¹⁾	7.46	—	—	150,201	—	—	—
May 25, 2023	5,660,404	⁽¹¹⁾	7.46	—	—	850,201	—	—	—

Notes:

- Awards granted to employees (other than directors) were in an absolute monetary amount as at the date of grant. The number of RSUs to be vested is determined at each vesting date. Therefore, no valuation on the fair value of the award as of the date of grant was made on the RSU granted.
- The RSUs were granted with the purchase price of zero.
- No RSUs were cancelled during the Reporting Period.
- The number of RSUs under the award as of January 1, 2023 and June 30, 2023 are indicative only, and are based on an illustrative exchange rate of HK\$1:RMB0.89327 and an illustrative closing price of the Shares of HK\$9.56 per Share (being the closing price of the Shares on December 30, 2022). The number of RSUs eventually received by the participant may be greater or smaller than the indicated amount, as the number of RSUs to be vested is determined at each vesting date.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

(h) General and Maximum Limit (cont'd)

5. The weighted average closing price of Shares immediately before the RSUs were vested during the Reporting Period for employees (excluding Directors) was HK\$7.76. The weighted average closing price of Shares immediately before the RSUs were vested during the Reporting Period for the top five highest paid employees is HK\$7.46.
6. The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of the grant date respectively.
7. The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 15% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first and second anniversary of the grant date respectively; RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on the third and fourth anniversary of the grant date respectively; RSUs worth 30% of the monetary value of the Award (calculated at each vesting date) shall be vested on the fifth anniversary of the grant date.
8. The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 12.9% of the monetary value of the Award (calculated at vesting date) shall be vested on the first anniversary of the grant date; RSUs worth 15.7% of the monetary value of the Award (calculated at vesting date) shall be vested on the second anniversary of the grant date; RSUs worth 19.3% of the monetary value of the Award (calculated at vesting date) shall be vested on the third anniversary of the grant date; RSUs worth 23.6% of the monetary value of the Award (calculated at vesting date) shall be vested on the fourth anniversary of the grant date; RSUs worth 28.5% of the monetary value of the Award (calculated at vesting date) shall be vested on the fifth anniversary of the grant date.
9. The Award has a vesting term of 2 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 50% of the monetary value of the Award (calculated at each vesting date) shall be vested on the grant date and first anniversary of the grant date respectively.
10. The Award has a vesting term of 3 years from the grant date. The RSUs shall be vested according to the vesting schedule: RSU worth one-third of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second and third anniversary of the grant date respectively.
11. The Award vests immediately upon grant.
12. The Award has a vesting term of 5 years from January 1, 2021. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2022; RSUs worth 50% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2024; RSUs worth 30% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2025.
13. The Award has a vesting term of 5 years from December 21, 2021. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of December 21, 2021 respectively.
14. All unvested RSUs under the Award granted on August 9, 2021 lapsed during the Reporting Period. Number of RSUs under the Award granted on August 9, 2021 is indicative only, and is based on the difference between the indicative number of RSUs for the Award as of January 1, 2022, and the actual vested number of RSUs during the Reporting Period.
15. The remuneration under the relevant employee contracts were denominated in Hong Kong dollars. The monetary value of the award was based on the exchange rate on November 4, 2021 of HK\$1:RMB0.82155.
16. The Award has a vesting term of 5 years from January 1, 2022. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2023; RSUs worth 50% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2025; RSUs worth 30% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2026.
17. At the sole discretion of the Board, the Grantees may obtain either Shares or an equivalent value in cash, with reference to the market value of the Shares on or about the vesting date.
18. The Award has a vesting term of 5 years from March 1, 2022. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of March 1, 2022 respectively.

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

(h) *General and Maximum Limit (cont'd)*

19. The Award has a vesting term of 5 years. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on April 17, 2023, April 17, 2024, April 17, 2025, April 17, 2026, and April 17, 2027 respectively.

None of the grantees were chief executive or substantial shareholders of the Company, or their respective associates during the Reporting Period.

Please refer to Note 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.

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) *Term*

Subject to the termination provision of the Share Option Scheme, it shall be valid and effective for a period of 10 years commencing on the Listing Date. As such, the remaining life of the Share Option Scheme is approximately 6.5 years as of the date of this interim report. Upon the expiry of the Share Option Scheme, no further Options will be granted, but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options that are granted during the Term of the Share Option Scheme may continue to be valid and exercisable in accordance the Share Option Scheme.

The Company by ordinary resolution of the Board may at any time resolve to terminate the operation of the Share Option Scheme and in such event no further Options shall be offered but the provisions of this Scheme 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 Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(b) *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 vesting period and exercise period of an option 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)

(c) *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.

(d) *Maximum number of Shares*

- (i) 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 8.99% of issued shares as at the date of this report.
- (ii) Without prejudice to paragraph (iii) 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 17.03C(2) of the Listing Rules.

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

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

(iii) Without prejudice to paragraph (ii) 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 (ii) 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 17.03C(3) of the Listing Rules.

(e) *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 Company (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 Rule 17.03(9) and Rule 17.03E of the Listing Rules.

(f) *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);

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(f) *Grant of options to connected persons (cont'd)*

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.

(g) *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. The amount payable per Share on subscription or acceptance of the underlying options under the Share Option Scheme is HK\$1.00, and the period within which payments must be made is five business days from the date on which the letter containing the offer to the underlying options under the Share Option Scheme is delivered to the eligible participant.

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

Supplementary Information

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(g) *Subscription price for Shares and consideration for the option (cont'd)*

A summary of the options granted under the Share Option Scheme that were still outstanding as of June 30, 2023 are as follows:

Grantee	Position/ Relationship	Date of Grant	Vesting Period	Exercise Period	Exercise Price ⁽⁵⁾ (HK\$)	As of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	As of June 30, 2023
198 Employees	Other employee participants	2021/12/7	2021/1/1- 2025/12/31	2021/12/7- 2031/12/6	15.97	2,104,564	0	0	0	210,511	1,894,053
		2021/12/7	2021/7/1- 2026/6/30	2021/12/7- 2031/12/6	15.97	312,525	0	0	0	0	312,525
		2021/12/7	2022/1/1- 2024/12/31	2021/12/7- 2031/12/6	15.97	100,000	0	0	0	0	100,000
		2021/12/7	2022/1/1- 2026/12/31	2021/12/7- 2031/12/6	15.97	3,585,355	0	0	0	175,870	3,409,485
78 employees	Other employee participants	2023/01/19	2023/01/19- 2027/01/18	2023/01/19- 2033/01/18	11.44	—	1,251,604	0	0	20,000	1,231,604
		2023/01/19	2023/01/19- 2028/01/18	2023/01/19- 2033/01/18	11.44	—	635,364	0	0	25,000	610,364
						6,102,444	2,113,900	0	0	2,130,323	7,784,963

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(g) *Subscription price for Shares and consideration for the option (cont'd)*

Notes:

- (1) There were 294 employees who were recipients of the share options at the beginning of the Reporting Period. During the Reporting Period, a total of 2,130,323 share options lapsed due to 18 employees resigning from the Group.
- (2) The closing price per Share immediately on the date of grant (December 7, 2021) was HK\$15.26. The closing price per Share immediately on the date of grant (January 19, 2023) was HK\$10.50.
- (3) Performance targets: the Grantees must (i) achieve Grade B or above in their respective performance appraisals; and (ii) remain as employees of the Company when the relevant Share Options are vested.
- (4) The fair value of the share options granted on December 7, 2021 was approximately HK\$53,117,000. The fair value of the share options granted on January 19, 2023 was approximately HK\$10,140,000. The accounting standard and policy adopted to estimate the fair value of the awards at the date of grant per Share is set out in note 24 of the Notes to Financial Statements.
- (5) The exercise price of the options was the average of the closing prices of the Shares as stated in the daily quotations sheet by the Stock Exchange for the five business days immediately preceding the date of grant.

As of June 30, 2023, assuming that all outstanding options to subscribe for aggregate of 7,784,963 Shares are exercised, the remaining total number of Shares available for issue under the Share Option Scheme is 53,219,237 Shares, representing approximately 7.84% of the issued share capital of the Company as at the date of this interim report.

As of January 1, 2023, the number of options available for grant under the scheme mandate was 54,901,756. 53,219,237 options were available for grant under the scheme mandate as of June 30, 2023.

As no options or award may be granted under the Share Option Plan after the Listing Date, and 2,113,900 options were granted during the Reporting Period under the Share Option Scheme, the calculation under Rule 17.07(3) is 0.0031.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

For the year ended December 31, 2022, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the six months ended June 30, 2023.

Except as disclosed above, a total of 413,003 Shares have been granted and paid to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme, for the six months ended June 30, 2023, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the six months ended June 30, 2023 or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the six months ended June 30, 2023.

Supplementary Information

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, 2023:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK\$ million	Unutilized amount as of December 31, 2022 HK\$ million	Utilized amount during the Reporting Period HK\$ million	Unutilized amount as of June 30, 2023 HK\$ million	Expected timeline for unutilized amount
Development and commercialization of our Core Product and other major product candidates	65	1,682.18	1,160.31	257.53	902.78	Yr 2025
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	0	0	0	—
Strengthen our research and development capabilities to enrich our product pipeline	8	207.04	127.40	24.58	102.82	Yr 2024
Expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities	10	258.80	0	0	0	—
Working capital and other general corporate purposes	7	181.16	0	0	0	—
Total	100	2,587.98	1,287.71	282.11	1,005.60	

As of June 30, 2023, 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, 2023:

Business objective as stated in the announcement of the Company dated January 22, 2021	Percentage to total amount %	Net proceeds HK\$ million	Unutilized amount as of December 31, 2022 HK\$ million	Utilized amount during the Reporting Period HK\$ million	Unutilized amount as of June 30, 2023 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)	30	291.44	25.31	0	25.31	Yr 2025
To fund potential product licensing and possible merger and acquisition opportunities in other areas including tricuspid valve replacement and repair treatment	40	388.59	118.64	118.64	0	—
To fund ongoing technology transfer, product development, and research and development, across the Group	25	242.87	155.53	155.53	0	—
For other general corporate purposes	5	48.58	48.58	0	48.58	Yr 2025
Total	100	971.48	348.06	274.17	74.00	

Supplementary Information

Note: The expected timeline for utilization of the unutilized net proceeds from the Placing above is based on the Company's best estimation and is subject to change based on the future development of market conditions.

As of June 30, 2023, 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, September 21, 2023

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 58 to 96, which comprises the interim condensed consolidated balance sheet of Peijia Medical Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2023 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 selected explanatory notes. 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, September 21, 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	224,871	118,799
Cost of sales	6	(51,914)	(35,597)
Gross profit		172,957	83,202
Selling and distribution expenses	6	(172,093)	(92,670)
Administrative expenses	6	(62,383)	(59,609)
Research and development expenses	6	(171,295)	(83,428)
Other income	7	2,709	2,195
Other (losses)/gains — net	8	(3,202)	41,557
Operating loss		(233,307)	(108,753)
Finance income	9	21,965	18,080
Finance costs	9	(131)	(1,121)
Finance income — net		21,834	16,959
Loss before income tax		(211,473)	(91,794)
Income tax expense	10	(602)	(192)
Loss for the period		(212,075)	(91,986)
Loss is attributable to:			
Owners of the Company		(212,061)	(91,986)
Non-controlling interests		(14)	—
		(212,075)	(91,986)
Other comprehensive income for the period		—	—
Total comprehensive loss for the period		(212,075)	(91,986)
Total comprehensive loss for the period is attributable to:			
Owners of the Company		(212,061)	(91,986)
Non-controlling interests		(14)	—
		(212,075)	(91,986)
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (in RMB per share)	11	(0.31)	(0.14)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2023

	<i>Note</i>	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	12	20,628	21,620
Property, plant and equipment	13	415,479	305,819
Investment properties	14	—	7,008
Intangible assets	15	533,916	538,950
Investment accounted for using equity method	16	12,162	333
Other receivables	17	14,279	13,825
Prepayments	18	10,205	6,318
Term deposits	19	170,000	170,000
Financial assets at fair value through profit or loss	20	276,025	245,153
Total non-current assets		1,452,694	1,309,026
Current assets			
Inventories	21	167,826	127,184
Financial assets at fair value through profit or loss	20	76,405	71,564
Trade and other receivables	17	84,865	77,726
Prepayments	18	54,307	61,309
Cash and cash equivalents	19	992,627	1,669,665
Total current assets		1,376,030	2,007,448
Total assets		2,828,724	3,316,474

Interim Condensed Consolidated Balance Sheet

As at June 30, 2023

	Note	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Share capital and share premium	22	6,359,555	6,369,548
Treasury shares held in a trust	23	(57,461)	(82,739)
Other reserves		67,278	63,617
Accumulated losses		(3,924,872)	(3,712,811)
Equity attribute to owners of the Company		2,444,500	2,637,615
Non-controlling interests		(14)	*
Total equity		2,444,486	2,637,615
Liabilities			
Non-current liabilities			
Lease liabilities		905	2,152
Deferred tax liabilities	25	20,320	20,320
Borrowings	26	184,137	70,770
Other payables	27	6,971	5,874
Deferred income		13,302	1,720
Total non-current liabilities		225,635	100,836
Current liabilities			
Lease liabilities		2,833	2,892
Borrowings	26	—	56,061
Trade and other payables	27	155,770	519,070
Total current liabilities		158,603	578,023
Total liabilities		384,238	678,859
Total equity and liabilities		2,828,724	3,316,474

* The non-controlling interests is less than RMB1,000.

The above interim 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, 2023

	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, 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 restricted share award 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

	Share capital and share premium RMB'000	Other reserves RMB'000	Treasury shares held in a trust RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2023 (Audited)	6,369,548	63,617	(82,739)	(3,712,811)	*	2,637,615
Comprehensive loss:						
Loss for the period	—	—	—	(212,061)	(14)	(212,075)
Total comprehensive loss	—	—	—	(212,061)	(14)	(212,075)
Transactions with owners in their capacity as owners:						
Exercise of share options	6,608	(2,489)	—	—	—	4,119
Restricted share units vested	(16,601)	(6,835)	25,278	—	—	1,842
Share-based payments	—	12,985	—	—	—	12,985
Balance at June 30, 2023 (Unaudited)	6,359,555	67,278	(57,461)	(3,924,872)	(14)	2,444,486

* The non-controlling interests is less than RMB1,000.

The above interim 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, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	(483,276)	(230,833)
Interest received	13,519	19,291
Interest paid	(115)	(141)
Income taxes paid	(448)	—
Net cash used in operating activities	(470,320)	(211,683)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	252	1
Payments for acquisitions of property, plant and equipment	(85,821)	(50,619)
Payments for acquisitions of intangible assets	(140,311)	(70,349)
Payments for term deposits	—	(170,000)
Payments for acquisitions of financial assets at fair value through profit or loss	(20,480)	—
Payments for investments accounted for using equity method	(12,000)	(500)
Payments for settlement of foreign exchange forward contracts	(28,045)	(18,982)
Net cash used in investing activities	(286,405)	(310,449)
Cash flows from financing activities		
Proceeds from bank borrowings	113,253	65,025
Proceeds from exercise of share options	2,750	762
Repayment of bank borrowing	(56,000)	—
Interest paid to bank borrowings	(2,649)	(937)
Principal elements of lease payments	(1,623)	(1,431)
Acquisition of shares under the restricted share award scheme	—	(3,094)
Net cash generated from financing activities	55,731	60,325
Net decrease in cash and cash equivalents	(700,994)	(461,807)
Cash and cash equivalents at beginning of the period	1,669,665	2,296,112
Exchange gains on cash and cash equivalents	23,956	53,581
Cash and cash equivalents at end of the period	992,627	1,887,886

The above interim 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, 2023

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, 2023 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, 2022 and any public announcements made by the Company during the interim reporting period.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION

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

Following amended standards became applicable for the current reporting period:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(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 for the six months ended June 30, 2023 are as follows:

		Effective date
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	January 1, 2024

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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, and research and development expenses 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

4 SEGMENT (CONT'D)

The segment information provided to the Group's CODM for reportable segments for the six months ended June 30, 2023 and 2022 is as follows:

	Six months ended June 30, 2023		
	Transcatheter Valve Therapeutic Business	Neurointerventional Business	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	107,726	117,145	224,871
Cost of sales	(13,930)	(37,984)	(51,914)
Selling and distribution expenses	(126,863)	(45,230)	(172,093)
Administrative expenses	(49,414)	(12,969)	(62,383)
Research and development expenses	(145,818)	(25,477)	(171,295)
Segment loss	(228,299)	(4,515)	(232,814)

	Six months ended June 30, 2022		
	Transcatheter Valve Therapeutic Business	Neurointerventional Business	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(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)

5 REVENUE

	Six months ended June 30,	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue from sales of goods — at a point in time	224,871	118,799

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Change of work in process and finished goods	(3,570)	(9,087)
Raw materials and consumables used	54,348	35,057
Employee benefits expenses	159,402	121,739
Service expenses for research and development	103,109	26,652
Promotion expenses	36,022	21,133
Professional services	25,096	14,558
Insurance expenses	23,169	14,114
Travelling and transportation expenses	11,557	4,466
Depreciation of property, plant and equipment (Note 13)	11,292	9,842
Entertainment expenses	9,174	6,170
Utilities and office expenses	7,967	8,208
Amortisation of intangible assets (Note 15)	7,065	6,025
Depreciation and amortisation of right-of-use assets	1,704	1,592
Auditor's remuneration	2,025	1,930
Depreciation and amortisation of investment properties (Note 14)	270	270
Others	9,055	8,635
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	457,685	271,304

7 OTHER INCOME

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	2,126	1,743
Rental income	583	452
	2,709	2,195

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

8 OTHER (LOSSES)/GAINS — NET

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net foreign exchange gains	23,999	60,900
Fair value gains on financial assets at fair value through profit or loss	2,179	—
Loss from foreign exchange forward contracts — net	(28,045)	(18,982)
Share of losses of associates	(171)	—
Losses on disposal of property, plant and equipment	(91)	—
Losses on early termination of operating lease	—	(397)
Others	(1,073)	36
	(3,202)	41,557

9 FINANCE INCOME — NET

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income:		
Interest income	21,965	18,080
Finance costs:		
Interest expense on lease liabilities	(115)	(141)
Interest expense on bank borrowings	(16)	(980)
	(131)	(1,121)
Finance income — net	21,834	16,959

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

10 INCOME TAX EXPENSE

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	(602)	(192)
Deferred income tax	—	—
Income tax expense	(602)	(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 except for one subsidiary which has been provided for at a rate of 20% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**").

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 except for one subsidiary which has been provided for at a rate of 8.25%.

(c) The income tax of the holding entities incorporated in United States are calculated based on the net assets and an income tax rate of 0.26%.

(d) Entities incorporated in other places are subject to income tax rates of 0% prevailing in the places in which the Group operated.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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,	
	2023 (Unaudited)	2022 (Unaudited)
Numerator:		
Loss attributable to owners of the Company (RMB'000)	(212,061)	(91,986)
Denominator:		
Weighted average number of ordinary shares in issue (in thousands)	677,414	672,171
Basic loss per share (RMB)	(0.31)	(0.14)

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022 are the same as basic loss per share.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

12 RIGHT-OF-USE ASSETS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Right-of-use assets		
— Land use rights (a)	16,719	16,411
— Buildings (b)	3,909	5,209
	20,628	21,620

(a) Land use rights

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, 2023. The movements of land use rights are analysed as follows:

	Land use rights RMB'000
At December 31, 2022 (Audited)	
Cost	18,156
Accumulated amortisation	(1,745)
Net book value	16,411
Six months ended June 30, 2023 (Unaudited)	
Opening net book value	16,411
Transferred in from investment properties	629
Amortisation charge	(321)
Closing net book value	16,719
At June 30, 2023 (Unaudited)	
Cost	18,785
Accumulated amortisation	(2,066)
Net book value	16,719

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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

(b) Buildings

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, 2022 (Audited)	
Cost	10,041
Accumulated depreciation	(4,832)
<hr/>	
Net book value	5,209
<hr/>	
Six months ended June 30, 2023 (Unaudited)	
Opening net book value	5,209
Additions	317
Depreciation charge	(1,617)
<hr/>	
Closing net book value	3,909
<hr/>	
At June 30, 2023 (Unaudited)	
Cost	10,053
Accumulated depreciation	(6,144)
<hr/>	
Net book value	3,909
<hr/>	

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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, 2022 (Audited)								
Cost	53,562	7,317	20,072	79,762	2,486	167,414	38,600	369,213
Accumulated depreciation	(12,858)	(2,546)	(11,788)	(12,369)	(1,266)	—	(22,567)	(63,394)
Net book value	40,704	4,771	8,284	67,393	1,220	167,414	16,033	305,819
Six months ended June 30, 2023 (Unaudited)								
Opening net book value	40,704	4,771	8,284	67,393	1,220	167,414	16,033	305,819
Transferred in from construction in progress	—	—	—	4,081	—	(4,209)	128	—
Transferred in from investment properties	6,173	—	—	—	—	—	—	6,173
Transferred to intangible assets	—	—	—	—	—	(613)	—	(613)
Additions	—	1,278	2,637	4,992	—	106,828	—	115,735
Disposals	—	(49)	(141)	(153)	—	—	—	(343)
Depreciation charge (Note 6)	(1,554)	(602)	(2,480)	(3,827)	(208)	—	(2,621)	(11,292)
Closing net book value	45,323	5,398	8,300	72,486	1,012	269,420	13,540	415,479
At June 30, 2023 (Unaudited)								
Cost	61,967	8,407	22,090	88,599	2,486	269,420	38,728	491,697
Accumulated depreciation	(16,644)	(3,009)	(13,790)	(16,113)	(1,474)	—	(25,188)	(76,218)
Net book value	45,323	5,398	8,300	72,486	1,012	269,420	13,540	415,479

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

14 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
At December 31, 2022 (Audited)			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(1,969)	(59)	(2,028)
Net book value	6,436	572	7,008
Six months ended June 30, 2023 (Unaudited)			
Opening net book value	6,436	572	7,008
Transferred to property, plant and equipment	(6,173)	—	(6,173)
Transferred to right-of-use assets	—	(565)	(565)
Depreciation and amortisation charge (Note 6)	(263)	(7)	(270)
Closing net book value	—	—	—
At June 30, 2023 (Unaudited)			
Cost	—	—	—
Accumulated depreciation and amortisation	—	—	—
Net book value	—	—	—

For the six months ended June 30, 2023, depreciation and amortisation have been charged to "administrative expenses" amounted to RMB270,000 (unaudited) (six months ended June 30, 2022: RMB270,000).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Technologies RMB'000	Computer software RMB'000	Total RMB'000
At December 31, 2022 (Audited)				
Cost	51,658	510,273	9,294	571,225
Accumulated amortisation	—	(28,536)	(3,739)	(32,275)
Net book value	51,658	481,737	5,555	538,950
Six months ended June 30, 2023 (Unaudited)				
Opening net book value	51,658	481,737	5,555	538,950
Additions	—	—	1,418	1,418
Transferred in from construction in progress	—	—	613	613
Amortisation charge (Note 6)	—	(5,690)	(1,375)	(7,065)
Closing net book value	51,658	476,047	6,211	533,916
At June 30, 2023 (Unaudited)				
Cost	51,658	510,273	11,325	573,256
Accumulated amortisation	—	(34,226)	(5,114)	(39,340)
Net book value	51,658	476,047	6,211	533,916

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Associates (a)	12,162	333

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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

The amounts recognised in the interim condensed consolidated statement of comprehensive loss are as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Associates (a)	171	—

(a) Investments in associates

During the six months ended June 30, 2023, the Group subscribed the ordinary shares issued by three unlisted companies respectively with a total consideration of RMB12,000,000. These investments are accounted for using equity method as the Group had significant influence over the investees.

The carrying amount of equity-accounted investments has changed as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the period	333	—
Additions	12,000	500
Loss for the period	(171)	—
End of the period	12,162	500

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

17 TRADE AND OTHER RECEIVABLES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Trade receivables from — third parties (a)	12,253	12,595
Other receivables from — employees	17,527	16,159
— related party	8,748	8,748
— third parties	3,062	8,498
Loans to employees (b)	28,529	13,825
Value-added tax recoverable	845	12,683
Interest receivables	17,427	10,302
Deposits	1,903	1,868
Others	8,850	6,873
Total	99,144	91,551
Less: non-current portion	(14,279)	(13,825)
Current portion	84,865	77,726

- (a) Trade receivables are with credit terms of 60 days, and as at June 30, 2023 and December 31, 2022, the ageing analysis of the trade receivables based on invoice date were as follows:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Not overdue	12,253	12,595

- (b) For the six months ended June 30, 2023, the Group has provided loans with the nominal value of HKD8,000,000 (equivalent to RMB6,901,000) and RMB8,000,000, respectively to certain key management personnel. These loans were interest-free and will be repayable in January and February 2025, respectively.

For the six months ended June 30, 2022, the Group has provided a loan with the nominal value of HKD16,000,000 (equivalent to RMB13,025,000) to certain key management personnel. The loan was interest-free and will be repayable in March 2024.

As at June 30, 2023 and December 31, 2022, loans to key management personnel were measured at amortised cost and the variance between the nominal value and the amortised cost were recorded as compensation to the key management personnel.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

18 PREPAYMENTS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Prepayments to:		
— inventories	34,238	46,007
— research and development service	11,390	8,022
— equipment not received	8,015	6,318
— land use right	1,800	—
— others	9,069	7,280
Total	64,512	67,627
Less : non-current portion	(10,205)	(6,318)
Current portion	54,307	61,309

19 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Cash in bank	1,162,627	1,839,665
Less: term deposits over one year (a)	(170,000)	(170,000)
	992,627	1,669,665

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Cash and cash equivalents and term deposits are denominated in:		
— HKD	309,530	474,483
— USD	121,970	497,854
— RMB	731,127	867,328
	1,162,627	1,839,665

(a) The directors of the Company considered that the carrying amount of the term deposits over one year was approximated to their fair value as at June 30, 2023.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Non-current assets		
Unlisted equity investments (i)	276,025	245,153
Current assets		
Unlisted debt investment (ii)	76,405	71,564
	352,430	316,717

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

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Opening balance	245,153	224,424
Additions	20,480	—
Foreign exchange gains	10,392	11,817
Closing balance	276,025	236,241

For the six months ended June 30, 2023, the Group has increased its investment in one unlisted investee from 14% to 27% for cash consideration of USD3,000,000 (equivalent to RMB20,480,000).

As at June 30, 2023, the unlisted equity investments represented preferred shares of three unlisted entities owned by the Group. 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

(ii) The movements in the carrying value of unlisted debt investment for the years are as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Opening balance	71,564	—
Foreign exchange gains	2,662	—
Fair value gains	2,179	—
Closing balance	76,405	—

As at June 30, 2023, the unlisted debt investment represented interest in a private fund issued by a registered fund company. The principal amount of the investment was HKD80,000,000 (approximately RMB73,575,000).

21 INVENTORIES

	June 30,	December 31,
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Materials in transit	1,564	7,131
Raw materials	121,272	78,633
Work in progress	33,307	8,915
Finished goods	13,663	34,485
	169,806	129,164
Write-down of the inventories	(1,980)	(1,980)
	167,826	127,184

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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, 2022 (Audited)	677,414,028	478	6,369,070	6,369,548
Exercise of share options (i)	1,442,780	1	6,607	6,608
Restricted share units vested under the trust	—	—	(16,601)	(16,601)
As at June 30, 2023 (Unaudited)	678,856,808	479	6,359,076	6,359,555

	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 (i)	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

- (i) For the six months ended June 30, 2023, certain employees exercised stock options granted to them in 2017, 2019 and 2021, and 1,442,780 Shares were issued to them (six months ended June 30, 2022: 5,479,273).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

23 TREASURY SHARES HELD IN A TRUST

	Number of treasury shares	Amount RMB'000
As at January 1, 2023 (Audited)	(5,212,304)	(82,739)
Restricted share units vested under the trust (i)	1,216,725	25,278
As at June 30, 2023 (Unaudited)	(3,995,579)	(57,461)

	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 (ii)	(451,000)	(3,094)
Restricted share units vested under the trust (i)	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, 2023, 1,216,725 restricted share (unaudited) units were vested under the trust (six months ended June 30, 2022: 106,453 (unaudited)).

- (ii) 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. The shares held in the trust are accounted for as treasury shares of the Company.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

24 SHARE-BASED PAYMENTS

(a) Stock options

(i) *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.

On May 15, 2020, pursuant to the resolution passed by the shareholders on April 28, 2020, a capitalisation issue of 434,654,450 shares were allotted without payment and as fully paid shares to existing shareholders. The weighted average exercise price has been changed to USD0.4382 per ordinary share correspondingly.

(ii) *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 HKD15.97 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.

(iii) *Stock options granted to employees in 2023*

On January 19, 2023, the Company granted 2,113,900 stock options to 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 HKD11.44 per ordinary share. The vesting term of the stock options includes different vesting schedule, which varies from one year to four years with different performance conditions respectively. All options shall expire in ten years from the grant dates.

Fair value of options granted in 2023

The fair value at the grant date is independently determined using binomial model, the significant inputs were listed as below:

Expected price volatility	41.31%
Expected option life (year)	10
Risk free interest rate	2.96%
Fair value of granted options (HKD)	4.71–4.92

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period close to the valuation date.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

24 SHARE-BASED PAYMENTS (CONT'D)

(a) Stock options (cont'd)

(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,	
	2023 (Unaudited)	2022 (Unaudited)
At the beginning of period	41,331,105	50,008,962
Granted	2,113,900	—
Exercised	(1,442,780)	(5,479,273)
Forfeited	(564,381)	(1,919,087)
At the end of period	41,437,844	42,610,602

(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.

(i) *RSU issued to directors*

Each of certain directors has been granted RSUs of the Company representing an aggregate total amount of USD100,000 per year in the three years commencing from the grant date in 2020 and 2023 respectively. The RSUs are issued to the directors on a quarterly basis. The number of RSUs to be issued at the end of each quarter is calculated based on the higher of the closing price of the shares of the Company on the issue date, and the average closing price of the shares of the Company for the five business days immediately preceding the issue date.

The RSUs issued is subject to a vesting schedule at an exercise price of nil, 40% of the RSUs issued are vested immediately on the issue date, 20%, 20% and 20% of the RSUs issued are vested on the first, second and third anniversary of the respective issue date, respectively.

For the six months ended June 30, 2023, the directors have been granted a choice to settle above remunerations by issuance of RSUs or by an equivalent value in cash. Since both the equity and cash alternatives have the same value and there is no incremental fair value at the modification date, there is no profit or loss impact from the modification.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

24 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units (cont'd)

(ii) *RSU issued to a consultant*

The consultant has been granted RSUs of the Company representing an aggregate total amount of USD150,000 per year in the two years commencing from the grant date in 2022. The RSUs are issued to the consultant on a quarterly basis. The number of RSUs to be issued at the end of each quarter is calculated based on the higher of the closing price of the shares of the Company on the issue date, and the average closing price of the shares of the Company for the five business days immediately preceding the issue date. The RSU issued are vested immediately on the issue date.

For the six months ended June 30, 2023, the consultant has been granted a choice to settle above remunerations by issuance of RSUs or by an equivalent value in cash. Since both the equity and cash alternatives have the same value and there is no incremental fair value at the modification date, there is no profit or loss impact from the modification.

(iii) *RSU issued to employees*

In 2022 and 2021, the Company granted RSUs of the Company 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 RSUs granted representing a fixed aggregate total amount for each of the five years commencing from the grant date. The RSUs are issued to the targets on an annual basis and subject to the targets remaining as the employee of the Group on the issue date, and all of the other vesting conditions being satisfied. The number of RSUs to be issued on each anniversary of the grant date in the next five years is based on the closing price of the shares of the Company on the respective issue date. The RSU issued can be vested immediately on the issue date.

In 2022, the employees have been granted a choice to settle above awards by issuance of RSUs or by an equivalent value in cash. Since both the equity and cash alternatives have the same value and there is no incremental fair value at the modification date, there is no profit or loss impact from the modification.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

24 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units (cont'd)

(iii) RSU issued to employees (cont'd)

For the six months ended June 30, 2023, the restricted share units issued to directors, a consultant and employees of the Group are as follows:

Restricted share units issued to	Number of issued (Unaudited)	Issue date (Unaudited)	Vesting period (Unaudited)
Directors	53,939	End of each quarter	0–6 years
Consultant	17,064	End of each quarter	Nil
Employees	1,132,123	Various dates in 2023	0–5 years

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

Restricted share units issued to	Number of issued (Unaudited)	Issue date (Unaudited)	Vesting period (Unaudited)
Directors	101,442	End of each quarter	0–6 years
Consultant	65,876	End of each quarter	Nil

The total expense recognised in the interim condensed consolidated statement of comprehensive loss for the six months ended June 30, 2023 for the restricted share units granted is approximately RMB9,516,000 (unaudited) (six months ended June 30, 2022: RMB1,162,000 (unaudited)).

As at June 30, 2023, 38,199 restricted share units remained unexercised (December 31, 2022: 158,654).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

24 SHARE-BASED PAYMENTS (CONT'D)

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Stock options		
Selling and distribution expenses	2,701	2,974
Research and development expenses	1,673	6,514
Administrative expenses	1,567	3,291
Cost of sales	787	975
	6,728	13,754
Restricted share units		
Selling and distribution expenses	6,898	—
Research and development expenses	2,039	650
Administrative expenses	579	512
	9,516	1,162
Total	16,244	14,916

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

25 DEFERRED TAX ASSETS AND LIABILITIES

- (i) The movements in deferred tax assets and deferred liabilities for the six months ended June 30, 2023, 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, 2023 (Audited)	17,466
Charge to interim condensed consolidated statement of comprehensive loss	(1,513)
As at June 30, 2023 (Unaudited)	15,953

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, 2023 (Audited)	1,233	568	435	35,550	37,786
Credit to interim condensed consolidated statement of comprehensive loss	(60)	(23)	(6)	(1,424)	(1,513)
Reclassification	499	(545)	46	—	—
As at June 30, 2023 (Unaudited)	1,672	—	475	34,126	36,273

(ii)	June 30, 2023 RMB'000 (Unaudited)
Deferred tax liabilities	
— to be recovered within 12 months	3,013
— to be recovered more than 12 months	33,260
	36,273

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

26 BORROWINGS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Non-current		
Bank borrowings — secured (i)	184,137	70,770
Less: Current portion of non-current borrowings — secured	—	—
	184,137	70,770
Current		
Bank borrowings — unsecured (ii)	—	56,061
Total	184,137	126,831

(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, 2023, the Group has drawn down RMB183,940,000, which was mortgaged by a land use right and a building under construction of the Group with carrying amounts of RMB9,432,000 and RMB258,274,000, respectively. The borrowings bore interest rates of 3.8%–3.85% and will be repayable by 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%. The borrowing has been repaid in January 2023.

(iii) At December 31, 2022 and June 30, 2023, the Group's borrowings were repayable as follows:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 1 year	—	56,061
Between 1 and 2 years	23,189	4,501
Between 2 and 5 years	160,948	66,269
Total	184,137	126,831

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

27 TRADE AND OTHER PAYABLES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Trade payables to		
— related party	443	—
— third parties	14,163	361,580
Other payables to		
— third parties	91,063	97,620
Staff salaries, bonus and welfare payables	34,111	41,434
Liabilities arising from share-based payments with cash alternative	11,497	9,045
Tax payable	11,464	15,265
Total	162,741	524,944
Less: non-current position	(6,971)	(5,874)
Current position	155,770	519,070

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 1 year	14,595	361,444
Between 1 year and 2 years	—	6
Between 2 year and 5 years	11	130
	14,606	361,580

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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 financial assets measured and recognised at fair value at June 30, 2023 on a recurring basis:

	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 (<i>Note 20</i>)				
— Unlisted equity investments	—	—	276,025	276,025
— Unlisted debt investment	—	—	76,405	76,405
	—	—	352,430	352,430

The following table presents the Group's financial assets measured and recognised at fair value at December 31, 2022 on a recurring basis:

	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 (<i>Note 20</i>)				
— Unlisted equity investments	—	—	245,153	245,153
— Unlisted debt investment	—	—	71,564	71,564
	—	—	316,717	316,717

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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, 2023.

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. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. 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 and for instruments where ESG risk gives rise to a significant unobservable adjustment.

(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, 2023 and December 31, 2022.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

28 FAIR VALUE ESTIMATION (CONT'D)

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

The changes in level 3 instruments for the six months ended June 30, 2023 and 2022 are presented in Note 20.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2023.

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	4.12%-4.58% 40.31%-43.89%

The debt investment in unlisted entity represented the investment in a private fund issued by a registered fund company. The Group used discounted cash flows approach to evaluate the fair value of the investment as at June 30, 2023.

Valuation processes

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every six months, in line with the Group's half-yearly reporting periods.

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, 2023 and 2022 would have been approximately RMB35,243,000 lower/higher and RMB23,624,000 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, term deposits, trade and other receivables, borrowings, trade and other payables and lease liabilities) approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

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, 2023 and 2022, and balances arising from related party transactions as at June 30, 2023 and December 31, 2022.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Key management personnel	Key management personnel
Suzhou SITRI Interventional Medtech Institute	Associate
Suzhou Peixin Technology Co., Ltd.	Associate
Suzhou Smartfibre Technologies Co., Ltd.	Associate

(b) Transactions with related parties

(i) Loans to employees

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key management personnel	14,901	13,025

(ii) Purchased from related parties

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Suzhou Peixin Technology Co., Ltd.	454	—
Suzhou Smartfibre Technologies Co., Ltd.	442	—
	896	—

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

29 RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key management personnel compensation

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	5,592	6,195
Housing fund, medical insurance and other social insurance	414	467
Share-based compensation expenses	8,382	4,257
	14,388	10,919

(d) Balances with related parties

(i) Other receivables

	June 30,	December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Suzhou SITRI Interventional Medtech Institute	8,748	8,748
Key management personnel	44,688	29,984
	53,436	38,732

(ii) Trade payables

	June 30,	December 31,
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Suzhou Smartfibre Technologies Co., Ltd.	442	—

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

29 RELATED PARTY TRANSACTIONS (CONT'D)

(d) Balances with related parties (cont'd)

(iii) *Liabilities arising from share-based payments with cash alternative*

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Key management personnel	254	495

30 CAPITAL COMMITMENTS

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Property, plant and equipment	74,150	86,448
Land use right	16,200	—
	90,350	86,448

31 DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended June 30, 2023 (unaudited) (six months ended June 30, 2022: nil (unaudited)).

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
“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
“AIS”	acute ischemic stroke, a disease occurs when the blood flow through the cerebral arteries 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, excludes 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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

Definitions

“Core Product”	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which, for purposes of this report, refers to TaurusOne®
“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
“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
“ICAS-LVO”	intracranial atherosclerosis-related large vascular occlusion
“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

Definitions

“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, the anatomic structure through which the left ventricular stroke volume passes towards the aorta
“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
“microstructure”	the design of a multi-layered micro-structured device made of multiple materials through precision manufacturing
“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
“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

Definitions

“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
“PTAS”	percutaneous transluminal angioplasty and stenting, a minimally invasive procedure used to open a blocked artery
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six months ended June 30, 2023
“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

Definitions

“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

Definitions

“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
“Transcatheter Valve Therapeutic Business”	the business of our Group in research and development of transcatheter valve therapeutic medical devices
“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
“TR”	tricuspid regurgitation
“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, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery through transseptal puncture approach
“TTVR”	transcatheter tricuspid valve replacement, a catheter-based 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
“VBP” or “volume-based procurement”	a program that enables local governments to procure medical devices in high volume and at low cost, thereby driving down medical expenses for patients
“%”	per cent