



PEIJIA

沛嘉医疗
PEIJIA MEDICAL

沛嘉醫療有限公司

Peijia Medical Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9996



INTERIM REPORT
2021

02

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Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

“Achieva” or “Achieva Group”	includes Achieva Medical and its subsidiaries, i.e., Achieva HK, Achieva Shanghai, Achieva Suzhou and Jiangxi Zhisheng
“Achieva HK”	Achieva Medical HK Limited, an exempted company incorporated under the laws of Hong Kong on March 25, 2009, being an indirect wholly-owned subsidiary of the Company
“Achieva Medical”	Achieva Medical Limited, an exempt limited liability company incorporated under the laws of the Cayman Islands on November 2, 2005, being a wholly-owned subsidiary of our Company
“Achieva Shanghai”	Achieva Medical (Shanghai) Co., Ltd. (加奇生物科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on March 21, 2006, being an indirect wholly-owned subsidiary of the Company
“Achieva Suzhou”	Achieva Medical (Suzhou) Co., Ltd. (上海加奇生物科技蘇州有限公司), a limited liability company incorporated under the laws of PRC on November 29, 2016, being an indirect wholly-owned subsidiary of the Company
“aortic valve”	a valve in the human heart between the left ventricle and the aorta
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issuance of 434,654,450 Shares to be made immediately before completion of the Global Offering upon the capitalization of sums standing to the credit of the share premium account of the Company referred to in “Appendix IV – Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of our Company passed on April 28, 2020” in the Prospectus
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules

Definitions

“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim report and for geographical reference only, Hong Kong, Macau and Taiwan
“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. ZHANG, Mrs. Ping Ye ZHANG, Ms. Hong YE, Jinnius Drive Trust, Hanlindale Trust and XinYue International Limited, being parties to the Concert Party Agreement, and each a “Concert Party”
“Concert Party Agreement”	the agreement entered into among the Concert Parties dated January 21, 2020
“confirmatory clinical trial”	a controlled clinical trial of a medical device product designed to demonstrate statistically significant clinical efficacy and safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure), for regulatory approval of such product
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Core Product”	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which, for purposes of this interim report, refers to TaurusOne®
“COVID-19”	coronavirus disease 2019
“DCS”	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
“feasibility clinical trial”	a clinical trial of a medical device product designed to preliminarily demonstrate the safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure)
“Founders”	Dr. ZHANG, Mrs. Ping Ye ZHANG and Ms. Hong YE
“Global Offering”	has the meaning as ascribed to it under the Prospectus

Definitions

“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
“hemorrhagic stroke”	a condition where a blood vessel ruptures within the brain (intracerebral hemorrhage) or into the space surrounding the brain (subarachnoid hemorrhage)
“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
“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
“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)
“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

Definitions

“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Neurointerventional Business”	the business of the 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
“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
“Nomination Committee”	the nomination committee of the Board
“Over-allotment Option”	has the meaning as ascribed to it under the Prospectus
“PAV”	prosthetic aortic valve, the artificial valve of our TAVR products
“Peijia Shanghai”	Peijia Medical Technology (Shanghai) Co., Ltd. (沛嘉醫療科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on February 24, 2012, being an indirect wholly-owned subsidiary of our Company
“Peijia Suzhou”	Peijia Medical Technology (Suzhou) Co., Ltd. (沛嘉醫療科技(蘇州)有限公司), a limited liability company incorporated under the laws of PRC on March 4, 2013, being an indirect wholly-owned subsidiary of our Company
“Placee(s)”	any individuals, corporate, institutional or other investor(s) procured by the Placing Agent or their respective agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of 33,800,000 Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agreement”	the conditional placing agreement entered into between the Company and Morgan Stanley & Co. International plc dated January 22, 2021 in relation to the Placing
“Placing Shares”	33,800,000 Placing Shares to be placed pursuant to the Placing Agreement
“Preferred Shares”	the Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and/or Series C-1 Preferred Shares

Definitions

“Prospectus”	the prospectus of the Company dated May 5, 2020, in relation to the Global Offering
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six months ended June 30, 2021
“R&D”	research and development
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme
“RSU Scheme”	the restricted share unit award scheme of the Company conditionally approved and adopted by the Shareholders on April 28, 2020, the principal terms of which are set out in “Appendix IV – Statutory and General Information – D. Share Incentive Schemes” in the Prospectus
“SAVR”	surgical aortic valve replacement, a treatment of severe aortic stenosis through open-chest surgery
“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, 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(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company
“Share Incentive Schemes”	the Share Option Plan, the RSU Scheme and the Share Option Scheme

Definitions

“Share Option Plan”	the share option plan approved and adopted by the Company on December 27, 2019 for the benefit of any Director, employee, adviser and consultant, of the Company or any of its subsidiaries; a summary of the principal terms is set forth in the paragraph headed “Appendix IV – Statutory and General Information – D. Share Incentive Schemes” in the Prospectus
“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
“Shareholder(s)”	holder(s) of the Share(s)
“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
“substantial shareholder(s)”	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
“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 medical devices”	medical devices for the treatment of valvular heart diseases using cardiovascular interventional technique by implanting a prosthetic valve through an artery
“tricuspid valve”	the valve on the right dorsal side of the mammalian heart, between the right atrium and the right ventricle, the function of which is to prevent back flow of blood from the right ventricle into the right atriums

Definitions

“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
“we”, “us” or “our”	the Company and, unless the context indicates otherwise, its subsidiaries
“%”	per cent

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. Wayne WU^(Note)

AUDIT COMMITTEE

Mr. Wai Ming YIP (*Chairman*)
Mr. Jifeng GUAN
Mr. Robert Ralph PARKS
Mr. Wayne WU^(Note)

REMUNERATION COMMITTEE

Mr. Wayne WU (*Chairman*)^(Note)
Dr. Zhiyun YU
Dr. Stephen Newman OESTERLE
Mr. Robert Ralph PARKS

NOMINATION COMMITTEE

Dr. Yi ZHANG (*Chairman*)
Mr. Fei CHEN
Dr. Stephen Newman OESTERLE
Mr. Wai Ming YIP
Mr. Wayne WU^(Note)

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

8 Zhongtian Street
Suzhou Industrial Park, Suzhou
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Ms. Pui Chun Hannah SUEN (*ACS, ACG*)

AUTHORIZED REPRESENTATIVES

Ms. Hong YE
Ms. Pui Chun Hannah SUEN (*ACS, ACG*)

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

Note: Mr. Wayne Wu has tendered his resignation as an independent non-executive Director, and ceased to be the member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee, with effect from June 21, 2021.

Corporate Information

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 Jinye Sub-branch
483 Suzhou Chang Xu Road
Gusu District
Suzhou City, Jiangsu Province
PRC

Management Discussion and Analysis

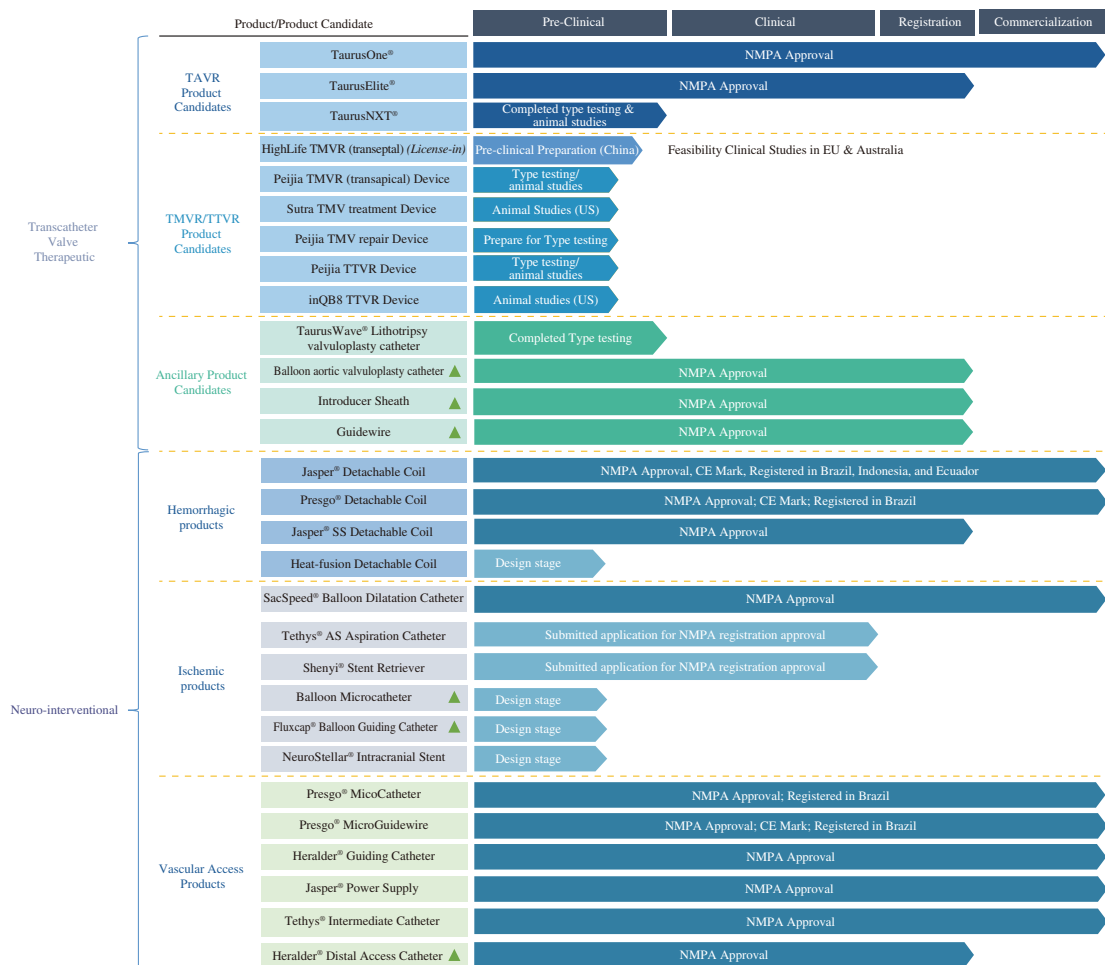
I. BUSINESS REVIEW

Overview

We have built a med-tech platform that focuses on the high-growth interventional procedural 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 heart valve therapeutic device market and neurointerventional procedural medical device market.

Products and Pipeline

During the six months ended June 30, 2021, we obtained registration approvals from NMPA for seven products including TaurusOne® and TaurusElite®. As of June 30, 2021, we had 15 registered products and 14 product candidates at various development stages. The following chart summarizes the development status of our product portfolio as of June 30, 2021:



▲ Among our product candidates, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) promulgated by the NMPA, as amended.

I. BUSINESS REVIEW (CONT'D)

Heart Valve Therapeutic Products

Our heart valve business focuses on treating the most prevalent valvular heart diseases, including aortic stenosis, mitral regurgitation, tricuspid regurgitation, and heart valve calcification, via transcatheter approaches.

TaurusOne® – First Generation TAVR Product

TaurusOne® is our in-house developed first-generation TAVR product, and is designed to treat aortic valve stenosis using a catheter-based approach. The PAV of TaurusOne® uses bovine pericardium, which is generally more durable and performs better in terms of hemodynamic profile compared with porcine pericardium.

We received the NMPA approval for TaurusOne® in April 2021, and commercialized it shortly afterwards in May 2021. For the six months ended June 30, 2021, our revenue generated from the sales of TaurusOne® amounted to RMB9.38 million.

TaurusElite® – Second Generation TAVR Product

We received the NMPA approval for our second-generation TAVR product, TaurusElite®, in June 2021. TaurusElite® has a structure similar to that of TaurusOne®, and yet it features a key upgrade in its DCS that allows physicians and surgeons to retrieve and reposition the PAV if the initial release position is not ideal, further improving the safety of the TAVR procedure.

TaurusElite® is the second retrievable TAVR product that obtained NMPA approval. We have successfully launched TaurusElite® to the market by the date of this report, after the Reporting Period.

TaurusNXT® – Third Generation TAVR Product

TaurusNXT® is the latest generation TAVR system developed by the Company and has a significant different product structure from TaurusOne® and TaurusElite®. TaurusNXT® incorporates our patented anti-calcification technology that removes the need for glutaraldehyde in tissue processing. The technology is expected to greatly enhance the durability and biocompatibility of the PAV. Furthermore, comparing to the traditional dry tissue technology using Glycerin, TaurusNXT® adopts a low-temperature freeze-drying technology to maintain the physical integrity of the valve tissue while allowing the PAV to be pre-loaded onto the DCS. The DCS of TaurusNXT® is both retrievable and steerable, making it even easier for surgeons and physicians to guide the PAV to its target position, thereby further improving the safety of the procedure. By the date of this report, we have started the multi-center clinical trial for TaurusNXT®, with the first successful patient implant completed by Zhongshan Hospital of Fudan University.

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

TMV & TTV Replacement and Repair Product Candidates

We have a variety of product candidates in our pipeline that target transcatheter mitral and tricuspid valve interventions.

I. BUSINESS REVIEW (CONT'D)

TMV & TTV Replacement and Repair Product Candidates (cont'd)

We entered into a license agreement with HighLife SAS ("**HighLife**"), a French-based medical device company focusing on the development of a novel transeptal replacement system for treating mitral valve regurgitation. Pursuant to the agreement, we are entitled to, among other things, manufacture, develop, and commercialize the HighLife TMV replacement device in the Greater China region. As of June 30, 2021, HighLife had initiated the clinical studies of its TMVR in Europe and Australia, and released partial data during EuroPCR 2021. We are currently in the process of technology transfer, and expect to start the feasibility clinical trial in China for this product in the fourth quarter of 2021.

We also entered into a stock purchase agreement with Sutra Medical, Inc ("**Sutra**"), a US-based medical device company that designs and develops transcatheter solutions to treat valvular heart diseases. The founding team of Sutra is composed of professionals with extensive experience in both academia and industry. 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 mitral valve regurgitation using a coaptation augmentation technology that targets only the posterior mitral valve leaflet. Sutra Hemi Valve is currently in pre-clinical evaluation stage. For further details, please also refer to the announcement of the Company dated August 27, 2021.

The Company is Sutra's second largest shareholder after the founder, and has right of first offer if Sutra proposes to offer or sell any new securities, subject to certain customary exceptions. Sutra will share the R&D facilities with the Company's R&D center in the United States, and will also assist the Company in expanding R&D presence in North America.

Besides the collaborations with our global partners, we have also been developing a transapical TMV replacement device and a transeptal TMV repair clip in-house. Both products are currently in pre-clinical stage.

Regarding the R&D of TTVR devices, the Company has partnered with inQB8 Medical Technologies, LLC ("**inQB8**"), a US-based medical technology incubator, to explore innovative solutions for treating structural heart diseases. The partnership includes the Company's acquisition of a TTVR technology from inQB8, which is currently in the animal studies stage, and for which inQB8 will continue with device development in partnership with the Company. The arrangement constitutes a 50-50 ownership of the incubator between the Company and inQB8. Under the partnership, in the joint development of novel products and solutions in the structural heart field, the Company will have exclusive privileges and rights to these technologies globally.

inQB8 will serve as a pre-clinical projects incubation center in partnership with the Company. The founding team of inQB8 has multidisciplinary backgrounds in medtech and engineering. Before founding inQB8, the team founded CardiAQ Valve Technologies ("**CardiAQ**"), CardiAQ is a company that developed the world's first trans-septal TMVR system and was later acquired by Edwards Lifesciences.

I. BUSINESS REVIEW (CONT'D)

TaurusWave® Lithotripsy Valvuloplasty System

Our TaurusWave® lithotripsy valvuloplasty system uses shockwave technology to soften calcification on valve annulus and leaflets so that the prosthetic valve can better fit to the native annulus. The lithotripsy catheter can be used as a stand-alone TAV treatment or be used prior to TAVR or SAVR procedures, in order to alleviate valve stenosis. We have currently completed the type-testing for TaurusWave®, and expect to start first-in-man studies in the second half of 2021.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET THE ABOVE PRE-CLINICAL STAGE PRODUCT CANDIDATES SUCCESSFULLY.

Neurointerventional Procedural Products

We have a comprehensive portfolio of commercialized and pipeline products that target both hemorrhagic and ischemic stroke areas. For the six months ended June 30, 2021, our revenue generated from the sales of neurointerventional products amounted to RMB42.31 million, representing an increase of 197.1% from approximately RMB14.24 million recorded during the same period in 2020.

SacSpeed® Balloon Dilatation Catheter: We launched our first Neurointerventional device targeting ischemic stroke, SacSpeed® Balloon Dilatation Catheter, in the fourth quarter of 2020. For the six months ended June 30, 2021, our revenue generated from the sales of SacSpeed® Balloon Dilatation Catheter was RMB8.25 million, contributing 19.5% of our total sales revenue from neurointerventional products for the Reporting Period.

Tethys® Intermediate Catheter: Our Tethys® Intermediate Catheter assists the delivery of diagnostic devices and/or treatment devices to the neurovascular system and peripheral vascular system, and is applicable in various procedures, including aneurysm embolization procedures, mechanical thrombectomy procedures and Intracranial Atherosclerotic Disease procedures. For the six months ended June 30, 2021, our revenue generated from the sales of Tethys® Intermediate Catheter was RMB6.52 million, contributing 15.4% of our total sales revenue from neurointerventional products for the Reporting Period.

Jasper® SS Detachable Coil: We received the NMPA approval for the Jasper® SS in June 2021, making it the Company's third NMPA approved detachable coil. The detachment process for Jasper® SS is the same as for Jasper®, our first-generation detachable coil, whereas Jasper® SS provides a softer coil in order to meet further clinical needs during the fill and finish processes of a cerebral aneurysm endovascular coiling procedure. We have successfully commercialized Jasper® SS by the date of this report, after the Reporting Period.

Heralder® Distal Access Catheter: We received the NMPA approval for the registration application for Heraldier® Distal Access Catheter in June 2021, and expect to commercialize this product in the third quarter of 2021.

Shenyi® Stent Retriever: Shenyi® stent retriever is our major product candidate designed for removing thrombus in intracranial vessels in a mechanical thrombectomy procedure for patients with acute ischemic stroke. As of June 30, 2021, we have submitted the NMPA registration application for Shenyi® stent retriever, and currently expect to obtain the approval in the second quarter of 2022.

I. BUSINESS REVIEW (CONT'D)

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

Research & Development

Our core R&D team is led by Dr. ZHANG, our Chairman of the Board and Chief Executive Officer, Mr. Kongrong Karl Pan, our Chief Operating Officer, and Dr. Jian Fong Tan, our Chief Technology Officer. Each of them is an industry veteran with an impressive academic and professional background, having previously worked in managerial positions at various leading players in the medical device sector.

We have developed deep relationships with global leaders in both the transcatheter valve therapeutic and neurointerventional domains, including world-class scientists, physicians and industry practitioners, giving us a deep understanding of the clinical needs and demands of patients and physicians.

As of June 30, 2021, we had a robust intellectual property portfolio, consisting of a total of 60 registered patents and 75 patents under application. In addition, we expect to obtain exclusive licensed rights of the four existing patents owned by HighLife regarding its TMVR device.

Manufacturing

We manufacture, assemble and test our products at our two production facilities, one located on our self-owned properties in Suzhou, Jiangsu province, and another located in leased properties in Shanghai. During the six months ended June 30, 2021, we manufactured our Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter, Jasper® Detachable Coil and Jasper® Power Supply in our leased properties in Shanghai with a total area of 1,188.4 sq.m. Since we obtained the Contract Manufacturing License (委託生產許可) to manufacture our Jasper® Detachable Coil in our Suzhou production facility, under the Jiangsu Pilot Marketing Authorization Holder (MAH) System (江蘇醫療器械註冊人制度試點), we relocated part of the Jasper® Detachable Coil's production to Suzhou and manufactured the product at both sites. We currently manufacture our Herald® Guiding Catheter, Tethys® Intermediate Catheter, SacSpeed® Balloon Dilatation Catheter, Jasper® SS Detachable Coil, and Herald® Distal Access Catheter in our Suzhou facility.

For our transcatheter heart valve business, we had five NMPA approved products as of June 30, 2021, including our first- and second-generation TAVR products, guidewire, introducer sheath, and balloon aortic valvuloplasty catheter, all of which are manufactured or will be manufactured in our Suzhou facility. Our Suzhou facility is also equipped with multiple production lines dedicated to TaurusNXT®, TaurusWave®, and other transcatheter valve therapeutic product candidates.

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Commercialization

As of June 30, 2021, we had an expanded sales and marketing team of 85 full-time employees, with 43 of whom dedicated to the sales and marketing of our Neurointerventional products and 42 focusing on the sales and marketing of our Transcatheter Valve Therapeutic devices.

For our heart valve business, we have built an in-house sales and marketing team with professional background and experience in the innovative medical device industry, focusing on the market education and academic promotions for our TAVR products. For the six months ended June 30, 2021, our revenue generated from the sales of TaurusOne® amounted to RMB9.38 million. We commercialized TaurusElite® in July 2021, after the Reporting Period and not long after it obtained NMPA registration approval in June 2021.

Future Outlook

We will continue our commitment to the development and commercialization of interventional solutions for structural heart and neurovascular diseases in China and globally.

Our sales and marketing team of the heart valve business unit will focus on the commercialization of TaurusOne® and TaurusElite®, the two TAVR products that obtained NMPA approvals in the first half of 2021. For our Neurointerventional Business, we intend to keep the sales growth momentum through further penetration of our existing products, and market launch of new products currently in pipeline.

We will continue to advance our pipeline, including TMV/TTV treatment devices, and other valvular therapeutic and neurointerventional product candidates. We will keep strengthening our in-house R&D capabilities while seeking deeper cooperation and strategic partnership around the globe.

II. FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2021, the Group's revenue was RMB51.69 million, representing an increase of 263.0% compared to RMB14.24 million for the six months ended June 30, 2020. The Group has launched TaurusOne® from Transcatheter Valve Therapeutic Business in the Reporting Period, of which the revenue was RMB9.38 million. Meanwhile, the Group successfully commercialized SacSpeed® Balloon Dilatation Catheter and Tethys® Intermediate Catheter from Neurointerventional Business. For the six months ended June 30, 2021, the revenue from Neurointerventional Business was RMB42.31 million, representing an increase of 197.1% compared to RMB14.24 million for the six months ended June 30, 2020.

The following table sets forth the components of revenue from neuro-interventional products for the period indicated.

	Six months ended June 30,		Six months ended June 30,	
	2021		2020	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Detachable Coil	25,451	60.2	13,709	96.3
Balloon Dilatation Catheter	8,247	19.5	–	–
Intermediate Catheter	6,518	15.4	–	–
Other neuro-interventional products	2,092	4.9	530	3.7
Total	42,308	100.0	14,239	100.0

Cost of Sales

For the six months ended June 30, 2021, the Group's cost of sales was RMB14.29 million, representing an increase of 170.4% as compared to RMB5.29 million for the six months ended June 30, 2020, primarily attributed to (i) the increased sales volume of the Neurointerventional Business; and (ii) new products launched in the Reporting Period.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 317.7% from RMB8.95 million for the six months ended June 30, 2020 to RMB37.40 million for the six months ended June 30, 2021. Gross profit margin is calculated as gross profit divided by revenue and multiplying the result by 100%. The Group's gross profit margin increased to 72.4% for the six months ended June 30, 2021, as compared to 62.9% for the six months ended June 30, 2020, primarily attributed to the launch of new products of Transcatheter Valve Therapeutic Business and Neurointerventional Business.

Selling and Distribution Expenses

Selling and distribution expenses increased by 320.0% from RMB5.16 million for the six months ended June 30, 2020 to RMB21.68 million for the six months ended June 30, 2021. Such increase was primarily attributable to (i) promotion for new products; (ii) increase in sales promotion and development of multi-sales channels; and (iii) increase in staff costs.

Administrative Expenses

Administrative expenses decreased by 18.7% from RMB65.33 million for the six months ended June 30, 2020 to RMB53.08 million for the six months ended June 30, 2021. The decrease was mainly attributed to (i) the decrease in listing fee; and (ii) the decrease in the amortization of share-based compensation expenses.

Management Discussion and Analysis

II. FINANCIAL REVIEW (CONT'D)

R&D Expenses

R&D expense increased by 219.0% from RMB41.16 million for the six months ended June 30, 2020 to RMB131.29 million for the six months ended June 30, 2021. Such increase was primarily attributable to (i) the service expenses paid to HighLife for the R&D on TMVR products; (ii) increase in staff costs; and (iii) the increased investments in the on-going R&D projects.

For the six months ended June 30, 2021, R&D investment in Transcatheter Valve Therapeutic Business amounted to RMB107.99 million and investment in Neurointerventional Business amounted to RMB23.30 million. The following table sets forth the components of R&D expenses for the period indicated.

	Six months ended June 30,			
	2021		2020	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Service expenses for R&D	90,250	68.7	7,037	17.1
Employee benefits expenses	24,101	18.4	22,052	53.6
Raw materials and consumables used	12,679	9.7	7,992	19.4
Depreciation and amortization	2,738	2.1	1,862	4.5
Other	1,523	1.1	2,221	5.4
Total	131,291	100.0	41,164	100.0

Other Income

Other income decreased from RMB7.16 million for the six months ended June 30, 2020 to RMB2.24 million for the six months ended June 30, 2021. The decrease was mainly attributable to the decrease in investment income from bank wealth management products.

Finance Income

Finance Income increased from RMB7.91 million for the six months ended June 30, 2020 to RMB12.98 million for the six months ended June 30, 2021. The increase was mainly due to interest income from term deposits.

Finance Costs

Finance costs decreased from RMB22.98 million for the six months ended June 30, 2020 to RMB0.34 million for the six months ended June 30, 2021. For the six months ended June 30, 2020, the Group recorded foreign exchange losses amounted to RMB22.93 million on Preferred Shares.

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As at June 30, 2021, the gearing ratio of the Group decreased to 2.03% from 2.42% as at December 31, 2020.

II. FINANCIAL REVIEW (CONT'D)

Net Current Assets

The Group's net current assets as at June 30, 2021 was RMB3,116.22 million, as compared to RMB2,499.67 million as at December 31, 2020.

Liquidity and Financial Resources

As at June 30, 2021, the Group's total cash and cash equivalents amounted to approximately RMB3,024.66 million, representing an increase of 23.1% as compared to RMB2,458.16 million as at December 31, 2020. Such increase was primarily attributable to the proceeds from issuance of ordinary shares through the Placing Agreement. The management of the Company is confident that the Group's financial resources is sufficient for its daily operations.

As at June 30, 2021, the current assets of the Group were RMB3,159.23 million, including cash and cash equivalents of RMB3,024.66 million and other current assets of RMB134.57 million.

As at June 30, 2021, the current liabilities of the Group were RMB43.01 million, including trade and other payables of RMB38.47 million and other current liabilities of RMB4.54 million.

As at June 30, 2021, the Group did not have any borrowings.

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

Capital Expenditure

For the Reporting Period, the Group's total capital expenditure amounted to approximately RMB37.77 million, which was mainly used in (i) construction of building; (ii) acquiring equipment and machinery; and (iii) land use rights.

Significant Investment

Save as disclosed in this report, as at June 30, 2021, the Group did not have any significant investment.

Contingent Liabilities

As at June 30, 2021, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

As at June 30, 2021, the Group did not conduct any material acquisitions and disposals.

Charge on Assets

As at June 30, 2021, the Group did not have any pledged asset.

Foreign Exchange Exposure

The Group has transactional currency exposures. Certain of cash and cash equivalents and financial instruments issued to investors are dominated in foreign currencies and are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future, should the need arise.

Future Plans For Material Investments and Capital Asset

As at June 30, 2021, the Company was in the negotiation for various transactions with inQB8 and its members, to explore potential collaboration for innovative solutions for treating structural heart diseases. According to certain service agreement between inQB8 and the Company's subsidiary, inQB8 will provide services related to pre-clinical R&D of certain TTVR technology to the Company. In August 2021, the Company subscribed for newly-issued equity interests from inQB8 and acquired existing equity interests from its existing members.

II. FINANCIAL REVIEW (CONT'D)

Future Plans For Material Investments and Capital Asset (cont'd)

On April 4, 2021, the Company entered into a Series A Preferred Stock Purchase Agreement with Sutra. The Company will subscribe for certain numbers of series A preferred stock upon the achievement of several milestones mutually agreed by Sutra and the Company. In August 2021, the Company completed the initial tranche of subscription. For further details, please also refer to the announcement of the Company dated August 27, 2021.

Save as disclosed above, the Group has not authorised any plan for the material investments or acquisition of capital asset as of the date of this report.

HUMAN RESOURCES

As of June 30, 2021, the Group had 476 full-time employees, who were all based in China. The total employee benefits expenses of our Group, which consist of (i) wages, salaries and bonuses, (ii) social security costs and housing benefits, (iii) employee welfare and (iv) share-based compensation expenses, for the six months ended June 30, 2021 were approximately RMB66.35 million.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We invest in continuing education and training 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 salary, promotion and career development.

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

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

Supplementary Information

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended June 30, 2020: 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 A.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 research and development of the 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 the 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 three independent non-executive Directors, and therefore has a strong independent element in its composition.

On June 21, 2021, Mr. Wayne Wu (“**Mr. Wu**”) has resigned as an independent non-executive Director, and ceased to be the member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee. Upon resignation of Mr. Wu as an independent non-executive Director, the representation of independent non-executive Directors among the Board will fall below the minimum proportion required under Rule 3.10A of the Listing Rules.

Under Rule 3.25 of the Listing Rules, the remuneration committee is required to be chaired by an independent non-executive director and comprises a majority of independent non-executive directors. Upon resignation of Mr. Wu as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee, the Remuneration Committee is not chaired by the independent non-executive Director since June 21, 2021.

Pursuant to the code provision A.5.1 of the CG Code, the nomination committee is required to be chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Upon resignation of Mr. Wu as an independent non-executive Director and ceased to be the member of the Nomination Committee, the Nomination Committee did not comprise a majority of independent non-executive Directors and the Company cannot meet the requirements of code provision A.5.1 of the CG Code since June 21, 2021.

In order to ensure compliance with the Listing Rules and CG Code, the Company will use its best endeavours to identify appropriate candidate(s) to fill the casual vacancy on the Board for the position of independent non-executive Director(s) as soon as practicable and in any event within three months from June 21, 2021 as required under Rule 3.11 of the Listing Rules.

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 six months ended June 30, 2021.

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 six months ended June 30, 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the six months ended June 30, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On January 29, 2021, the Company allotted and issued a total of 33,800,000 new Shares by the way of Placing at the placing price of HK\$29.38 per Placing Share in accordance with terms and conditions of the Placing Agreement.

As at June 30, 2021, the trustee of the RSU Scheme has purchased an aggregate of 1,417,000 Shares (representing approximately 0.21% of the total issued share capital of the Company) under the RSU Scheme.

As at June 30, 2021, a total of 57,062 Shares (representing approximately 0.009% of the total issued share capital of the Company) have been granted to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme.

As at June 30, 2021, a total of 53,643 Shares (representing approximately 0.008% of the total issued share capital of the Company) have been granted to an external consultant of the Group under the RSU Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

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 a non-executive Director, namely Mr. Jifeng GUAN, and two independent non-executive Directors, namely, Mr. Wai Ming YIP and Mr. Robert Ralph PARKS. Mr. Wai Ming YIP is the chairman of the Audit Committee.

On June 21, 2021, Mr. Wayne Wu has resigned as an independent non-executive Director and ceased to be the member 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

Changes in the Board and the information of Directors since the date of 2020 annual report of the Company are as follows:

On June 21, 2021, Mr. Wayne Wu has resigned as an independent non-executive Director, and ceased to be the member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee. The resignation of Mr. Wayne Wu was due to his other personal commitments which require more of his time and dedication.

Save as disclosed above, there was no change in the Board and the information of Directors since the date of 2020 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

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

As at June 30, 2021, 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	1.48%
	Trustee ⁽⁴⁾	32,807,560	4.92%
	Interest of controlled corporation ⁽⁵⁾	90,685,640	13.60%
	Interest held jointly with other persons ⁽⁶⁾	20,379,299	3.06%
	Interest of spouse ⁽⁷⁾	1,021,500	0.16%
Mrs. Ping Ye ZHANG	Beneficial owner	1,021,500	0.16%
	Trustee ⁽⁴⁾	32,807,560	4.92%
	Interest held jointly with other persons ⁽⁶⁾	111,064,939	16.66%
	Interest of spouse ⁽⁷⁾	9,890,440	1.48%
Ms. Hong YE	Beneficial owner ⁽⁸⁾	20,379,299	3.06%
	Interest of controlled corporation ⁽⁵⁾	90,685,640	13.60%
	Interest held jointly with other persons ⁽⁶⁾	43,719,500	6.56%
Mr. Fei CHEN	Interest of controlled corporation ⁽⁹⁾	19,952,740	2.99%
Dr. Stephen Newman OESTERLE	Beneficial owner ⁽¹⁰⁾	27,114	0.00%
Mr. Robert Ralph PARKS	Beneficial owner ⁽¹¹⁾	29,949	0.00%

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 666,718,000 ordinary shares of the Company in issue as at June 30, 2021.
- (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 and Hanlindale 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 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.
- (5) XinYue International Limited was owned as to 65% by Dr. ZHANG and 35% by Ms. Hong YE as of June 30, 2021. Therefore, under the SFO, each of Dr. ZHANG and Ms. Hong YE is deemed to be interested in 90,685,640 Shares held by XinYue International Limited.
- (6) Dr. ZHANG, Jinnius Drive Trust, Mrs. Ping Ye ZHANG, Hanlindale Trust, Ms. Hong YE and XinYue International Limited are Concert Parties based on the Concert Party Agreement. Therefore, under the SFO, each of Dr. ZHANG, Jinnius Drive Trust, Mrs. Ping Ye ZHANG, Hanlindale Trust, Ms. Hong YE and XinYue International Limited is deemed to be interested in the aggregate equity interests of all the Concert Parties.
- (7) Dr. ZHANG and Mrs. Ping Ye ZHANG are spouses. Therefore, Dr. ZHANG and Mrs. Ping Ye ZHANG are deemed to be interested in the equity interests held by each other under the SFO.
- (8) Ms. Hong YE beneficially owns 14,688,960 Shares, and is also interested in options to 5,690,339 Shares pursuant to outstanding options granted under the Share Option Plan.
- (9) Shanghai Liyi Biotech, L.P. holds 19,952,740 Shares directly. Shanghai Liyao Investment Management Co., Ltd. is 100% owned by Mr. Fei CHEN, and is the general partner of Shanghai Liyi Investment Management Partnership (Limited Partnership). In addition, Shanghai Liyi Investment Management Partnership (Limited Partnership) is the general partner of Shanghai Liyi Biotech, L.P.. Therefore, under the SFO, each of Mr. Fei CHEN, Shanghai Liyao Investment Management Co., Ltd. and Shanghai Liyi Investment Management Partnership (Limited Partnership) is deemed to be interested in 19,952,740 Shares held by Shanghai Liyi Biotech, L.P..
- (10) As at June 30, 2021, a total of 27,114 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 at June 30, 2021, a total of 29,949 Shares have been granted to Mr. Robert Ralph PARKS under the RSU Scheme, pursuant to his service contract with the Company. Please refer to the announcement of the Company dated October 5, 2020 for further details.

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

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

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2021, 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 at June 30, 2021, 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)	2.36% (L)
	Interest held jointly with other persons ⁽⁵⁾	139,070,879 (L)	20.86% (L)
Hanlindale Trust ⁽³⁾	Beneficial owner	17,094,000 (L)	2.57% (L)
	Interest held jointly with other persons ⁽⁵⁾	137,690,439 (L)	20.65% (L)
XinYue International Limited ⁽⁴⁾	Beneficial owner	90,685,640 (L)	13.60% (L)
	Interest held jointly with other persons ⁽⁵⁾	64,098,799 (L)	9.62% (L)
LAV Aero Limited	Beneficial owner	42,428,460 (L)	6.36% (L)
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation ⁽⁶⁾	42,428,460 (L)	6.36% (L)
LAV GP IV, L.P.	Interest of controlled corporation ⁽⁶⁾	42,428,460 (L)	6.36% (L)
LAV Corporate IV GP, Ltd.	Interest of controlled corporation ⁽⁶⁾	42,428,460 (L)	6.36% (L)
Mr. Yi SHI	Interest of controlled corporation ⁽⁶⁾	42,428,460 (L)	6.36% (L)
HH SUM-XXIV Holdings Limited	Beneficial owner	41,698,980 (L)	6.25% (L)
Hillhouse Capital Management, Ltd.	Investment manager ⁽⁷⁾	41,698,980 (L)	6.25% (L)
Hillhouse Fund IV, L.P.	Interest of controlled corporation ⁽⁷⁾	41,698,980 (L)	6.25% (L)
Matrix Partners China IV, L.P.	Beneficial owner	36,050,780 (L)	5.41% (L)
Matrix China Management IV, L.P.	Interest of controlled corporation ⁽⁸⁾	39,655,440 (L)	5.95% (L)
Matrix China IV GP GP, Ltd.	Interest of controlled corporation ⁽⁸⁾	39,655,440 (L)	5.95% (L)
FIL Limited	Interest of controlled corporation ⁽⁹⁾	61,505,000 (L)	9.23% (L)
Pandanus Associates Inc.	Interest of controlled corporation ⁽⁹⁾	61,505,000 (L)	9.23% (L)
Pandanus Partners L.P.	Interest of controlled corporation ⁽⁹⁾	61,505,000 (L)	9.23% (L)
Brown Brothers Harriman & Co.	Agent	40,232,400 (L)	6.03% (L)
		40,232,400 (P)	6.03% (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 666,718,000 ordinary shares of the Company in issue as at June 30, 2021.
- (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, 2021. 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 39,655,440 Shares held by the two companies, including 36,050,780 Shares held by Matrix Partners China IV, L.P. and 3,604,660 Shares held by Matrix Partners China IV-A, L.P..
- (9) To the best of the Directors' knowledge, FIL Limited through various subsidiaries holding an aggregate 61,505,000 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 61,505,000 Shares held by the subsidiaries of FIL Limited.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2021, no person (other than the Directors or chief executives of the Company) 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.

SHARE INCENTIVE SCHEMES

1. Share Option Plan

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

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

(a) Purpose and Principal Terms

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

- 1) Subject to any alterations set out under the Share Option Plan in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company that may take place after the Listing, the maximum number of Shares in respect of which options or awards may be granted under the Share Option Plan shall be 2,911,989 Shares (or 58,239,780 as adjusted after Capitalization Issue), representing approximately 12.7% of the total issued share capital of the Company immediately before completion of the Global Offering.
- 2) An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when a copy of the Grant Letter has been duly signed by the grantee, and a non-refundable payment of HK\$0.10 or its RMB equivalent has been made in favour of the Company by way of consideration for the grant and is received by the Company on or before the relevant acceptance date.
- 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) 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);
 - (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.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

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

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

(b) Establishment of Employee Trust

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

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

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

(c) Outstanding Grants

As of June 30, 2021, outstanding options to subscribe for an aggregate of 47,585,475 Shares (as adjusted after Capitalization Issue) have been granted to a total of 184 eligible participants by the Company under the Share Option Plan.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

A summary of the grantees who have been granted options (as adjusted after Capitalization Issue) during the Reporting Period under the Share Option Plan is set forth below:

Grantee	Position/Relationship	Date of Grant	Vesting Period	Exercise Period	Exercise Price	Number of Shares under outstanding options granted as of January 1, 2021	Number of options				Number of Shares under outstanding options granted as of June 30, 2021
							Grant during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
Directors											
Dr. ZHANG ^(1,2,3,4,9)	Executive Director, Chairman; Chief Executive Officer	5/7/2017	5/7/2017 - 31/7/2017	5/7/2017 - 27/12/2029	0.25	2,000,000	0	0	0	0	2,000,000
		5/7/2017	31/7/2017 - 31/7/2017	31/7/2017 - 27/12/2029	0.6507	2,657,720	0	0	0	0	2,657,720
Hong Ye ^(6,7,8,11)	Executive Director, Board Secretary	31/7/2019	18/8/2020 - 31/8/2021	18/8/2020 - 27/12/2029	0.25	60,000	0	0	0	0	60,000
		31/7/2019	18/8/2020 - 31/8/2021	18/8/2020 - 27/12/2029	0.390425	560,000	0	0	0	0	560,000
		24/8/2011	24/8/2011 - 24/8/2011	24/8/2011 - 27/12/2029	0.028545717	56,050	0	0	0	0	56,050
		31/7/2019	31/7/2019 - 31/7/2019	31/7/2019 - 27/12/2029	0	168,151	0	0	0	0	168,151
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.25	549,880	0	0	0	0	549,880
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.390425	447,160	0	0	0	0	447,160
27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.54847	3,316,380	0	0	0	0	3,316,380		
27/12/2019	27/12/2019 - 27/12/2019	27/12/2019 - 27/12/2029	0.73129	532,720	0	0	0	0	532,720		
Senior Management											
Leo TSAI ^(7,9,10)	Chief Financial Officer	27/12/2019	27/12/2019 - 27/12/2019	27/12/2019 - 27/12/2029	0.25	372,620	0	0	0	0	372,620
		27/12/2019	27/12/2019 - 27/12/2019	27/12/2019 - 27/12/2029	0.650705	372,620	0	0	0	0	372,620
		27/12/2019	7/4/2020 - 7/8/2020	7/4/2020 - 27/12/2029	0.650705	4,098,780	0	0	0	0	4,098,780
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.25	549,880	0	0	0	0	549,880
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.390425	447,160	0	0	0	0	447,160
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.54847	3,316,380	0	0	0	0	3,316,380
Kongrong Karl PAN ⁽¹⁰⁾	Chief Operating Officer	1/1/2017	1/1/2017 - 1/1/2017	1/1/2017 - 27/12/2029	0.25	2,225,000	0	0	0	0	2,225,000
Jian Fong TAN ^(7,12)	Chief Technology Officer	27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.25	1,099,740	0	0	0	0	1,099,740
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.390425	894,340	0	0	0	0	894,340
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.54847	6,632,740	0	0	0	0	6,632,740
Chen WANG ^(13,14)	General Manager of Achieva	1/9/2019	31/8/2020 - 31/8/2020	31/8/2020 - 27/12/2029	0.6507	1,000,000	0	0	0	0	1,000,000
		27/12/2019	31/12/2020 - 31/12/2021	31/12/2020 - 27/12/2029	0.0285451	112,100	0	0	0	0	112,100
		27/12/2019	31/12/2021 - 31/12/2023	31/12/2021 - 27/12/2029	0.0285451	112,100	0	0	0	0	112,100
		24/8/2011	24/8/2011 - 24/8/2011	24/8/2011 - 27/12/2029	0.446026828	42,038	0	0	0	0	42,038
		31/12/2011	31/12/2011 - 31/12/2011	31/12/2011 - 27/12/2029	0.028545717	56,050	0	0	0	0	56,050
		29/12/2014	1/1/2015 - 1/1/2015	1/1/2015 - 27/12/2029	0.028545717	56,050	0	0	0	0	56,050
		23/1/2015	14/12/2014 - 14/12/2014	14/12/2014 - 27/12/2029	0.178410731	56,050	0	0	0	0	56,050
		9/11/2015	1/9/2016 - 1/7/2017	1/9/2016 - 27/12/2029	0.028545717	2,628,009	0	0	0	0	2,628,009
24/8/2011	31/12/2011 - 31/12/2011	31/12/2011 - 27/12/2029	0.446026828	56,050	0	0	0	0	56,050		
Xiaoli SHI ⁽¹⁵⁾	Vice President of Clinical and Regulatory Affairs	15/7/2019	15/7/2021 - 15/7/2021	15/7/2021 - 27/12/2029	0.3904	400,000	0	0	0	0	400,000
Hongpeng WANG ⁽¹⁶⁾	Director of Marketing	1/7/2019	30/6/2021 - 30/6/2021	30/6/2021 - 27/12/2029	0.25	160,000	0	0	0	0	160,000
		1/7/2019	30/6/2021 - 30/6/2021	30/6/2021 - 27/12/2029	0.3904	640,000	0	0	0	0	640,000

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

A summary of the grantees who have been granted options (as adjusted after Capitalization Issue) during the Reporting Period under the Share Option Plan is set forth below: (cont'd)

Grantee	Position/Relationship	Date of Grant	Vesting Period	Exercise Period	Exercise Price	Number of Shares under outstanding options granted as of January 1, 2021	Number of options				Number of Shares under outstanding options granted as of June 30, 2021
							Grant during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
Other Grantees											
Ruixin DING ⁽²³⁾	Technical Department Manager	27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.390425	950,000	0	0	0	0	950,000
Lei ZHANG ^(18, 19, 24)	Vice President of Sales	27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.3904	250,000	0	0	0	0	250,000
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.3904	200,000	0	0	0	0	200,000
		24/8/2011	10/1/2015 - 10/5/2018	10/1/2015 - 27/12/2029	0.178	56,050	0	0	0	0	56,050
		31/12/2011	31/12/2011 - 31/12/2011	31/12/2011 - 27/12/2029	0.446	40,637	0	0	0	0	40,637
		29/12/2014	1/1/2015 - 1/1/2015	1/1/2015 - 27/12/2029	0.029	168,151	0	0	0	0	168,151
Nobuyuki SAKAI ⁽²¹⁾	External Consultant	31/7/2019	31/7/2019 - 31/7/2019	31/7/2019 - 27/12/2029	0.446	28,025	0	0	0	0	28,025
		25/3/2011	25/3/2011 - 25/3/2011	25/3/2011 - 27/12/2029	0.178410731	280,252	0	0	0	0	280,252
		25/10/2018	25/10/2018 - 25/10/2018	25/10/2018 - 27/12/2029	0.178410731	140,126	0	0	0	0	140,126
173 other option holders including former and current employees and consultants of the Group ^(17, 18, 20, 21, 22, 25, 26, 27, 28)		31/7/2019	18/8/2021 - 31/8/2023	18/8/2021 - 27/12/2029	0.390425	120,000	0	0	0	0	120,000
		31/7/2019	18/8/2020 - 31/8/2021	18/8/2020 - 27/12/2029	0.390425	3,880,000	0	0	0	0	3,880,000
		31/7/2019	18/8/2020 - 31/8/2021	18/8/2020 - 27/12/2029	0.25	160,000	0	0	0	0	160,000
		27/12/2019	31/12/2020 - 31/12/2021	31/12/2020 - 27/12/2029	0.0285451	28,020	0	0	0	0	28,020
		27/12/2019	31/12/2019 - 31/12/2019	31/12/2019 - 27/12/2029	0.390425	1,984,000	0	0	0	0	1,984,000
		27/12/2019	31/12/2020 - 31/12/2021	31/12/2020 - 27/12/2029	0.390425	1,066,000	0	0	0	0	1,066,000
		27/12/2019	31/12/2021 - 31/12/2023	31/12/2021 - 27/12/2029	0.390425	9,000	0	0	0	0	9,000
		27/12/2019	31/12/2022 - 31/12/2025	31/12/2022 - 27/12/2029	0.390425	12,000	0	0	0	0	12,000
		27/12/2019	31/12/2023 - 31/12/2025	31/12/2023 - 27/12/2029	0.390425	44,000	0	0	0	0	44,000
		31/7/2019	31/7/2019 - 31/7/2019	31/7/2019 - 27/12/2029	0.6507	60,000	0	0	0	0	60,000
		24/8/2011	24/8/2011 - 24/8/2011	24/8/2011 - 27/12/2029	0.446026828	22,420	0	0	0	0	22,420
		23/1/2015	23/1/2015 - 23/1/2015	23/1/2015 - 27/12/2029	0.446026828	56,050	0	0	0	0	56,050
		23/1/2015	23/1/2015 - 23/1/2015	23/1/2015 - 27/12/2029	0.178410731	56,050	0	0	0	0	56,050
		24/8/2011	31/12/2011 - 31/12/2011	31/12/2011 - 27/12/2029	0.178410731	22,420	0	0	0	0	22,420
		31/7/2019	31/7/2019 - 31/7/2019	31/7/2019 - 27/12/2029	0.028545717	228,315	0	0	0	0	228,315
		31/7/2019	31/7/2019 - 31/7/2019	31/7/2019 - 27/12/2029	0.028545717	1,682	0	0	0	0	1,682
		28/2/2018	28/2/2018 - 28/2/2018	28/2/2018 - 27/12/2029	0.028545717	62,345	0	0	0	0	62,345
	24/3/2016	24/3/2016 - 24/3/2016	24/3/2016 - 27/12/2029	0.028545717	280,252	0	0	0	0	280,252	
	27/10/2017	24/3/2016 - 24/3/2016	24/3/2016 - 27/12/2029	0.028545717	112,100	0	0	0	0	112,100	
	29/12/2014	1/1/2015 - 1/1/2015	1/1/2015 - 27/12/2029	0.028545717	28,025	0	0	0	0	28,025	
	15/4/2015	15/4/2015 - 15/4/2015	15/4/2015 - 27/12/2029	0.028545717	1,121	0	0	0	0	1,121	
	1/6/2014	1/6/2014 - 1/6/2014	1/6/2014 - 27/12/2029	0.028545717	5,605	0	0	0	0	5,605	
	1/6/2014	1/6/2014 - 1/6/2014	1/6/2014 - 27/12/2029	0.028545717	22,420	0	0	0	0	22,420	
	6/12/2011	6/12/2011 - 6/12/2011	6/12/2011 - 27/12/2029	0.028545717	11,210	0	0	0	0	11,210	
	30/4/2010	30/4/2010 - 30/4/2010	30/4/2010 - 27/12/2029	0.028545717	112,101	0	0	0	0	112,101	
	1/5/2010	1/5/2010 - 1/5/2010	1/5/2010 - 27/12/2029	0.028545717	56,050	0	0	0	0	56,050	
	27/12/2019	27/12/2019 - 27/12/2019	27/12/2019 - 27/12/2029	0.73129	1,355,280	0	0	0	0	1,355,280	
Total						47,585,475	0	0	0	0	47,585,475

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).
12. With vesting commencement date on August 31, 2020 and in accordance with a vesting schedule, 20% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 50% of the Shares on the first anniversary, and 30% of the Shares on the second anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of US\$0.65 (equivalent to approximately HK\$5.06).
13. With vesting commencement date on December 31, 2020 and in accordance with a vesting schedule, 50% of the Shares subject to the corresponding options will be vested on the vesting commencement date and the remainder on the first anniversary, and each exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US\$0.03 (equivalent to approximately HK\$0.23).

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

14. 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. With vesting commencement date on July 15, 2021 and in accordance with a vesting schedule, 40% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 40% of the Shares on the second anniversary, and 20% of the Shares on the third anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of US\$0.39 (equivalent to approximately HK\$3.04).
16. 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.
17. 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.
18. 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.
19. 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).
20. 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).
21. For two eligible participants, with vesting commencement date on April 30, 2010 and on October 25, 2018 and exercisable 12 months after a qualified IPO is achieved (which this Offering qualifies for), at an exercise price of US\$0.029 (equivalent to approximately HK\$0.23), and US\$0.18 (equivalent to approximately HK\$1.38), respectively.
22. For three eligible participants, with vesting commencement date on February 28, 2018 and exercisable if certain employment condition is satisfied, at an exercise price of US\$0.03 (equivalent to approximately HK\$0.23).
23. For one eligible participant, with vesting commencement date on December 31, 2019 and exercisable when certain product candidates obtain registration certificates and production permits, at an exercise price of US\$0.39 (equivalent to approximately HK\$3.04); with vesting commencement date on December 31, 2020, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US\$0.39 (equivalent to approximately HK\$3.04).
24. 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).

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

25. For 19 eligible participants, with vesting commencement date on December 31, 2020 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).
26. 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).
27. For 14 eligible participants, with vesting commencement date on December 27, 2019 and exercisable when a qualified IPO is achieved (which this Offering qualifies for), at an exercise price of US\$0.73 (equivalent to approximately HK\$5.69).
28. For one eligible participant, with vesting commencement date on August 18, 2021, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable at an exercise price of US\$0.39 (equivalent to approximately HK\$3.04).
29. The exercise price has been adjusted to give effect to the Capitalization Issue and rounded to two decimal places.

Please refer to Note 21 to the financial information for further details.

2. RSU Scheme

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

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

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

As at June 30, 2021, the trustee of the RSU Scheme has purchased an aggregate of 1,417,000 Shares (representing approximately 0.21% of the total issued share capital of the Company) under the RSU Scheme.

As at June 30, 2021, a total of 57,062 Shares (representing approximately 0.009% of the total issued share capital of the Company) have been granted to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme.

As at June 30, 2021, a total of 53,643 Shares (representing approximately 0.008% of the total issued share capital of the Company) have been granted to an external consultant of the Group under the RSU Scheme.

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme

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

(a) Purpose

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

(b) Who may join

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

- (i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and
- (ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(c) *Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 61,004,200 (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.
- (iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

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

(d) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the 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 note (1) to Rule 17.03(9) of the Listing Rules.

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(e) *Grant of options to connected persons*

- (i) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).
- (ii) Where any grant of options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 1. representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
 2. having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

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

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

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

As of June 30, 2021, no options were granted or agreed to be granted, exercised, canceled or lapsed by the Company under the Share Option Scheme.

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 at June 30, 2021:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK\$ million	Utilised amount as at June 30, 2021 HK\$ million	Unutilised amount as at June 30, 2021 HK\$ million	Expected timeline for unutilised amount
Development and commercialization of our Core Product and other major product candidates	65	1,682.18	81.08	1,601.10	Yr2025
Ongoing pre-clinical studies and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our other product candidates in our pipeline	10	258.80	118.17	140.63	Yr2025
Strengthen our research and development capabilities to enrich our product pipeline	8	207.04	25.19	181.85	Yr2024
Expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities	10	258.80	0	258.80	Yr2022
Working capital and other general corporate purposes	7	181.16	85.37	95.79	Yr2024
Total	100	2,587.98	309.81	2,278.17	

As at June 30, 2021, 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 the 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 at 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\$971.17 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 at June 30, 2021:

Business objective as stated in the Announcement of the Company dated January 22, 2021	Percentage to total amount %	Net proceeds HK\$ million	Utilised amount as at June 30, 2021 HK\$ million	Unutilised amount as at June 30, 2021 HK\$ million	Expected timeline for unutilized amount
To fund potential product licensing and possible merger and acquisition opportunities in the area of mitral valve replacement and repair treatment, including a collaboration and license agreement for transeptal mitral valve replacement with HighLife SAS dated December 18, 2020 (for further details, please refer to the voluntary announcement of the Company, published on December 21, 2020)	100	971.48	94.93	876.55	Yr2025
To fund potential product licensing and possible merger and acquisition opportunities in other areas including tricuspid valve replacement and repair treatment					
To fund ongoing technology transfer, product development, and research and development, across the Group					
For other general corporate purposes					
Total	100	971.48	94.93	876.55	

Supplementary Information

As at June 30, 2021, 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

As at June 30, 2021, the Company was in the negotiation for various transactions with inQB8 Medical Technologies, LLC (“**inQB8**”) and its members, to explore potential collaboration for innovative solutions for treating structural heart disease. According to certain service agreement between inQB8 and the Company’s subsidiary, inQB8 will provide services related to preclinical research and development of certain transcatheter tricuspid replacement technology to the Company. In August 2021, the Company subscribed for newly-issued equity interests from inQB8 and acquired existing equity interests from its existing members.

On April 4, 2021, the Company entered into a Series A Preferred Stock Purchase Agreement with Sutra Medical, Inc. (“**Sutra**”). The Company will subscribe for certain numbers of series A preferred stock upon the achievement of several milestones mutually agreed by Sutra and the Company. In August 2021, the Company completed the initial tranche of subscription.

Save as disclosed above and in this report, there are no material subsequent events undertaken by the Group after the Reporting Period.

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

Hong Kong, August 30, 2021

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 43 to 76, which comprises the interim condensed consolidated balance sheet of Peijia Medical Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2021 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 a summary of significant accounting policies and other 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”.

Other Matter

The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as at December 31, 2020. The comparative information for the interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows, and related explanatory notes, for the period ended June 30, 2020 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, September 24, 2021

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended June 30, 2021

	Note	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	51,689	14,239
Cost of sales	6	(14,289)	(5,285)
Gross profit		37,400	8,954
Selling and distribution expenses	6	(21,679)	(5,162)
Administrative expenses	6	(53,082)	(65,325)
Research and development expenses	6	(131,291)	(41,164)
Other income	7	2,237	7,157
Other losses – net	8	(21,399)	(2,788)
Operating loss		(187,814)	(98,328)
Finance income	9	12,980	7,908
Finance costs	9	(340)	(22,980)
Finance income/(costs) – net		12,640	(15,072)
Fair value change in financial instruments issued to investors		–	(1,675,526)
Loss before income tax		(175,174)	(1,788,926)
Income tax expense	10	–	–
Loss for the period and attributable to the owners of the Company		(175,174)	(1,788,926)
Total comprehensive loss for the period and attributable to the owners of the Company		(175,174)	(1,788,926)
Loss per share attributable to the owners of the Company			
Basic and diluted loss per share (in RMB per share)	11	(0.27)	(8.68)

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

Condensed Consolidated Balance Sheet

As at June 30, 2021

	Note	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	12	23,742	18,133
Property, plant and equipment	13	113,262	89,217
Investment properties	14	7,820	8,090
Intangible assets	15	210,076	213,720
Prepayments and other receivables	16	8,004	8,026
Total non-current assets		362,904	337,186
Current assets			
Inventories	17	46,522	25,285
Financial assets at fair value through profit or loss	18	35,208	3,262
Prepayments and other receivables	16	52,841	57,355
Cash and cash equivalents		3,024,659	2,458,161
Total current assets		3,159,230	2,544,063
Total assets		3,522,134	2,881,249
EQUITY AND LIABILITIES			
Equity attribute to owners of the Company			
Share capital and share premium	19	6,323,260	5,512,758
Treasury shares held in a trust		(28,878)	(23,126)
Other reserves		63,677	54,409
Accumulated losses		(2,905,960)	(2,730,786)
Total equity		3,452,099	2,813,255
Liabilities			
Non-current liabilities			
Lease liabilities		3,557	–
Deferred tax liabilities	22	20,320	20,320
Deferred income		3,146	3,284
Total non-current liabilities		27,023	23,604

Condensed Consolidated Balance Sheet

As at June 30, 2021

	<i>Note</i>	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Current liabilities			
Lease liabilities		3,078	9,129
Trade and other payables	23	38,465	34,552
Contract liabilities		1,469	709
Total current liabilities		43,012	44,390
Total liabilities		70,035	67,994
Total equity and liabilities		3,522,134	2,881,249

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

Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2021

	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, 2020 (Audited)	79,563	35,298	–	(673,067)	(558,206)
Comprehensive loss:					
Loss for the period	–	–	–	(1,788,926)	(1,788,926)
Total comprehensive loss	–	–	–	(1,788,926)	(1,788,926)
Transactions with owners in their capacity as owners:					
Share-based payments	–	18,583	–	–	18,583
Automatic conversion of preferred shares upon global offering	3,060,761	(10,937)	–	10,937	3,060,761
Exercise of share options	29,604	(5,084)	–	–	24,520
Shares issued upon global offering	2,069,720	–	–	–	2,069,720
Exercise of over-allotment option	282,794	–	–	–	282,794
Balance at June 30, 2020 (Unaudited)	5,522,442	37,860	–	(2,451,056)	3,109,246
Balance at January 1, 2021 (Audited)	5,512,758	54,409	(23,126)	(2,730,786)	2,813,255
Comprehensive loss:					
Loss for the period	–	–	–	(175,174)	(175,174)
Total comprehensive loss	–	–	–	(175,174)	(175,174)
Transactions with owners in their capacity as owners:					
Issuance of ordinary shares	810,559	–	–	–	810,559
Acquisition of shares by the Trust	–	–	(6,551)	–	(6,551)
Restricted share units granted	(57)	(742)	799	–	–
Share-based payments	–	10,010	–	–	10,010
Balance at June 30, 2021 (Unaudited)	6,323,260	63,677	(28,878)	(2,905,960)	3,452,099

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

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(178,210)	(114,381)
Interest received	36,075	8,309
Interest paid	(42)	(51)
Net cash used in operating activities	(142,177)	(106,123)
Cash flows from investing activities		
Payments for property, plant and equipment	(28,364)	(10,430)
Payments for right-of-use assets	(8,300)	–
Payments for intangible assets	(1,108)	(170)
Payments for financial assets at fair value through profit or loss	(32,244)	(532,000)
Proceeds from disposals of financial assets at fair value through profit or loss	–	337,000
Interest income received from financial assets at fair value through profit or loss	–	1,792
Proceeds from disposal of property, plant and equipment	1	312
Net cash used in investing activities	(70,015)	(203,496)
Cash flows from financing activities		
Capital contribution from shareholders	–	4
Net proceeds from issue of ordinary shares	810,559	2,361,292
Proceeds from exercise of share options	–	24,520
Payments for listing expenses	(3,041)	(5,143)
Acquisition of shares under the RSU Scheme	(6,551)	–
Repayment of borrowings from related parties	–	(691)
Interest paid to borrowings from related parties	–	(2,301)
Principal elements of lease payments	(827)	(610)
Net cash generated from financing activities	800,140	2,377,071
Net increase in cash and cash equivalents	587,948	2,067,452
Cash and cash equivalents at beginning of the period	2,458,161	504,627
Exchange (losses)/gains on cash and cash equivalents	(21,450)	23,528
Cash and cash equivalents at end of the period	3,024,659	2,595,607

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

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 of transcatheter valve therapeutic medical devices (“**Transcatheter Valve Therapeutic Business**”) and (ii) research and development 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 (the “**Listing Date**”).

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 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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, 2020 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, 2021

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

New standards, amendments and interpretations to existing standards which have been issued but not yet effective on January 1, 2021 are applicable to the Group and have not been early adopted by the Group:

None of these new or amendments to IFRS is expected to have a significant effect on the financial information of the Group.

4 SEGMENT

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

4 SEGMENT (CONT'D)

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 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 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.

The segment information provided to the Group's CODM for reportable segments for the six months ended June 30, 2021 and 2020 is as follows:

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

4 SEGMENT (CONT'D)

	Six months ended June 30, 2020		
	Transcatheter Valve Therapeutic Business RMB'000 (Unaudited)	Neurointerventional Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	–	14,239	14,239
Cost of sales	–	(5,285)	(5,285)
Selling and distribution expenses	–	(5,162)	(5,162)
Administrative expenses	(51,855)	(13,470)	(65,325)
Research and development expenses	(20,913)	(20,251)	(41,164)
Segment loss	(72,768)	(29,929)	(102,697)

5 REVENUE

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from sales of goods – at a point in time	51,689	14,239

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Change of work in process and finished goods	(10,296)	(353)
Raw materials and consumables used		
– Research and development expenses	13,125	7,992
– Cost of raw material	13,707	3,147
Service expenses for research and development	90,742	7,279
Employee benefits expenses	66,345	46,896
Professional services	5,899	2,296
Depreciation of property, plant and equipment (Note 13)	6,417	5,105
Utilities and office expenses	5,262	4,022
Amortisation of intangible assets (Note 15)	4,752	2,423
Entertainment expenses	3,584	3,054
Travelling and transportation expenses	3,741	1,411
Auditor's remuneration	2,007	52
Depreciation and amortisation of right-of-use assets (Note 12)	1,024	604
Depreciation and amortisation of investment properties (Note 14)	270	603
Listing expenses	–	26,045
Others	13,762	6,360
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	220,341	116,936

7 OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental Income	357	747
Government grants-related to income	1,742	3,947
Government grants-related to assets	138	671
Interest income on financial assets at fair value through profit or loss	–	1,792
	2,237	7,157

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

8 OTHER LOSSES – NET

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange losses – net	(21,341)	(2,805)
(Losses)/Gains on disposal of property, plant and equipment	(102)	65
Losses on disposal of inventories	–	(1)
Others	44	(47)
	(21,399)	(2,788)

9 FINANCE INCOME/(COSTS) – NET

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income:		
Bank interest income	12,980	7,908
Finance costs:		
Interest expense on lease liabilities	(42)	(51)
Interest expense on borrowings from related party (Note 25(b))	–	(3)
Exchange losses on financial assets at fair value through profit or loss	(298)	–
Exchange losses on financial instruments issued to investors	–	(22,926)
	(340)	(22,980)
Finance income/(costs) – net	12,640	(15,072)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

10 INCOME TAX EXPENSE

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

(a) Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

(b) Hong Kong

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

(c) Mainland China

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

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,	
	2021 (Unaudited)	2020 (Unaudited)
Numerator:		
Loss for the period and attributable to owners of the Company (RMB'000)	175,174	1,788,926
Denominator:		
Weighted average number of ordinary shares in issue (thousand)	659,910	206,033
Basic loss per share (RMB)	0.27	8.68

- (i) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months periods ended June 30, 2021 and 2020, the Company had one category of potential ordinary shares: the stock options granted to employees. For the six months periods ended June 30, 2021 and 2020, diluted loss per share was calculated by considering that the above one category of potential ordinary shares, and 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, 2021 and 2020 are the same as basic loss per share.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

12 RIGHT-OF-USE ASSETS

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Right-of-use assets		
– Land use rights (a)	17,186	17,145
– Buildings (b)	6,556	988
	23,742	18,133

(a) Land use rights

- (i) The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the remaining lease term is 30-41 years as of June 30, 2021. The movements of land use rights are analysed as follows:

	Land use rights RMB'000
At December 31, 2020 (Audited)	
Cost	17,856
Accumulated amortisation	(711)
Net book value	17,145
Six months ended June 30, 2021 (Unaudited)	
Opening net book value	17,145
Additions	300
Amortisation charge	(259)
Closing net book value	17,186
At June 30, 2021 (Unaudited)	
Cost	18,156
Accumulated amortisation	(970)
Net book value	17,186

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

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

(b) Buildings

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

	Buildings RMB'000
At December 31, 2020 (Audited)	
Cost	4,366
Accumulated depreciation	(3,378)
Net book value	988
Six months ended June 30, 2021 (Unaudited)	
Opening net book value	988
Additions	6,333
Depreciation charge	(765)
Closing net book value	6,556
At June 30, 2021 (Unaudited)	
Cost	10,699
Accumulated depreciation	(4,143)
Net book value	6,556

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

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, 2020 (Audited)								
Cost	53,528	2,513	9,832	26,656	2,483	1,054	17,904	113,970
Accumulated depreciation	(6,650)	(1,191)	(4,612)	(3,867)	(365)	-	(8,068)	(24,753)
Net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217
Six months ended June 30, 2021 (Unaudited)								
Opening net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217
Transferred in from construction in progress	-	-	-	-	-	(981)	981	-
Additions	-	741	2,245	5,560	-	22,019	-	30,565
Disposals	-	(1)	(3)	(99)	-	-	-	(103)
Depreciation charge (Note 6)	(1,545)	(269)	(1,404)	(1,438)	(241)	-	(1,520)	(6,417)
Closing net book value	45,333	1,793	6,058	26,812	1,877	22,092	9,297	113,262
At June 30, 2021 (Unaudited)								
Cost	53,528	3,251	12,031	32,035	2,483	22,092	18,885	144,305
Accumulated depreciation	(8,195)	(1,458)	(5,973)	(5,223)	(606)	-	(9,588)	(31,043)
Net book value	45,333	1,793	6,058	26,812	1,877	22,092	9,297	113,262

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

14 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
At December 31, 2020 (Audited)			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(919)	(27)	(946)
Net book value	7,486	604	8,090
Six months ended June 30, 2021 (Unaudited)			
Opening net book value	7,486	604	8,090
Depreciation and amortisation charge (Note 6)	(263)	(7)	(270)
Closing net book value	7,223	597	7,820
At June 30, 2021 (Unaudited)			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(1,182)	(34)	(1,216)
Net book value	7,223	597	7,820

- (i) For the six months ended June 30, 2021, depreciation and amortisation have been charged to "administrative expenses" amounted to RMB270,000 (six months ended June 30, 2020: RMB603,000).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Technologies RMB'000	Computer Software RMB'000	Total RMB'000
At December 31, 2020 (Audited)				
Cost	51,658	170,740	1,344	223,742
Accumulated amortisation	–	(9,467)	(555)	(10,022)
Net book value	51,658	161,273	789	213,720
Six months ended June 30, 2021 (Unaudited)				
Opening net book value	51,658	161,273	789	213,720
Additions	–	–	1,108	1,108
Amortisation charge (Note 6)	–	(4,273)	(479)	(4,752)
Closing net book value	51,658	157,000	1,418	210,076
At June 30, 2021 (Unaudited)				
Cost	51,658	170,740	2,452	224,850
Accumulated amortisation	–	(13,740)	(1,034)	(14,774)
Net book value	51,658	157,000	1,418	210,076

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

16 PREPAYMENTS AND OTHER RECEIVABLES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Other receivables from third parties	6,068	118
Prepayments to:		
– equipment not received	8,004	8,026
– listing expenses	3,429	300
– third parties	21,577	14,312
Value-added tax recoverable	12,185	10,676
Interest receivables	2,414	25,509
Deposits	2,747	2,143
Others	4,421	4,297
Total	60,845	65,381
Less: non-current portion	(8,004)	(8,026)
Current portion	52,841	57,355

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

17 INVENTORIES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Raw materials	30,120	19,179
Finished goods	10,723	4,223
Work in progress	5,679	1,883
	46,522	25,285

18 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Unlisted investment (i)	35,208	3,262

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

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Opening balance	3,262	-
Additions	32,244	-
Foreign exchange losses	(298)	-
Closing balance	35,208	-

Unlisted investment represents the interest in convertible notes issued by unlisted investees. The principle amount of convertible note is USD5,450,000 (equivalent to RMB35,208,000) (December 31, 2020: USD500,000 (equivalent to RMB3,262,000)), and the interest rates are from 0% to 12% per annum. The Company has the right to convert the outstanding balance of the convertible note into equity securities of the investee under certain circumstances.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

19 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, 2020 (Audited)	632,918,000	449	5,512,309	5,512,758
Issuance of ordinary shares (i)	33,800,000	22	810,537	810,559
Restricted share units granted under the trust	–	–	(57)	(57)
As at June 30, 2021 (Unaudited)	666,718,000	471	6,322,789	6,323,260

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at December 31, 2019 (Audited)	11,453,212	8	79,555	79,563
Exercise of share options (ii)	532,715	–	29,604	29,604
Automatic conversion of preferred shares upon global offering (iii)	217,812,460	155	3,060,606	3,060,761
Shares issued pursuant to Capitalization Issue (iv)	227,732,613	162	(162)	–
Shares issued upon global offering (v)	152,511,000	108	2,069,612	2,069,720
Exercise of over-allotment option (vi)	22,876,000	16	282,778	282,794
As at June 30, 2020 (Unaudited)	632,918,000	449	5,521,993	5,522,442

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

19 SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

- (i) In January 2021, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, an aggregate of 33,800,000 placing shares to not less than six placees at a price of HK\$29.38 per placing share, representing 5.1% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing.
- (ii) In March 2020, Yi ZHANG, Chairman of the Board, Hong YE, Board Secretary, and Kongrong PAN, Chief Operating Officer, exercised stock options granted to them in 2017 and 2019, and 261,636, 48,579 and 222,500 Shares were issued to them, respectively.
- (iii) All the issued preferred shares were re-designated as Ordinary Shares on 1:1 basis upon the global offering on the Listing Date. The difference between the par value and the offer price of HK\$15.36 per share of the global offering is accounted for under the share premium.
- (iv) Pursuant to a shareholders' resolution passed on April 28, 2020, a total of 434,654,450 shares credited as fully paid at par to the Shares on the register of members of the Company maintained by Hong Kong Share Register at 8:00 am on the Listing Date in proportion to their respective shareholdings by way of capitalization of the sum of US\$43,465.45. The shares allotted and issued pursuant to this resolution rank pari passu in all respects with the existing issued shares of the Company (the "**Capitalization Issue**").
- (v) On the Listing Date, the Company issued a total of 152,511,000 ordinary shares of US\$0.0001 each at the price of HK\$15.36 per share by means of global offering.
- (vi) On June 7, 2020, the Company issued a total of 22,876,000 ordinary shares of US\$0.0001 each at the price of HK\$15.36 per share by means of fully exercise of the over-allotment option relating to the global offering.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

20 TREASURY SHARES HELD IN A TRUST

	Number of treasury shares	Amount RMB'000
As at January 1, 2021 (Audited)	1,077,469	23,126
Acquisition of shares under restricted share units plan (i)	277,000	6,551
Restricted share units granted under the trust (ii)	(32,350)	(799)
As at June 30, 2021 (Unaudited)	1,322,119	28,878

- (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, 2021, the Nominee made on-market purchases of 277,000 shares according to the Company’s instruction (six months ended June 30, 2020: nil). The shares held in the trust are accounted for as treasury shares of the Company.

- (ii) For the six months ended June 30, 2021, 32,350 restricted share units were granted under the trust (six months ended June 30, 2020: nil).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

21 SHARE-BASED PAYMENTS

(a) Stock options

(i) *Stock options granted to employees in 2017*

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

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

(ii) *Stock options granted to employees in 2019*

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

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

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

(iii) *The financial impact of stock options in 2017 and in 2019 is as follows:*

Movements in the number of stock options granted in 2017 and in 2019 are as follows:

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
At the beginning of period	46,893,480	2,900,989
Exercised before Capitalisation Issue	—	(532,715)
Forfeited before Capitalisation Issue	—	(4,600)
Capitalisation Issue	—	44,909,806
Forfeited after Capitalisation Issue	(69,000)	(300,000)
At the end of period	46,824,480	46,973,480

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

21 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units

During the year ended December 31, 2020, 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.

As at June 30, 2021, the accumulated restricted share units granted to directors and a consultant of the Group are as follows:

Restricted share units granted to	Number of granted (Unaudited)	Grant date (Unaudited)	Vesting period (Unaudited)
Directors	57,062	Grant quarterly	3 years
Consultant	53,643	Grant quarterly	–

As at December 31, 2020, the accumulated share units granted to directors and a consultant of the Group are as follows:

Restricted share units granted to	Number of granted (Audited)	Grant date (Audited)	Vesting period (Audited)
Directors	30,688	Grant quarterly	3 years
Consultant	31,843	Grant quarterly	–

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

The total expense recognised in the consolidated statement of comprehensive loss for the six months ended June 30, 2021 for the restricted share units granted is RMB958,000 (six months ended June 30, 2020: nil).

As at June 30, 2021, 92,167 restricted share units remained unvested (December 31, 2020: 55,751).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

21 SHARE-BASED PAYMENTS (CONT'D)

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Stock options		
Administrative expenses	5,245	8,536
Research and development expenses	3,534	9,086
Selling and distribution expenses	190	803
Cost of sales	83	158
	9,052	18,583
Restricted share units		
Administrative expenses	477	–
Research and development expenses	481	–
	958	–
Total	10,010	18,583

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

22 DEFERRED TAX ASSETS AND LIABILITIES

- (i) The movements in deferred tax assets and deferred liabilities during the Track Record Period, 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, 2021 (Audited)	22,610
Charge to consolidated statements of comprehensive loss	(1,168)
As at June 30, 2021 (Unaudited)	21,442

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, 2021 (Audited)	1,492	662	457	40,319	42,930
Credit to consolidated statements of comprehensive loss	(71)	(23)	(6)	(1,068)	(1,168)
As at June 30, 2021 (Unaudited)	1,421	639	451	39,251	41,762

(ii)

	June 30, 2021 RMB'000 (Unaudited)
Deferred tax liabilities	
– to be recovered within 12 months	3,032
– to be recovered more than 12 months	38,730
	41,762

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

23 TRADE AND OTHER PAYABLES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Trade payables – third parties	6,153	8,125
Other payables – third parties	16,519	11,465
Staff salaries and welfare payables	12,241	11,324
Accrued taxes other than income tax	3,552	3,638
Total	38,465	34,552
Less: non-current portion	–	–
Current portion	38,465	34,552

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Within 1 year	6,148	8,120
Between 1 year and 2 years	5	5
	6,153	8,125

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

24 FAIR VALUE ESTIMATION

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the condensed consolidated interim financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, other receivables and trade and other payables) approximate their fair values as at June 30, 2021 and December 31, 2020.

(i) Fair value hierarchy

The following table presents the Group's assets and liabilities that were measured at fair value at June 30, 2021:

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Assets:				
Financial assets at fair value through profit or loss (Note 18)				
– Unlisted investment	–	–	35,208	35,208

The following table presents the Group's assets and liabilities that were measured at fair value at December 31, 2020:

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Assets:				
Financial assets at fair value through profit or loss (Note 18)				
– Unlisted investment	–	–	3,262	3,262

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

24 FAIR VALUE ESTIMATION (CONT'D)

(i) Fair value hierarchy (cont'd)

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at June 30, 2021 and December 31, 2020.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

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

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

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques applied as of June 30, 2021 and December 31, 2020.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

24 FAIR VALUE ESTIMATION (CONT'D)

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

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2021.

The changes in level 3 instruments for the six months ended June 30, 2021 and six months ended June 30, 2020 are presented in Note 18.

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:

Description	Fair value at June 30, 2021 (RMB'000)	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted investment	35,208	Discount rate	12.22%	lower discount rate (-1%) would increase fair value by RMB53,000; higher discount rate (+1%) would decrease fair value by RMB53,000

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

24 FAIR VALUE ESTIMATION (CONT'D)

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

Valuation processes

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

The components of the level 3 instruments mainly include investments in wealth management products and convertible notes issued by unlisted entities. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach and binomial model approach, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital (WACC), discount for lack of marketability and other exposure etc.

As at June 30, 2021, the principle amount of convertible notes was USD5,450,000 (equivalent to RMB35,208,000) (December 31, 2020: USD500,000 (equivalent to RMB3,262,000)), and the interest rates were from 0% to 12% per annum. The Company has the right to convert the outstanding balance of the convertible notes into equity securities of the unlisted entities under certain circumstances. The fair value has been determined using valuation techniques such as discount cash flow method. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include estimated time of next financing date, etc.

As at June 30, 2020, the investment in wealth management products mainly represent the investments in wealth management products issued by banks in the PRC with non-guaranteed principal and floating return of investment. The Group used discounted cash flows approach to value the fair value of the financial product as at period end. Due to the short period and low expected return rate ranging from 2.20% to 3.05% per annum, the Group considered the fair value of financial product approximately to the cost.

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, 2021 and 2020 would have been approximately RMB3,520,800 lower/higher and RMB21,000,000 lower/higher, respectively.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

25 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, 2021 and 2020, and balances arising from related party transactions as at June 30, 2021 and as at December 31, 2020.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Hong YE	Director and shareholder of the Company

(b) Transactions with related party

(i) Repayment of related party's loan

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Hong YE	-	691

(ii) Interest expense

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Hong YE	-	3

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

25 RELATED PARTY TRANSACTIONS (CONT'D)

(c) Key management compensation

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	6,019	4,783
Housing fund, medical insurance and other social insurance	329	150
Share-based compensation expenses	5,624	12,926
	11,972	17,859

26 CAPITAL COMMITMENTS

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

	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	11,958	7,496

27 DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

28 SUBSEQUENT EVENTS

As at June 30, 2021, the Company was in the negotiation for various transactions with inQB8 Medical Technologies, LLC ("inQB8") and its members, to explore potential collaboration for innovative solutions for treating structural heart disease. According to certain service agreement between inQB8 and the Company's subsidiary, inQB8 will provide services related to preclinical research and development of certain transcatheter tricuspid replacement technology to the Company. In August 2021, the Company subscribed for newly-issued equity interests from inQB8 and acquired existing equity interests from its existing members.

On April 4, 2021, the Company entered into a Series A Preferred Stock Purchase Agreement with Sutra Medical, Inc. ("Sutra"). The Company will subscribe for certain numbers of series A preferred stock upon the achievement of several milestones mutually agreed by Sutra and the Company. In August 2021, the Company completed the initial tranche of subscription.