



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)

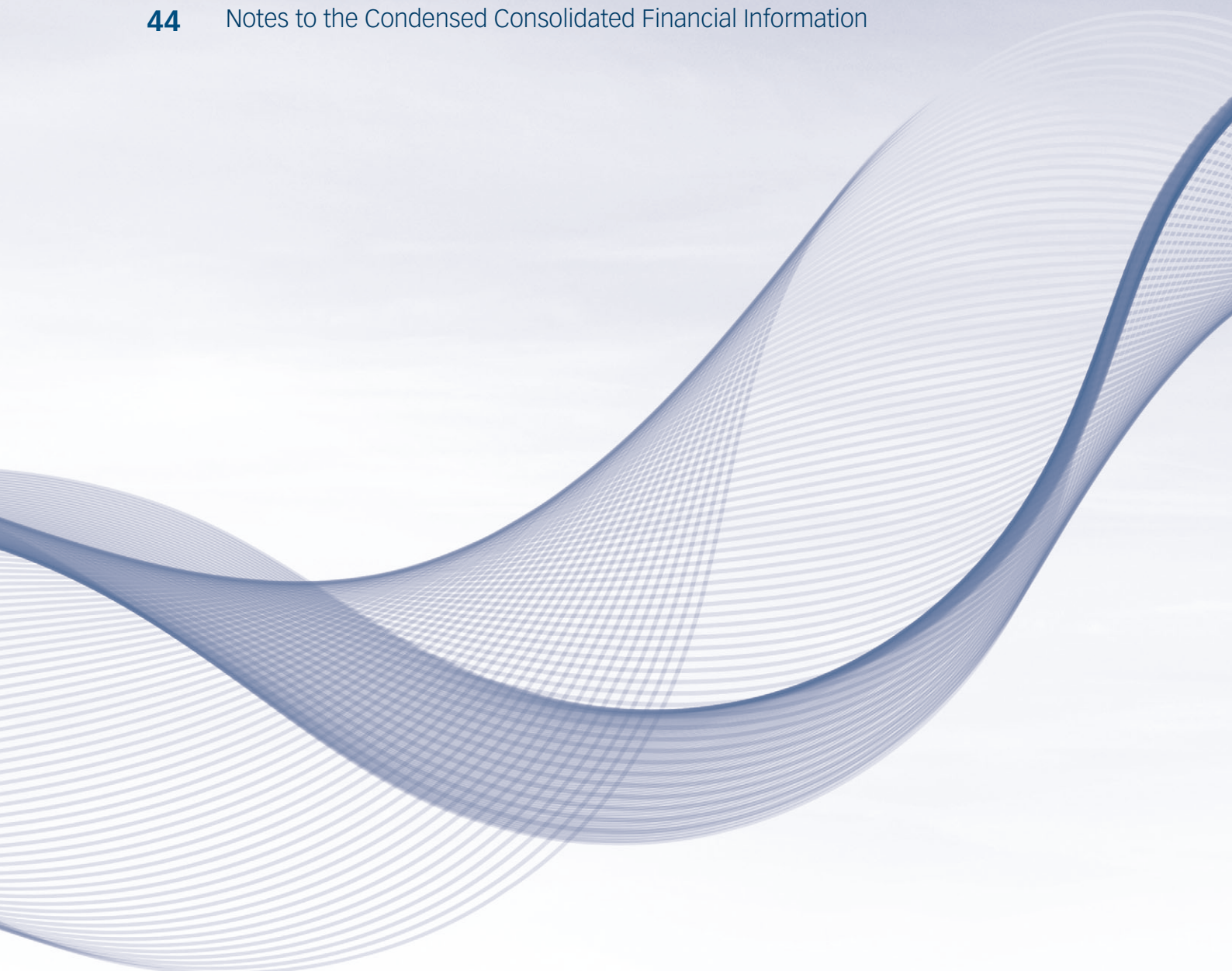
Stock Code: 9996



Interim Report 2020

CONTENTS

2	Definitions
9	Corporate Information
11	Management Discussion and Analysis
21	Supplementary Information
38	Condensed Consolidated Statement of Comprehensive Loss
40	Condensed Consolidated Balance Sheet
42	Condensed Consolidated Statement of Changes in Equity
43	Condensed Consolidated Statement of Cash Flows
44	Notes to the Condensed Consolidated Financial Information

A decorative graphic at the bottom of the page consisting of several overlapping, wavy lines. The lines are composed of many thin, parallel lines that create a mesh-like effect. The colors range from light blue to a darker blue, and the lines flow from the left side towards the right, curving upwards and then downwards.

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
“CE Marking”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“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, Chief Technology 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

“GMP”	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
“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
“International Underwriters”	has the meaning as ascribed to it under the Prospectus
“Joint Global Coordinators”	Morgan Stanley Asia Limited, Huatai Financial Holdings (Hong Kong) Limited, BOCI Asia Limited and UBS AG Hong Kong Branch
“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
“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
“Preferred Shares”	the Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and/or Series C-1 Preferred Shares
“Prospectus”	the prospectus of the Company dated May 5, 2020, in relation to the Global Offering
“Reporting Period”	the six months ended June 30, 2020
“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

Definitions

“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)
“Shanghai MPA”	Shanghai Medical Products Administration (上海市藥品監督管理局)
“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
“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

Definitions

“Share Swap Agreement”	the share swap agreement dated November 19, 2018 entered into by and amongst our Company, Achieva Medical and the then shareholders of Achieva Medical pursuant to which the then shareholders of Achieva Medical transferred to our Company all the outstanding shares of Achieva Medical in consideration of the allotment and issuance by our Company to each of the then shareholders of Achieva Medical certain number of our Shares in the proportion of 3.5682 shares of Achieva Medical to 1 Share of our Company
“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
“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

Definitions

“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, Chief Executive Officer and Chief Technology Officer*)
Mrs. Ping Ye ZHANG
Ms. Hong YE

Non-executive Directors

Dr. Zhiyun YU
Mr. Jifeng GUAN
Mr. Fei CHEN
Mr. Bing SHANG (*Note 1*)
Mr. Jun YANG (*Note 2*)

Independent Non-executive Directors

Dr. Stephen Newman OESTERLE
Mr. Robert Ralph PARKS
Mr. Wayne WU
Mr. Wai Ming YIP

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Wayne WU (*Chairman*)
Dr. Zhiyun YU
Dr. Stephen Newman OESTERLE
Mr. Robert Ralph PARKS
Mr. Bing SHANG (*Note 1*)

NOMINATION COMMITTEE

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

Notes:

1. Mr. Bing SHANG has resigned as a non-executive Director and a member of the Remuneration Committee on August 12, 2020.
2. Mr. Jun YANG has been appointed as a non-executive Director on August 12, 2020.

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

AUTHORIZED REPRESENTATIVES

Ms. Hong YE
Ms. Pui Chun Hannah SUEN

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

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

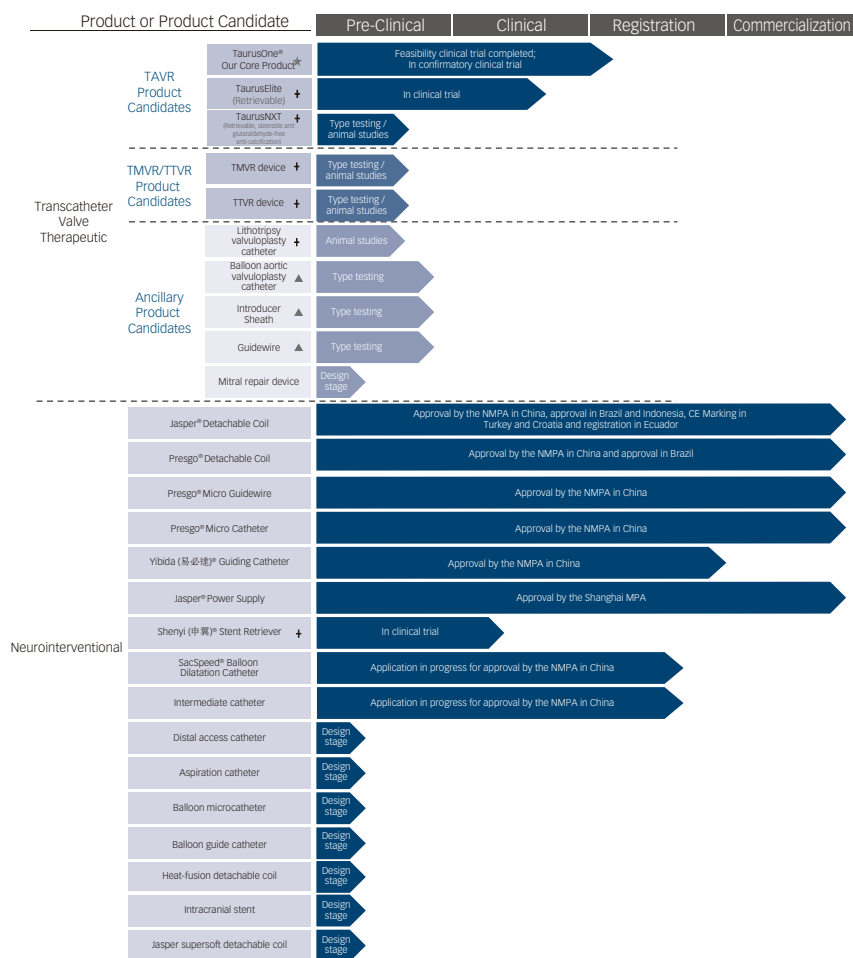
I. BUSINESS REVIEW

Overview

We focus on the high-growth interventional procedural medical device market in China. Our products and product candidates target large, fast-growing and under-penetrated markets with high entry barriers, including transcatheter valve therapeutic medical device market and neurointerventional procedural medical device market. We are one of the only four domestic players in the China market with TAVR products at the clinical trial or more advanced stage.

Products and Pipeline

As of June 30, 2020, we had six registered products and 20 product candidates in various development stages, including our Core Product, TaurusOne®. Our products and product candidates are interventional procedural medical devices targeting valvular heart diseases and neurovascular diseases, which are summarized as follows:



★ Core Product † Major product candidates ▲ 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.

Notes:

1. The "retrievable" function allows physicians to retrieve the valve during a TAVR procedure if the initial release position of the valve is not ideal.
2. The "steerable" function allows physicians to steer the position and orientation of the valve during a TAVR procedure.
3. The "glutaraldehyde-free anti-calcification" technology can effectively resist valve calcification, and significantly improve the durability of the valve.

I. BUSINESS REVIEW (CONT'D)

Transcatheter Valve Therapeutic Products

TaurusOne® – OUR CORE PRODUCT

Our first-generation TAVR device, TaurusOne®, is designed to treat aortic valve diseases using a catheter-based approach. As of June 30, 2020, we held eight patents in relation to TaurusOne®. As our first-generation TAVR device, TaurusOne® was recognized as an “innovative medical device” by the NMPA in February 2017, and is therefore eligible for an expedited approval process. As of June 30, 2020, we were in the process of completing the confirmatory clinical trial for TaurusOne®. We plan to submit the NMPA application as soon as it is ready, and we currently expect to obtain the NMPA approval for TaurusOne® in the first half of 2021.

THE COMPANY MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TAURUSONE® SUCCESSFULLY.

Other Key Product Candidates

We are also developing our second- and third-generation TAVR products incorporating innovative features.

TaurusElite®: our second-generation TAVR product, TaurusElite®, contains a DCS with retrieving function, allowing physicians to retrieve the PAV if the initial release position is not ideal, thereby further increasing the safety of the product. We currently expect to complete the patient enrollment process of TaurusElite®’s clinical trial in the third quarter of 2020.

TaurusNXT®: our third-generation TAVR product, TaurusNXT®, will incorporate a glutaraldehyde-free anti-calcification feature, which we believe will be a fundamental breakthrough. As of June 30, 2020, we were testing and conducting animal studies for TaurusNXT®. We currently expect to initiate the clinical trial of TaurusNXT® in the first or second quarter of 2021.

In addition to our TAVR product candidates, we have also been researching and developing other advanced transcatheter valve therapeutic devices.

TMVR: The TMVR device is our product candidate for treating mitral valve diseases. As of June 30, 2020, we were type-testing and conducting animal studies for our TMVR product candidate. We plan to start clinical trial for our TMVR device in 2021. Following completion of the clinical trials, we plan to submit the NMPA application, and commence commercialization of the TMVR device thereafter.

TTVR: The TTVR device is our product candidate for treating tricuspid valve diseases and is currently in the type testing stage and animal studies.

Lithotripsy valvuloplasty catheter: The lithotripsy valvuloplasty catheter is our product candidate that will use shockwave technology to soften calcification on valve annulus and leaflets so that the prosthetic valve can better fit to the native annulus. Lithotripsy valvuloplasty catheter is also able to alleviate stenosis prior to TAVR and SAVR procedures so that such procedures can be performed with better outcomes. We are currently conducting animal studies for our lithotripsy valvuloplasty system, TaurusWave, and we expect to start first-in-man studies in the first half of 2021.

Neurointerventional Procedural Products

We have a comprehensive portfolio of commercialized products and product candidates in pipeline that target both hemorrhagic stroke and ischemic stroke areas.

As of June 30, 2020, we had 5 neurointerventional procedural medical devices being manufactured and sold on the market. Despite the negative impact of COVID-19, for the first half of 2020, our revenue generated from the sales of neurointerventional products amounted to RMB14.24 million. We launched the sale of our sixth neurointerventional product, Yibida® Guiding Catheter, in the third quarter of 2020, after the Reporting Period.

I. BUSINESS REVIEW (CONT'D)

Neurointerventional Procedural Products (cont'd)

In addition to our six registered products that focus on the treatment of hemorrhagic stroke, we have a few product candidates targeting the ischemic stroke area that had reached the clinical trial or more advanced stage as of June 30, 2020.

SacSpeed® Balloon Dilatation Catheter: The SacSpeed® Balloon Dilatation Catheter is used for dilating stenosis to help with intracranial blood supply. As of June 30, 2020, SacSpeed® Balloon Dilatation Catheter was in registration stage. We have subsequently obtained NMPA approval for this product in August 2020. SacSpeed® Balloon Dilatation Catheter is our first registered product targeting the ischemic stroke area.

Shenyi® Stent Retriever: The Shenyi® Stent Retriever is our major product candidate among neurointerventional procedural products, and is for removing fresh thrombus in intracranial vessels in a mechanical thrombectomy procedure for patients with acute ischemic stroke. It is currently in clinical trial stage, and we expect to complete the patient enrollment process for Shenyi® Stent Retriever's clinical trial by the end of 2020.

Research & Development

Our research and development team is led by Dr. Zhang, our Chairman of the Board, Chief Executive Officer and Chief Technology Officer, Mr. Kongrong Karl Pan, our Chief Operating Officer, and Dr. Jian Fong Tan, our Vice President of Advanced Technology. Each of them is an industry veteran with an impressive academic and professional background, having previously worked in managerial positions at leading industry players complementary to our business. 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, 2020, we had an in-house R&D team of 51 employees dedicated to the research and development of our transcatheter valve therapeutic products and neurointerventional procedural products, accounting for 14.5% of our total number of full-time employees. As of June 30, 2020, we had a robust intellectual property portfolio, consisting of a total of 43 registered patents and 57 patents under application.

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. As of June 30, 2020, we manufactured Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter, and Jasper® Power Supply in our leased properties in Shanghai with a total area of 1,188.4 sq.m.

We plan to move the majority of our manufacturing to our Suzhou facility. As of June 30, 2020, we had obtained the production permit to manufacture the Yibida® Guiding Catheter in the Suzhou production facility. We have also obtained the Contract Manufacturing License (委託生產許可) to manufacture the Jasper® Detachable Coil in the 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) in August 2020, after the Reporting Period. Our Shanghai facility will continue its operation in the next few years, primarily focusing on the manufacturing of Presgo® Detachable Coil and Jasper® Power Supply, while maintaining the flexibility of manufacturing all of our other neurointerventional procedural products.

As of June 30, 2020, we had a team of 66 employees dedicated to the production of our neurointerventional procedural products.

Management Discussion and Analysis

I. BUSINESS REVIEW (CONT'D)

Manufacturing (cont'd)

We currently manufacture all of our transcatheter valve therapeutic product candidates at our Suzhou facility. For the transcatheter valve therapeutic business unit, our Suzhou facility is equipped with three production lines dedicated to such product candidates, and three production lines dedicated to transcatheter valve ancillary product candidates. As of June 30, 2020, we had a team of 49 employees dedicated to the production of our transcatheter valve therapeutic product candidates.

We believe that after we transfer our major production to our Suzhou facility in the third quarter of 2020, we will be able to attract more potential employees as living costs in Suzhou will be substantially lower than that of Shanghai and our pay packages are relatively competitive in the Suzhou market.

Regarding quality control, we have ISO 13485:2016 certifications and the GMP certificate granted by the regulatory body in Brazil, which demonstrates international recognitions for our quality control system in terms of manufacturing. We have also received ISO 17025 certification from the CNAS this year.

Commercialization

With our established sales and marketing teams and our experience in managing our distribution network, we believe we are well prepared for the future launch of our Core Product, TaurusOne®, as well as other transcatheter valve therapeutic and neurointerventional procedural products.

As of June 30, 2020, we had sales and marketing teams of 35 employees, of which 11 focused on our marketing activities, and 24 employees focused on our sales activities. As of June 30, 2020, we had no commercialized transcatheter valve therapeutic medical device product. We are currently recruiting employees to focus on the sales of transcatheter valve therapeutic products, to prepare for the commercialization of TaurusOne® and TaurusElite®. We currently expect to commence commercialization of TaurusOne® and TaurusElite® after obtaining their respective marketing approvals from the NMPA in 2021.

Future Outlook

For our core product TaurusOne®, which has been recognized as an “innovative medical device” by the NMPA and is therefore eligible for an expedited approval process, we plan to make the registration submission with the NMPA as soon as it is ready and to seek expedited regulatory review and ultimately marketing approval. We will continue to prepare for the commercialization of TaurusOne® until the product is registered. In the meantime, we will carry forward our ongoing clinical programs, including our second-generation TAVR product TaurusElite®, and our major neurointerventional product candidate Shenyi® Stent Retriever. We will also continue to strengthen our in-house R&D capabilities and will seek deeper cooperation and partnership around the globe, to advance and expedite the research and development of other product candidates in pipeline.

II. FINANCIAL REVIEW

For the six months period end June 30, 2020, the Group has incurred loss of RMB1.789 billion, mainly due to fair value loss of RMB1.676 billion and foreign exchange loss of RMB22.92 million for the financial instruments. The fair value loss of financial instruments is a non-cash and one-time item, and there will be no further gains or losses on fair value changes from these Preferred Shares after the automatic conversion into ordinary shares upon the closing of the Global Offering. The Group's total loss was RMB90.47 million for the six months ended June 30, 2020 after deducting the one-time loss. Please refer to Note 20 to the financial information for further details.

Revenue

During the Reporting Period, all of our revenue was generated from sales of our Neurointerventional Business.

The Group's revenue for June 30, 2020 was RMB14.2 million, representing an increase of 171.8% compared to RMB5.2 million for June 30, 2019.

Management Discussion and Analysis

II. FINANCIAL REVIEW (CONT'D)

Cost of Sales

For the six months ended June 30, 2020, the Group's cost of sales was RMB5.29 million, representing a 188.6% increase as compared to RMB1.83 million for the six months ended June 30, 2019. Such increase was primarily attributable to (i) the increased sales volume of the Neurointerventional Business; and (ii) the cost of sales of the Neurointerventional Business which was acquired in March 29, 2019 was consolidated in the comprehensive financial statement of the Group but it only included the cost of sales from the acquisition of business from March 29, 2019 to June 30, 2019 for the six months ended June 30, 2019.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 162.7% from RMB3.4 million for the six months ended June 30, 2019 to RMB8.95 million for the six months ended June 30, 2020. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin decreased to 62.9% for the six months ended June 30, 2020 as compared to 65.0% for the six months ended June 30, 2019, primarily attributable to the increase in labor expenses and purchase price of raw material.

Other Income

The Group recorded other income of RMB7.16 million for the six months ended June 30, 2020, representing a 406.6% increase as compared to RMB1.41 million for the six months ended June 30, 2019. The increase was mainly attributable to the increase in government grant and interest income from bank wealth management products.

Research and Development Expenses

Research and development expense increased by 153.8% from RMB16.22 million for the six months ended June 30, 2019 to RMB41.16 million for the six months ended June 30, 2020. Such increase was primarily due to (i) the research and development expense of the Neurointerventional Business which was acquired in March 29, 2019 was consolidated in the comprehensive financial statement of the Group but it only included the selling and distribution expenses from the acquisition of business from March 29, 2019 to June 30, 2019 for the six months ended June 30, 2019; (ii) increase in staff cost; and (iii) the increased investments in the on-going research and development projects. In the first half of 2020, our research and development investment in Transcatheter Valve Therapeutic Business amounted to RMB20.9 million and investment in Neurointerventional Business amounted to RMB20.3 million.

The following table sets forth the components of our research and development expenses for the period indicated.

	Six months ended June 30,			
	2020		2019	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Employee benefits expenses	22,052	53.6	7,832	48.3
Raw materials and consumables used	7,992	19.4	2,135	13.2
Testing and clinical trial fees	7,037	17.1	3,890	24.0
Depreciation and amortization	1,862	4.5	1,293	8.0
Other	2,221	5.4	1,071	6.5
Total	41,164	100.0	16,221	100.0

II. FINANCIAL REVIEW (CONT'D)

Selling and distribution expenses

Selling and distribution expenses increased by 296.8% from RMB1.30 million for the six months ended June 30, 2019 to RMB5.16 million for the six months ended June 30, 2020. Such increase was mainly attributable to (i) the selling and distribution expenses of the Neurointerventional Business which was acquired in March 29, 2019 was consolidated in the comprehensive financial statement of the Group but it only included the selling and distribution expenses from the acquisition of business from March 29, 2019 to June 30, 2019 for the six months ended June 30, 2019; (ii) increase in staff cost; and (iii) increase in sales promotion.

Administrative Expenses

Administrative expenses increased by 125.7% from RMB28.94 million for the six months ended June 30, 2019 to RMB65.33 million for the six months ended June 30, 2020. The increase was mainly attributed to (i) the administrative expenses of the Neurointerventional Business which was acquired in March 29, 2019 was consolidated in the comprehensive financial statement of the Group but it only included the selling and distribution expenses from the acquisition of business from March 29, 2019 to June 30, 2019 for the six months ended June 30, 2019; (ii) increase in listing fee; and (iii) increase in staff cost.

Finance Income

Finance Income increased from RMB0.05 million for the six months ended June 30, 2019 to RMB7.91 million for the six months ended June 30, 2020. The increase was mainly due to interest income from term deposits.

Finance Costs

Finance costs increased from RMB4.38 million for the six months ended June 30, 2019 to RMB22.98 million for the six months ended June 30, 2020. The increase was mainly attributable to the appreciation in USD against RMB which resulted in foreign exchange losses of the Preferred Shares.

Fair Value Change in Financial Instruments Issued to Investors

As disclosed in the Prospectus, the fair value loss of financial instruments is a non-cash item and we will recognize significant additional losses on the fair value changes of the Preferred Shares from December 31, 2019 to the Listing Date because of the significant increase in the fair value of such financial instruments during such period. After the automatic conversion of all Preferred Shares into Shares upon the closing of the Global Offering, we do not expect to recognize any further gains or losses on fair value changes from these Preferred Shares in the future.

Fair value change in financial instruments issued to investors increased by 1,847.5% from RMB86.04 million for the six months ended June 30, 2019 to RMB1,675.52 million for the six months ended June 30, 2020. The increase was mainly due to increase in the valuation of our Company.

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As at June 30, 2020, the gearing ratio of the Group increased to 2.14% from -749.35% as at December 31, 2019.

Net Current Assets

The Group's net current asset as at June 30, 2020 was RMB2,810.43 million, as compared to RMB507.44 million as at December 31, 2019.

Liquidity and Financial Resources

As at June 30, 2020, the Group's total cash and cash equivalents amounted to approximately RMB2,595.6 million, representing an increase of 414.4% as compared to approximately RMB504.6 million as at December 31, 2019. Such increase was primarily attributable to the proceeds from the Global Offering. The management is confident that the Group's financial resources is sufficient for its daily operations.

As at June 30, 2020, the current assets of the Group were RMB2,852.5 million, including cash and cash equivalents of RMB2,595.6 million and other current assets of RMB256.9 million.

II. FINANCIAL REVIEW (CONT'D)

Liquidity and Financial Resources (cont'd)

As at June 30, 2020, the current liabilities of the Group were RMB42.1 million, including trade and other payables of RMB40.2 million and other current liabilities of RMB1.9 million.

As at June 30, 2020, 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 RMB10.4 million, which was mainly used in (i) construction of building and (ii) acquiring equipment and machinery.

Significant Investment

As of June 30, 2020, since dealings in the shares of the Company commenced on May 15, 2020, the Company had subscribed for wealth management products issued by Bank of China ("**BOC**"), as detailed below. BOC is a licensed state-owned commercial bank established under the law of the PRC. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, BOC (and its ultimate beneficial owners, if applicable) is an Independent Third Party of the Company and its connected persons.

As at June 30, 2020, the financial assets at fair value through profit and loss held by the Group were RMB210 million, representing an increase of RMB195 million as compared with that of RMB15 million as at December 31, 2019 as a result of the investment decisions made by the Group to better manage surplus cash without interfering with our business operations and capital expenditure.

The Group adopted a prudent financial management approach towards its treasury policy and maintained a healthy financial position throughout the Reporting Period. To better manage surplus cash, we have used some of the surplus cash to purchase wealth management products with principal guaranteed issued by banks in the PRC as illustrated below, taking into account, among others, (i) the relatively low level of risk; (ii) the expected fixed rate of return; and (iii) the short term to maturity. The Group implemented adequate and appropriate internal control procedures to ensure the subscriptions would not affect the working capital or the operations of the Group, and that such investments would be conducted on the principle of protecting the interests of the Group and the Shareholders as a whole. The Company expects that the wealth management products will earn a better yield than current deposits generally offered by commercial banks in the PRC. As such, the Directors are of the view that the terms of each of the wealth management products is fair and reasonable and each subscription is in the interests of the Company and the Shareholders as a whole.

Management Discussion and Analysis

II. FINANCIAL REVIEW (CONT'D)

Significant Investment (cont'd)

As of June 30, 2020, the balance of the financial assets at fair value through profit or loss amounted to approximately RMB210 million, representing 6.6% of total assets. Products associated with 100% of the balance have maturity date within 60 days as of June 30, 2020. The following table sets forth the details of financial assets at fair value through profit or loss held by the Group as of June 30, 2020:

Financial assets at fair value through profit or loss	Subscription Date	Interest rate (or range where applicable)	Maturity date	Principal amount of subscription (thousands in RMB)	Changes in fair value for the six months ended June 30, 2020 (thousands in RMB)	Carrying amount as of June 30, 2020 (thousands in RMB)
BOC capital management product 01 – RMB scheduled maturity and customizable (中國銀行保本理財—人民幣按期開放定制01) ¹	June 1, 2020	3.10%	August 28, 2020	170,000	0	170,000
BOC breakeven financing – RMB scheduled maturity T+0 (中國銀行保本理財—人民幣按期開放T+0) ²	June 3, 2020	2.40%	August 12, 2020	30,000	0	30,000

¹ Wealth management product in which return of the principal invested is guaranteed, along with a fixed-rate return, both redeemable upon the maturity date. This product primarily invests in debt instruments, including national debt, medium-term notes and bond repurchases.

² Wealth management product in which return of the principal invested is guaranteed, along with a fixed-rate return, both redeemable upon the maturity date. This product primarily invests in debt instruments, including national debt, medium-term notes and bond repurchases.

The consideration for the subscription of the wealth management products was determined after making reference to the funds available at the time of subscription and the expected capital needs of Group, after arm's length negotiation between the Company and BOC. The Global Offering of the Company on May 15, 2020 provided the source of funds for satisfying the consideration for the subscription of the wealth management products.

At present, the Company does not intend to renew the wealth management products upon expiry of their respective investment periods. Should the Company decide to renew one or more of the wealth management products, the Company will comply with the applicable requirements under the Listing Rules.

Save as disclosed above, the Group did not hold any significant investments as at June 30, 2020.

II. FINANCIAL REVIEW (CONT'D)

Significant Investment (cont'd)

Listing Rule Implications

The aggregate value of the considerations to the abovementioned subscriptions to wealth management products of BOC amount to RMB200 million. Construed in aggregation under Rule 14.22 of the Listing Rules, the subscriptions constitute a discloseable transaction. Since one or more of the applicable percentage ratios in respect of the aggregate principal amounts of the wealth management products exceed 5% but less than 25%, the subscriptions would be subject to reporting and announcement requirements but be exempt from the shareholders' approval requirement under Rule 14.33 of the Listing Rules.

Remedial Actions

The Company should have complied with the relevant notification and announcement requirement and deeply regrets the delay in complying with Rule 14.34 of the Listing Rules. The Company would like to stress that the non-compliance was inadvertent and unintentional. To ensure timely disclosure in the future, the Company has implemented the following remedial actions with immediate effect:

1. In preparing for the 2020 interim report, the Company has conducted a comprehensive review and self-examination of the purchase of wealth management products in 2020, and hereby makes a supplementary disclosure on all financial products that should have been disclosed;
2. The Group has updated its internal control manual on cash and treasury management to ensure that any future investments into wealth management products will comply with Chapter 14 of the Listing Rules;
3. The Group shall enhance the training provided to the management and members of its finance department, including inviting external legal advisors of the Company to give training on the compliance requirements and examples of discloseable transactions to its staff, so as to reinforce their understanding of and to emphasize the importance of complying with the Listing Rules;

4. The Group shall also remind its management and members of its finance department to report those transaction which may constitute potential discloseable transactions to the chief financial officer of the Company for approval, and the chief financial officer shall assess the disclosure requirements before the Group enters into those transactions; and
5. The Company will work more closely with its internal legal advisers and its compliance adviser on compliance issues.

Going forward, the Company will continue to comply with the management procedures of its investments on wealth management products and make such disclosure in a timely manner to ensure compliance with the Listing Rules.

Contingent Liabilities

As at June 30, 2020, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

As at June 30, 2020, the Group did not conduct any material acquisitions and disposals.

Charge on Assets

As at June 30, 2020, the Group did not have any pledged asset.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our cash and cash equivalents and financial instruments issued to investors are dominated in foreign currencies and are exposed to foreign currency risk. We currently do 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.

Management Discussion and Analysis

II. FINANCIAL REVIEW (CONT'D)

Future Plans For Material Investments and Capital Asset

Save as disclosed in this report, the Group had not authorized any plan for the material investments or acquisition of capital asset as of the date of this report.

GLOBAL OFFERING

In connection with the Global Offering, 152,511,000 shares with a nominal value of US\$0.0001 each were issued at a price of HK\$15.36 per share for a total cash consideration, after deduction of the underwriting fees and expenses, of approximately HK\$2,278.04 million. Dealings in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) commenced on May 15, 2020. In connection with the full exercise of the Over-allotment Option by the Joint Global Coordinator (on behalf of the International Underwriters) for the Global Offering, 22,876,000 additional shares with a nominal value of US\$0.0001 each were issued at a price of HK\$15.36 per share for a total cash consideration, after deduction of the commission and other offering expenses, of approximately HK\$309.94 million.

COVID-19 IMPACT AND RESPONSE

There has been an outbreak of COVID-19 around the world.

Our Directors currently expect that the outbreak of COVID-19 will have an adverse impact on our product sales, financial condition and results of operations. Delays have been caused to our animal studies, clinical trials and product registration, since medical resources of hospitals in China were allocated to addressing COVID-19. We believe that we have sufficient cash position and other available financial resources to cover at least 125% of our costs for normal operations for at least the next 12 months from the date of this report.

It is uncertain when, and whether, COVID-19 could be contained. The above analysis is made by our management team based on currently available information concerning COVID-19. Management of the Company cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations.

HUMAN RESOURCES

As of June 30, 2020, the Group had 352 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 first six months ended June 30, 2020 were approximately RMB46.90 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.

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.

As the shares of the Company were listed on the Stock Exchange with effect from May 15, 2020, the CG Code did not apply to the Company during the period before the Listing Date.

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, chief executive officer and chief technology 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 four independent non-executive Directors, and therefore has a strong independent element in its composition.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date and up to the date of this interim report.

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 period from the Listing Date and up to the date of this interim report. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date and up to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were first listed on the Main Board of the Stock Exchange on May 15, 2020. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this interim report.

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

The Audit Committee has held relevant discussions with the Company's management, and reviewed the unaudited interim financial statements of the Group for the Reporting Period and this interim report. The Audit Committee considered that the interim results 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

Mr. Bing SHANG has tendered his resignation as a non-executive Director and ceased to be a member of the remuneration committee of the Company with effect from August 12, 2020 due to his other personal commitments which require more of his time and dedication. Mr. Bing SHANG has confirmed that he has no claim against the Company and has no disagreement with the Board.

Mr. Jun YANG has been appointed as a non-executive Director with effect from August 12, 2020.

Save as disclosed above, there was no change in the Board and the information of Directors since the Listing Date 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.

Supplementary Information

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

As at June 30, 2020, 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	1.56%
	Trustee ⁽⁴⁾	32,807,560	5.18%
	Interest of controlled corporation ⁽⁵⁾	90,685,640	14.33%
	Interest held jointly with other persons ⁽⁶⁾	20,379,299	3.22%
	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	5.18%
	Interest held jointly with other persons ⁽⁶⁾	111,064,939	17.55%
Ms. Hong YE	Interest of spouse ⁽⁷⁾	9,890,440	1.56%
	Beneficial owner ⁽⁸⁾	20,379,299	3.22%
Mr. Fei CHEN	Interest of controlled corporation ⁽⁵⁾	90,685,640	14.33%
	Interest held jointly with other persons ⁽⁶⁾	43,719,500	6.91%
	Interest of controlled corporation ⁽⁹⁾	19,952,740	3.15%

Notes:

- (1) All interests stated are long position.
- (2) The calculation is based on the total number of 632,918,000 ordinary shares of the Company in issue as at June 30, 2020.
- (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, 2020. 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..

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, 2020, 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, 2020, 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	2.48%
	Interest held jointly with other persons ⁽⁵⁾	139,070,879	21.97%
Hanlindale Trust ⁽³⁾	Beneficial owner	17,094,000	2.70%
	Interest held jointly with other persons ⁽⁵⁾	137,690,439	21.75%
XinYue International Limited ⁽⁴⁾	Beneficial owner	90,685,640	14.33%
	Interest held jointly with other persons ⁽⁵⁾	64,098,799	10.13%
LAV Aero Limited	Beneficial owner	42,428,460	6.70%
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation ⁽⁶⁾	42,428,460	6.70%
LAV GP IV, L.P.	Interest of controlled corporation ⁽⁶⁾	42,428,460	6.70%
LAV Corporate IV GP, Ltd.	Interest of controlled corporation ⁽⁶⁾	42,428,460	6.70%
Mr. Yi SHI	Interest of controlled corporation ⁽⁶⁾	42,428,460	6.70%
HH SUM-XXIV Holdings Limited	Beneficial owner	41,698,980	6.59%
Hillhouse Capital Management, Ltd.	Investment manager ⁽⁷⁾	41,698,980	6.59%
Hillhouse Fund IV, L.P.	Interest of controlled corporation ⁽⁷⁾	41,698,980	6.59%
Matrix Partners China IV, L.P.	Beneficial owner	36,050,780	5.70%
Matrix China Management IV, L.P.	Interest of controlled corporation ⁽⁸⁾	39,655,440	6.27%
Matrix China IV GP GP, Ltd.	Interest of controlled corporation ⁽⁸⁾	39,655,440	6.27%
Ms. Jin ZHU	Interest of controlled corporation ⁽⁹⁾	36,041,380	5.69%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (CONT'D)

Notes:

- (1) All interests stated are long position.
- (2) The calculation is based on the total number of 632,918,000 ordinary shares of the Company in issue as at June 30, 2020.
- (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. 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, both MGR International Limited and Flexmed International (HK) Limited are wholly-owned by Ms. Jin ZHU. Therefore, under the SFO, Ms. Jin ZHU is deemed to be interested in an aggregate 36,041,380 Shares held by the two companies, including 19,641,380 Shares held by MGR International Limited and 16,400,000 Shares held by Flexmed International (HK) Limited.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2020, 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.

(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.
- 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.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

- 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, 2020, outstanding options to subscribe for an aggregate of 47,585,473 Shares (as adjusted after Capitalization Issue) have been granted to a total of 184 eligible participants by the Company under the Share Option Plan.

Supplementary Information

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 under the Share Option Plan is set forth below:

Grantee	Position/Relationship	Number of Shares under outstanding options granted (as adjusted after Capitalization Issue)	Note(s)
Directors			
Dr. ZHANG	Executive Director; Chairman; Chief Executive Officer; Chief Technology Officer	4,657,720	1, 2, 3, 4, 5
Hong YE	Executive Director; Board Secretary	5,690,339	6, 7, 8, 17
Senior Management			
Leo TSAI	Chief Financial Officer	9,157,440	7, 9, 10
Kongrong Karl PAN	Chief Operating Officer	2,225,000	11
Jian Fong TAN	Vice President of Advanced Technology	9,626,820	7, 12
Chen WANG	General Manager of Achieva	3,118,447	13, 14
Xiaoli SHI	Vice President of Clinical and Regulatory Affairs	400,000	15
Hongpeng WANG	Director of Marketing	800,000	16
Other Grantees			
Ruixin DING	Technical Department Manager	950,000	23
Lei ZHANG	Vice President of Sales	742,863	18, 19, 24
Nobuyuki SAKAI	External Consultant	420,378	21
173 other option holders including former and current employees and consultants of the Group	Not applicable	9,796,466	17, 18, 20, 21, 22, 25, 26, 27, 28
		47,585,473	

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 19 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 of June 30, 2020, no RSUs have been granted by the Company pursuant to 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, 2020, no options were granted or agreed to be granted, exercised, canceled or lapsed by the Company under the Share Option Scheme.

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, 2020:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK\$ million	Utilised amount as at June 30, 2020 HK\$ million	Unutilised amount as at June 30, 2020 HK\$ million	Expected timeline for unutilised amount
Development and commercialization of our Core Product and other major product candidates	65	1,682.18	5.45	1,676.73	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	8.13	250.67	Yr2025
Strengthen our research and development capabilities to enrich our product pipeline	8	207.04	2.38	204.66	Yr2024
Expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities	10	258.80	–	258.80	Yr2022
Working capital and other general corporate purposes	7	181.16	5.04	176.12	Yr2024
Total	100	2,587.98	21.00	2,566.98	

As at June 30, 2020, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC, of which approximately RMB210 million were used to purchase wealth management products.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On August 12, 2020, Mr. Bing SHANG has resigned from his role as a non-executive Director of the Company, and ceased to be a member of the remuneration committee of the Company. The resignation of Mr. Bing SHANG was due to his other personal commitments which require more of his time and dedication. Mr. Bing SHANG has confirmed that he has no claim against the Company and has no disagreement with the Board.

At the same time, we have appointed Mr. Jun YANG as a non-executive Director of the Company. Mr. Jun YANG has extensive financial experience and track records in financial and investment institutions. The appointment of Mr. Jun YANG will further strengthen the management of the Company and enhance our overall competitiveness.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the six months ended June 30, 2020

	Note	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	14,239	5,239
Cost of sales	6	(5,285)	(1,831)
Gross profit		8,954	3,408
Selling and distribution expenses	6	(5,162)	(1,301)
Administrative expenses	6	(65,325)	(28,938)
Research and development expenses	6	(41,164)	(16,221)
Other income	7	7,157	1,413
Other losses – net	8	(2,788)	(1,591)
Operating loss		(98,328)	(43,230)
Finance income	9	7,908	50
Finance costs	9	(22,980)	(4,373)
Finance costs – net		(15,072)	(4,323)
Fair value change in financial instruments issued to investors	20	(1,675,526)	(86,037)
Loss before income tax		(1,788,926)	(133,590)
Income tax expense	10	–	–
Loss for the period		(1,788,926)	(133,590)
Loss attributable to:			
– Owners of the Company		(1,788,926)	(133,590)
– Non-controlling interests		–	–
		(1,788,926)	(133,590)

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended June 30, 2020

	<i>Note</i>	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
– Fair value change relating to Preferred Shares due to own credit risk		–	(11,019)
Other comprehensive loss for the period, net of tax		–	(11,019)
Total comprehensive loss for the period		(1,788,926)	(144,609)
Total comprehensive loss attributable to:			
– Owners of the Company		(1,788,926)	(144,609)
– Non-controlling interests		–	–
		(1,788,926)	(144,609)
Loss per share attributable to the owners of the Company			
Basic and diluted loss per share (in RMB per share)	11	(8.68)	(12.04)

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, 2020

	Note	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	12	5,790	6,394
Property, plant and equipment	13	75,602	70,241
Investment properties	14	21,857	22,460
Intangible assets	15	217,243	219,308
Prepayments and other receivables	16	2,809	3,455
Total non-current assets		323,301	321,858
Current assets			
Inventories		15,361	11,163
Financial assets at fair value through profit or loss	17	210,000	15,000
Prepayments and other receivables	16	31,562	26,836
Cash and cash equivalents		2,595,607	504,627
Total current assets		2,852,530	557,626
Total assets		3,175,831	879,484
EQUITY AND LIABILITIES			
Equity attribute to owners of the Company			
Share capital and share premium	18	5,522,442	79,563
Other reserves		37,860	35,298
Accumulated losses		(2,451,056)	(673,067)
Total equity		3,109,246	(558,206)
Liabilities			
Non-current liabilities			
Financial instruments issued to investors	20	-	1,362,309
Lease liabilities		490	1,129
Deferred tax liabilities	21	20,320	20,320
Deferred income		3,519	3,591
Trade and other payables	22	154	154
Total non-current liabilities		24,483	1,387,503

Condensed Consolidated Balance Sheet

As at June 30, 2020

	<i>Note</i>	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Current liabilities			
Lease liabilities		1,262	1,233
Trade and other payables	22	40,220	47,641
Contract liabilities		620	1,313
Total current liabilities		42,102	50,187
Total liabilities		66,585	1,437,690
Total equity and liabilities		3,175,831	879,484

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, 2020

	Share capital and share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at January 1, 2019 (Audited)	50,627	(3,874)	(141,090)	(94,337)
Comprehensive loss:				
Loss for the period	–	–	(133,590)	(133,590)
Other comprehensive loss	–	(11,019)	–	(11,019)
Total comprehensive loss	–	(11,019)	(133,590)	(144,609)
Transactions with owners in their capacity as owners:				
Issuance of ordinary shares	21,567	–	–	21,567
Shares bought back and cancelled	(5,572)	–	–	(5,572)
Ordinary shares issued and stock options granted as consideration for business combination	143,513	5,935	–	149,448
Share-based payments	–	539	–	539
Balance at June 30, 2019 (Unaudited)	210,135	(8,419)	(274,680)	(72,964)
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)
Other comprehensive loss	–	–	–	–
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

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, 2020

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(114,381)	(29,705)
Interest received	8,309	50
Interest paid	(51)	(59)
Net cash used in operating activities	(106,123)	(29,714)
Cash flows from investing activities		
Payments for property, plant and equipment	(10,430)	(3,517)
Payments for intangible assets	(170)	–
Payments for financial assets at fair value through profit or loss	(532,000)	(29,000)
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	221
Cash acquired from acquisition of subsidiaries	–	59,622
Proceeds from disposal of property, plant and equipment	312	231
Net cash (used in)/generated from investing activities	(203,496)	27,557
Cash flows from financing activities		
Capital contribution from shareholders	4	21,567
Payments for shares bought back	–	(19,217)
Net proceeds from issue of ordinary shares	2,361,292	–
Proceeds from exercise of share options	24,520	–
Payments for listing expenses	(5,143)	–
Repayment of borrowings from related parties	(691)	(390)
Interest paid to borrowings from related parties	(2,301)	–
Principal elements of lease payments	(610)	(849)
Net cash generated from financing activities	2,377,071	1,111
Net increase/(decrease) in cash and cash equivalents	2,067,452	(1,046)
Cash and cash equivalents at beginning of the period	504,627	94,762
Exchange gains on cash and cash equivalents	23,528	146
Cash and cash equivalents at end of the period	2,595,607	93,862

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

2 BASIS OF PREPARATION

The condensed consolidated 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.

Notes to the Condensed Consolidated Financial Information

3 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated financial information are consistent with those of the consolidated financial statements included in the Accountants' Report presented in the Prospectus.

New or amendments to IFRS effective for the financial year beginning on January 1, 2020 do not have a material impact on the Group's unaudited interim condensed financial information.

The following new standards, amendments and interpretations to existing standards which have been issued but not yet effective on January 1, 2020 are applicable to the Group and have not been early adopted by the Group:

	New standards, amendments	Effective date
IFRS 17	Insurance contracts	Annual periods beginning on or after January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Annual periods beginning on or after January 1, 2022
Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual Improvements	Annual periods beginning on or after January 1, 2022
Amendments to IFRS 3, IAS 16	Narrow-scope amendments	Annual periods beginning on or after January 1, 2022

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 revenues, selling and distribution expenses, administrative expenses, and research and development expenses of each operation segment. Thus, segment result would present revenues, cost of revenues, 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 Financial Information

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, 2020 and 2019 is as follows:

	Six months ended June 30, 2019		
	Transcatheter Valve Therapeutic Business RMB'000 (Unaudited)	Neurointerventional Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	–	5,239	5,239
Cost of sales	–	(1,831)	(1,831)
Selling and distribution expenses	–	(1,301)	(1,301)
Administrative expenses	(24,141)	(4,797)	(28,938)
Research and development expenses	(12,328)	(3,893)	(16,221)
Segment loss	(36,469)	(6,583)	(43,052)

Notes to the Condensed Consolidated Financial Information

4 SEGMENT (CONT'D)

Neurointerventional Business (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,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from sales of goods – at a point in time	14,239	5,239

Notes to the Condensed Consolidated Financial Information

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefits expenses	46,896	13,131
Listing expenses	26,045	–
Raw materials and consumables used		
– Research and development expenses	7,992	2,145
Testing and clinical trial fees for research and development	7,279	4,273
Depreciation of property, plant and equipment (Note 13)	5,105	2,856
Utilities and office expenses	4,022	1,405
Raw materials and consumables used		
– Cost of sales	2,794	794
Amortisation of intangible assets (Note 15)	2,423	1,170
Professional services	2,296	2,068
Travelling and transportation expenses	1,411	1,109
Depreciation and amortisation of right-of-use assets (Note 12)	604	816
Depreciation and amortisation of investment properties (Note 14)	603	468
Auditor's remuneration	52	32
Share-based compensation expenses related to repurchase of ordinary shares (Note 19)	–	15,995
Others	9,414	2,029
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	116,936	48,291

7 OTHER INCOME

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental Income	747	776
Government grants-related to income	3,947	401
Government grants-related to assets	671	15
Interest income on financial assets at fair value through profit or loss	1,792	221
	7,157	1,413

Notes to the Condensed Consolidated Financial Information

8 OTHER LOSSES – NET

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Foreign exchange losses – net	(2,805)	(1,302)
Gains/(losses) on disposal of property, plant and equipment	65	(274)
Losses on disposal of inventories	(1)	–
Others	(47)	(15)
	(2,788)	(1,591)

9 FINANCE COSTS – NET

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Finance income:		
Bank interest income	7,908	50
Finance costs:		
Exchange losses on financial instruments issued to investors (<i>Note 20</i>)	(22,926)	(3,894)
Interest expense on lease liabilities	(51)	(59)
Interest expense on borrowings from related party (<i>Note 24(b)</i>)	(3)	(420)
	(22,980)	(4,373)
Finance costs – net	(15,072)	(4,323)

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 Financial Information

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,	
	2020	2019
	(Unaudited)	(Unaudited)
Numerator:		
Loss for the period and attributable to owners of the Company (RMB'000)	1,788,926	133,590
Denominator:		
Weighted average number of ordinary shares in issue (thousand)	206,033	11,095
Basic loss per share (RMB)	8.68	12.04

- (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, 2020 and 2019, the Company had two categories of potential ordinary shares: preferred shares and the stock options granted to employees. For the six months periods ended June 30, 2020 and 2019, diluted loss per share was calculated by considering that the above two categories 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, 2020 and 2019 are the same as basic loss per share.

12 RIGHT-OF-USE ASSETS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Right-of-use assets		
– Land use rights (a)	4,259	4,312
– Buildings (b)	1,531	2,082
	5,790	6,394

(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 41 years as of June 30, 2020. The movements of land use rights are analysed as follows:

	Land use rights RMB'000
At December 31, 2019 (Audited)	
Cost	4,390
Accumulated amortisation	(78)
Net book value	4,312
Six months ended June 30, 2020 (Unaudited)	
Opening net book value	4,312
Amortisation charge	(53)
Closing net book value	4,259
At June 30, 2020 (Unaudited)	
Cost	4,390
Accumulated amortisation	(131)
Net book value	4,259

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, 2019 (Audited)	
Cost	5,506
Accumulated depreciation	(3,424)
Net book value	2,082
Six months ended June 30, 2020 (Unaudited)	
Opening net book value	2,082
Disposals – cost	(2,750)
Disposals – accumulated depreciation	2,750
Depreciation charge	(551)
Closing net book value	1,531
At June 30, 2020 (Unaudited)	
Cost	2,756
Accumulated depreciation	(1,225)
Net book value	1,531

Notes to the Condensed Consolidated Financial Information

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, 2019 (Audited)								
Cost	39,769	2,305	6,234	16,487	300	1,313	15,882	82,290
Accumulated depreciation	(1,847)	(682)	(2,442)	(1,855)	(113)	-	(5,110)	(12,049)
Net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241
Six months ended June 30, 2020 (Unaudited)								
Opening net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241
Transferred in from construction in progress	1,209	-	-	-	-	(2,951)	1,742	-
Transferred to intangible assets (Note 15)	-	-	-	-	-	(188)	-	(188)
Additions	-	89	1,904	5,375	1,078	2,455	-	10,901
Disposals – cost	-	(1)	(470)	-	-	-	-	(471)
Disposals – accumulated depreciation	-	1	223	-	-	-	-	224
Depreciation charge (Note 6)	(1,286)	(264)	(1,105)	(897)	(85)	-	(1,468)	(5,105)
Closing net book value	37,845	1,448	4,344	19,110	1,180	629	11,046	75,602
At June 30, 2020 (Unaudited)								
Cost	40,978	2,393	7,668	21,862	1,378	629	17,624	92,532
Accumulated depreciation	(3,133)	(945)	(3,324)	(2,752)	(198)	-	(6,578)	(16,930)
Net book value	37,845	1,448	4,344	19,110	1,180	629	11,046	75,602

Notes to the Condensed Consolidated Financial Information

14 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
At December 31, 2019 (Audited)			
Cost	20,955	4,107	25,062
Accumulated depreciation and amortisation	(2,132)	(470)	(2,602)
Net book value	18,823	3,637	22,460
Six months ended June 30, 2020 (Unaudited)			
Opening net book value	18,823	3,637	22,460
Depreciation and amortisation charge (Note 6)	(560)	(43)	(603)
Closing net book value	18,263	3,594	21,857
At June 30, 2020 (Unaudited)			
Cost	20,955	4,107	25,062
Accumulated depreciation and amortisation	(2,692)	(513)	(3,205)
Net book value	18,263	3,594	21,857

- (i) As at June 30, 2020 and December 31, 2019, the fair values of the investment properties of the Group were RMB23,782,000 and RMB23,773,000 respectively as determined with reference to valuation performed by an independent professional valuation firm.
- (ii) Depreciation and amortisation have been charged to "administrative expenses" amounted to RMB603,000 for the six months ended June 30, 2020 and RMB468,000 for the six months ended June 30, 2019 respectively.

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Technologies RMB'000	Computer Software RMB'000	Total RMB'000
At December 31, 2019 (Audited)				
Cost	51,658	170,740	460	222,858
Accumulated amortisation	–	(3,390)	(160)	(3,550)
Net book value	51,658	167,350	300	219,308
Six months ended June 30, 2020 (Unaudited)				
Opening net book value	51,658	167,350	300	219,308
Transferred in from construction in progress (Note 13)	–	–	188	188
Additions	–	–	170	170
Amortisation charge (Note 6)	–	(2,260)	(163)	(2,423)
Closing net book value	51,658	165,090	495	217,243
At June 30, 2020 (Unaudited)				
Cost	51,658	170,740	818	223,216
Accumulated amortisation	–	(5,650)	(323)	(5,973)
Net book value	51,658	165,090	495	217,243

Notes to the Condensed Consolidated Financial Information

16 PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Other receivables from related parties <i>(Note 24(c))</i>	–	4
Other receivables from third parties	137	637
Staff advances	533	–
Withholding IIT of stock options granted to employees	2,995	–
Prepayments to:		
– equipment not received	2,809	3,455
– listing expenses	–	3,635
– third parties	8,679	7,606
Value-added tax recoverable	16,036	12,571
Interest receivables	887	1,288
Deposits	1,299	854
Others	996	241
Total	34,371	30,291
Less: non-current portion	(2,809)	(3,455)
Current portion	31,562	26,836

17 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Opening balance	15,000	–
Additions	532,000	137,710
Disposals	(337,000)	(122,710)
Closing balance	210,000	15,000

The Group entered into contracts in respect of wealth management products from banks with expected but not guaranteed rates of return ranging from 2.40% to 3.40% per annum for the six months ended June 30, 2020 (December 31, 2019: 2.2% to 3.05%). The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at fair value through profit or loss as at June 30, 2020.

18 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, 2019 (Audited)	11,453,212	8	79,555	79,563
Exercise of share options (i)	532,715	–	29,604	29,604
Automatic conversion of Preferred Shares upon Global Offering (ii)	217,812,460	155	3,060,606	3,060,761
Shares issued pursuant to Capitalization Issue (iii)	227,732,613	162	(162)	–
Shares issued upon Global Offering (iv)	152,511,000	108	2,069,612	2,069,720
Exercise of over-allotment option (v)	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 Financial Information

18 SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at December 31, 2018 (Audited)	9,125,000	6	50,621	50,627
Shares bought back and cancelled	(241,793)	–	(5,572)	(5,572)
Issuance of ordinary shares	241,793	–	21,567	21,567
Issuance of ordinary shares as consideration for business combination	3,833,476	3	143,510	143,513
As at June 30, 2019 (Unaudited)	12,958,476	9	210,126	210,135

- (i) 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 262,636 Shares, 48,579 Shares, and 222,500 Shares were issued to them, respectively.
- (ii) All the issued Preferred Shares were re-designated as Ordinary Shares on 1:1 basis upon the Global Offering on May 15, 2020. 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.
- (iii) 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**").
- (iv) On May 15, 2020, 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.
- (v) 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.

19 SHARE-BASED PAYMENTS

(a) 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.

(b) 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.

In March 2019, pursuant to the Share Swap Agreement completed on March 29, 2019, the stock options of Achieva Medical was converted to stock options of Peijia Medical in the ratio of 3.5682:1.

Notes to the Condensed Consolidated Financial Information

19 SHARE-BASED PAYMENTS (CONT'D)

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

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

	Six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
At the beginning of period	2,900,989	462,500
Granted during the period	–	524,004
Exercised during the period	(532,715)	
Forfeited during the period	(19,600)	(3,153)
At the end of period	2,348,674	983,351

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.

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

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Stock options		
Administrative expenses	8,536	467
Research and development expenses	9,086	36
Selling and distribution expenses	803	36
Cost of sales	158	–
	18,583	539
Repurchase of ordinary shares		
Administrative expenses (Note 6)	–	15,994
Total	18,583	16,533

20 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Preferred Shares	–	1,362,309

The movements of Preferred Shares for six months ended June 30, 2020 are set out below:

	Preferred Shares RMB'000
At December 31, 2019 (Audited)	1,362,309
Fair value losses	1,675,526
Foreign exchange losses (<i>Note 9</i>)	22,926
Automatic conversion to ordinary shares upon the Global Offering (<i>Note 18 (ii)</i>)	(3,060,761)
At June 30, 2020 (Unaudited)	–

All the Preferred Shares were automatically converted to ordinary shares upon the Global Offering on May 15, 2020. The difference between the fair value of the Preferred Shares as at December 31, 2019 and offer price of HK\$15.36 per share of the Global Offering is accounted for as fair value loss in the comprehensive loss. The fair value loss of financial instruments is a non-cash item, and there will be no further gains or losses on fair value changes from these Preferred Shares after the automatic conversion into ordinary shares upon the closing of the Global Offering.

Notes to the Condensed Consolidated Financial Information

21 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, 2020 (Audited)	24,346
Charge to consolidated statements of comprehensive loss	(678)
As at June 30, 2020 (Unaudited)	23,668

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, 2020 (Audited)	1,651	709	468	41,838	44,666
Credit to consolidated statements of comprehensive loss	(84)	(23)	(6)	(565)	(678)
As at June 30, 2020 (Unaudited)	1,567	686	462	41,273	43,988

- (ii) As at June 30, 2020

	RMB'000 (Unaudited)
Deferred tax liabilities	
– to be recovered within 12 months	2,189
– to be recovered more than 12 months	41,799
	43,988

Notes to the Condensed Consolidated Financial Information

22 TRADE AND OTHER PAYABLES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Trade payables – third party	5,628	6,043
Loan from a related party (Note 24 (c))	–	691
Other payables – third parties	24,150	19,036
Staff salaries and welfare payables	6,660	6,422
Interest payables – related party (Note 24 (c))	–	2,298
Accrued taxes other than income tax	3,936	13,305
Total	40,374	47,795
Less: non-current portion	(154)	(154)
Current portion	40,220	47,641

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

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Within 1 year	5,618	6,043
Between 1 year and 2 years	10	–
	5,628	6,043

Notes to the Condensed Consolidated Financial Information

23 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 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 fair value of the financial assets and liabilities, which are measured at amortised cost, approximate their carrying amount as at June 30, 2020 and December 31, 2019.

The following table presents the Group's assets and liabilities that were measured at fair value at December 31, 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000 (Audited)
Assets:				
Financial assets at fair value through profit or loss (Note 17)	–	–	15,000	15,000
Liabilities:				
Financial instruments – Preferred Shares (Note 20)	–	–	1,362,309	1,362,309

The following table presents the Group's assets and liabilities that were measured at fair value at June 30, 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000 (Unaudited)
Assets:				
Financial assets at fair value through profit or loss (Note 17)	–	–	210,000	210,000
Liabilities:				
Financial instruments – Preferred Shares (Note 20)	–	–	–	–

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.

23 FAIR VALUE ESTIMATION (CONT'D)

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.

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, 2020 and December 31, 2019.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2020.

The changes in level 3 instruments for the six months ended June 30, 2020 and the year ended December 31, 2019 are presented in Note 20.

Valuation processes of the Group (Level 3)

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 financial liabilities at fair value through profit or loss. 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.

23 FAIR VALUE ESTIMATION (CONT'D)

Valuation processes of the Group (Level 3) (cont'd)

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 2.40% to 3.50% per annum, the Group considered the fair value of financial product approximately to the cost.

The Group issued preferred shares and convertible loan to investors, which were classified as financial liabilities and designed as financial liabilities at fair value through profit or loss (Note 17). They are initially recognised at fair value, and subsequently stated at fair value with changes in fair value and own credit risk recognised in the condensed consolidated statement of comprehensive loss.

If the fair values of financial assets and liabilities 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, 2020 and the year ended December 31, 2019 would have been approximately RMB21,000,000 lower/higher and RMB134,730,900 higher/lower, respectively.

24 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, 2019 and 2020, and balances arising from related party transactions as at December 31, 2019 and as at June 30, 2020.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Xin Yue International Limited	Shareholder of the Company
Hong YE	Director and shareholder of the Company

24 RELATED PARTY TRANSACTIONS (CONT'D)**(b) Transactions with related party***(i) Repayment of related party's loan*

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hong YE	691	390

(ii) Interest expense

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hong YE	3	420

(c) Balances with related parties*(i) Receivables from related party*

	As at	As at
	June 30,	December 31,
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Xin Yue International Limited	–	3
Hong YE	–	1
	–	4

The amounts due from related parties are non-trade in nature, neither past due nor impaired and non-interest bearing.

Notes to the Condensed Consolidated Financial Information

24 RELATED PARTY TRANSACTIONS (CONT'D)

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

(ii) Loan from a related party

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Hong YE	–	691

(iii) Interest payable to related parties

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Hong YE	–	2,298

The carrying amounts of the amounts due to a related party approximate their fair values and are denominated in RMB.

(d) Key management compensation

	Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, wages and bonuses	4,783	1,408
Housing fund, medical insurance and other social insurance	150	50
Share-based compensation expenses	12,926	455
	17,859	1,913

Notes to the Condensed Consolidated Financial Information

25 CAPITAL COMMITMENTS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Commitments for the acquisition of property, plant and equipment	3,546	3,872

26 DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: nil).

27 CONTINGENT LIABILITIES

As at June 30, 2020, the Group did not have any contingent liabilities.

28 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Group after June 30, 2020.