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## Peijia Medical Limited

沛嘉醫療有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9996)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND DISCLOSEABLE TRANSACTION

#### HIGHLIGHTS

	Note	Six months ended June 30		Percentage increase
		2020 (Unaudited)	2019 (Unaudited)	
Revenue (RMB'000)		14,239	5,239	171.8%
Gross profit (RMB'000)		8,954	3,408	162.7%
Adjusted net profit (RMB'000)		(1,788,926)	(133,590)	1,239.1%
Profit for the year attributable to owners of the Company (RMB'000)		(1,788,926)	(133,590)	1,239.1%
Basic earnings per share (RMB cents)		-8.68	-12.04	-27.9%
Dividend per share		-	-	

Note:

- In the first half of 2019, the Company acquired 100% of the equity interest in Achieva Medical and its subsidiaries. The acquisition date was determined on March 29, 2019. As a result, the operating result for the six months ended June 30, 2019 only includes the three-month result of Achieva after the acquisition date.
- For the six months 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 below for further details.

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Peijia Medical Limited (the “**Company**” and, together with its subsidiaries, collectively the “**Group**”) announces the unaudited consolidated financial results of the Group for the six months ended June 30, 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2019 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

*For the six months ended June 30, 2020*

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

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

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

	<i>Note</i>	As at <b>June 30, 2020</b> <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>323,301</b>	321,858
<b>Current assets</b>			
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
		<hr/>	<hr/>
<b>Total current assets</b>		<b>2,852,530</b>	557,626
		<hr/>	<hr/>
<b>Total assets</b>		<b>3,175,831</b>	879,484
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attribute to owners of the Company</b>			
Share capital and share premium	18	5,522,442	79,563
Other reserves		37,860	35,298
Accumulated losses		(2,451,056)	(673,067)
		<hr/>	<hr/>
<b>Total equity</b>		<b>3,109,246</b>	(558,206)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
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
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>24,483</b>	1,387,503
		<hr/>	<hr/>

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

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
<b>Balance at January 1, 2019 (Audited)</b>	50,627	(3,874)	(141,090)	(94,337)
<b>Comprehensive loss:</b>				
Loss for the period	–	–	(133,590)	(133,590)
Other comprehensive loss	–	(11,019)	–	(11,019)
<b>Total comprehensive loss</b>	–	(11,019)	(133,590)	(144,609)
<b>Transactions with owners in their capacity as owners:</b>				
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
<b>Balance at June 30, 2019 (Unaudited)</b>	<u>210,135</u>	<u>(8,419)</u>	<u>(274,680)</u>	<u>(72,964)</u>
<b>Balance at January 1, 2020 (Audited)</b>	<b>79,563</b>	<b>35,298</b>	<b>(673,067)</b>	<b>(558,206)</b>
<b>Comprehensive loss:</b>				
Loss for the period	–	–	(1,788,926)	(1,788,926)
Other comprehensive loss	–	–	–	–
<b>Total comprehensive loss</b>	–	–	(1,788,926)	(1,788,926)
<b>Transactions with owners in their capacity as owners:</b>				
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
<b>Balance at June 30, 2020 (Unaudited)</b>	<u>5,522,442</u>	<u>37,860</u>	<u>(2,451,056)</u>	<u>3,109,246</u>

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	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Cash used in operations	(114,381)	(29,705)
Interest received	8,309	50
Interest paid	(51)	(59)
	<u>(106,123)</u>	<u>(29,714)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
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
	<u>(203,496)</u>	<u>27,557</u>
<b>Net cash (used in)/generated from investing activities</b>		
<b>Cash flows from financing activities</b>		
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)
	<u>2,377,071</u>	<u>1,111</u>
<b>Net cash generated from financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	504,627	94,762
Exchange gains on cash and cash equivalents	23,528	146
	<u>2,595,607</u>	<u>93,862</u>
<b>Cash and cash equivalents at end of the period</b>		

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.

## 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:

	<b>New standards, amendments</b>	<b>Effective date</b>
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.

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 <i>RMB'000</i> (Unaudited)	Neurointerventional Business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (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	<u>(36,469)</u>	<u>(6,583)</u>	<u>(43,052)</u>

Six months ended June 30, 2020

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

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 RMB'000 (Unaudited)	2019 RMB'000 (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
	<u>7,157</u>	<u>1,413</u>

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)
	<u>(2,788)</u>	<u>(1,591)</u>

9 FINANCE COSTS – NET

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

## 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.

## 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)	<u>8.68</u>	<u>12.04</u>

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

### (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:

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

**(b) Buildings**

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

	<b>Buildings</b> <i>RMB'000</i>
<b>At December 31, 2019 (Audited)</b>	
Cost	5,506
Accumulated depreciation	<u>(3,424)</u>
Net book value	<u>2,082</u>
<b>Six months ended June 30, 2020 (Unaudited)</b>	
Opening net book value	2,082
Disposals – cost	(2,750)
Disposals – accumulated depreciation	2,750
Depreciation charge	<u>(551)</u>
Closing net book value	<u>1,531</u>
<b>At June 30, 2020 (Unaudited)</b>	
Cost	2,756
Accumulated depreciation	<u>(1,225)</u>
Net book value	<u>1,531</u>

### 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
<b>At December 31, 2019</b>								
<b>(Audited)</b>								
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	<u>37,922</u>	<u>1,623</u>	<u>3,792</u>	<u>14,632</u>	<u>187</u>	<u>1,313</u>	<u>10,772</u>	<u>70,241</u>
<b>Six months ended</b>								
<b>June 30, 2020 (Unaudited)</b>								
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	<u>37,845</u>	<u>1,448</u>	<u>4,344</u>	<u>19,110</u>	<u>1,180</u>	<u>629</u>	<u>11,046</u>	<u>75,602</u>
<b>At June 30, 2020 (Unaudited)</b>								
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	<u>37,845</u>	<u>1,448</u>	<u>4,344</u>	<u>19,110</u>	<u>1,180</u>	<u>629</u>	<u>11,046</u>	<u>75,602</u>

## 14 INVESTMENT PROPERTIES

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

- (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

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

## 16 PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at June 30, 2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>As at December 31, 2019</b> <i>RMB'000</i> <b>(Audited)</b>
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
<b>Total</b>	<u>34,371</u>	30,291
Less: non-current portion	<u>(2,809)</u>	<u>(3,455)</u>
Current portion	<u>31,562</u>	<u>26,836</u>

## 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)
	<u>210,000</u>	<u>15,000</u>
Closing balance	<u>210,000</u>	<u>15,000</u>

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
<b>Issued:</b>				
<b>As at December 31, 2019 (Audited)</b>	<b>11,453,212</b>	<b>8</b>	<b>79,555</b>	<b>79,563</b>
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
<b>As at June 30, 2020 (Unaudited)</b>	<b><u>632,918,000</u></b>	<b><u>449</u></b>	<b><u>5,521,993</u></b>	<b><u>5,522,442</u></b>
	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
<b>Issued:</b>				
<b>As at December 31, 2018 (Audited)</b>	<b>9,125,000</b>	<b>6</b>	<b>50,621</b>	<b>50,627</b>
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
<b>As at June 30, 2019 (Unaudited)</b>	<b><u>12,958,476</u></b>	<b><u>9</u></b>	<b><u>210,126</u></b>	<b><u>210,135</u></b>

- (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.

(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:

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

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Stock options</b>		
Administrative expenses	<b>8,536</b>	467
Research and development expenses	<b>9,086</b>	36
Selling and distribution expenses	<b>803</b>	36
Cost of sales	<b>158</b>	–
	<hr/>	<hr/>
	<b>18,583</b>	539
	<hr/>	<hr/>
<b>Repurchase of ordinary shares</b>		
Administrative expenses ( <i>Note 6</i> )	–	15,994
	<hr/>	<hr/>
<b>Total</b>	<b>18,583</b>	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
<b>At December 31, 2019 (Audited)</b>	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)
<b>At June 30, 2020 (Unaudited)</b>	—

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.

## 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
<b>As at January 1, 2020 (Audited)</b>	24,346
Charge to consolidated statements of comprehensive loss	(678)
<b>As at June 30, 2020 (Unaudited)</b>	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
<b>As at January 1, 2020 (Audited)</b>	1,651	709	468	41,838	44,666
Credit to consolidated statements of comprehensive loss	(84)	(23)	(6)	(565)	(678)
<b>As at June 30, 2020 (Unaudited)</b>	1,567	686	462	41,273	43,988

(ii) As at June 30, 2020

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

## 22 TRADE AND OTHER PAYABLES

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

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

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

## 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 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i> (Audited)
<b>Assets:</b>				
Financial assets at fair value through profit or loss ( <i>Note 17</i> )	–	–	15,000	15,000
<b>Liabilities:</b>				
Financial instruments				
– Preferred Shares ( <i>Note 20</i> )	–	–	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 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i> (Unaudited)
<b>Assets:</b>				
Financial assets at fair value through profit or loss ( <i>Note 17</i> )	–	–	210,000	210,000
<b>Liabilities:</b>				
Financial instruments				
– Preferred Shares ( <i>Note 20</i> )	–	–	–	–

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.

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.

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**

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



(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	<b>691</b>	390

(ii) *Interest expense*

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

(c) **Balances with related parties**

(i) *Receivables from related party*

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

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

(ii) *Loan from a related party*

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

(iii) *Interest payable to related parties*

	As at <b>June 30,</b> <b>2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2019 <i>RMB'000</i> (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, <b>2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	2019 <i>RMB'000</i> (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
	<b>17,859</b>	<b>1,913</b>

**25 CAPITAL COMMITMENTS**

	As at <b>June 30,</b> <b>2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2019 <i>RMB'000</i> (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.

# MANAGEMENT DISCUSSION AND ANALYSIS

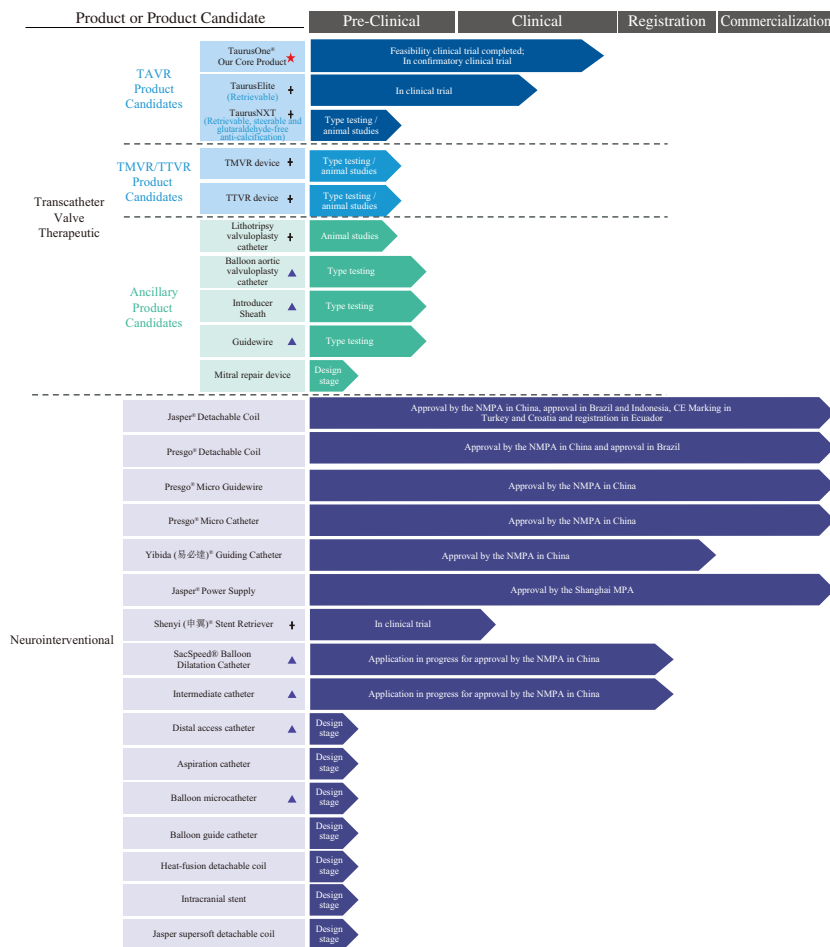
## I. Business Review

### 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 transcatheter aortic valve replacement (“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.

## ***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 National Medical Products Administration of the PRC (國家藥品監督管理局) (“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®.

### **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 delivery catheter system (“DCS”) with retrieving function, allowing physicians to retrieve the prosthetic aortic valve (“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 transcatheter mitral valve replacement (“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 transcatheter tricuspid valve replacement (“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.

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.

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<sup>®</sup>, 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<sup>®</sup> and TaurusElite<sup>®</sup>.

### ***Future Outlook***

For our core product TaurusOne<sup>®</sup>, 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<sup>®</sup> until the product is registered. In the meantime, we will carry forward our ongoing clinical programs, including our second-generation TAVR product TaurusElite<sup>®</sup>, and our major neurointerventional product candidate Shenyi<sup>®</sup> 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 above 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 RMB 14.2 million, representing an increase of 171.8% compared to RMB 5.2 million for June 30, 2019.

### ***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.

	<b>Six months ended June 30,</b>			
	<b>2020</b>		<b>2019</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
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
<b>Total</b>	<b>41,164</b>	<b>100.0</b>	<b>16,221</b>	<b>100.0</b>

#### ***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.

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.

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) <sup>1</sup>	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) <sup>2</sup>	June 3, 2020	2.40%	August 12, 2020	30,000	0	30,000

<sup>1</sup> 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.

<sup>2</sup> 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.

### *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.

### ***Future Plans For Material Investments and Capital Asset***

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

## **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.

## **SUBSEQUENT EVENT AFTER THE REPORTING PERIOD**

In August 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.

## **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 Announcement.

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.

## **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:

<b>Business objective as stated in the Prospectus</b>	<b>Percentage to total amount</b> %	<b>Net proceeds</b> HK\$ million	<b>Utilised amount as at June 30, 2020</b> HK\$ million	<b>Unutilised amount as at June 30, 2020</b> HK\$ million	<b>Expected timeline for unutilised amount</b>
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
<b>Total</b>	<b>100</b>	<b>2,587.98</b>	<b>21.00</b>	<b>2,566.98</b>	

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.

## 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 RMB 46.90 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.

## **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 of the Company as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange, 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 “**Listing Date**”), 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. Yi 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. Yi 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. Yi 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 announcement.

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (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 announcement. 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 announcement.

## **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 announcement.

## **REVIEW OF FINANCIAL INFORMATION**

### **Audit Committee**

The Company has established an audit committee (the “**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 discussed with the Company’s management and reviewed the unaudited interim financial statements of the Group for the Reporting Period.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.peijiamedical.com](http://www.peijiamedical.com)). The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

## APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business associates for their trust and support.

## DEFINITIONS

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

“Achieva” or “Achieva Group”	includes Achieva Medical and its subsidiaries, i.e., Achieva HK, Achieva Shanghai, Achieva Suzhou and Jiangxi Zhisheng
“Achieva 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
“aortic valve”	a valve in the human heart between the left ventricle and the aorta
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“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 set out in Appendix 14 to the Listing Rules
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this interim results announcement 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
“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 results announcement, 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 our 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)
“Global Offering”	has the meaning ascribed to it under the Prospectus
“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
“Independent Third Party”	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”	listing of the Shares on 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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed issuers as 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
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“Series A Preferred Shares”	the 1,900,000 series A preferred shares of our Company, par value US\$0.0001 per share
“Series A-1 Preferred Shares”	the 2,088,204 series A-1 preferred shares of our Company, par value US\$0.0001 per share
“Series B Preferred Shares”	the 1,527,110 series B preferred shares of our Company, par value US\$0.0001 per share
“Series C Preferred Shares”	the 1,969,118 series C preferred shares of our Company, par value US\$0.0001 per share
“Series C-1 Preferred Shares”	the 3,406,191 series C-1 preferred shares, par value US\$0.0001 per share
“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 our Company
“Shareholder(s)”	holder(s) of the Share(s)

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“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
“we”, “us” or “our”	the Company and, unless the context indicates otherwise, its subsidiaries
“SAVR”	surgical aortic valve replacement, a treatment of severe aortic stenosis through open-chest surgery
“sq.m.”	square meter, a unit of area
“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
“valvular heart diseases”	the failure or dysfunction of one or more of the four heart valves, where the valves become too narrow and hardened to open fully, or are unable to close completely
“valvuloplasty”	a procedure using balloons to repair a heart valve with a narrowed opening and to improve blood flow through the valve

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

Hong Kong, August 28, 2020

*As of the date of this announcement, the Board comprises Dr. Yi Zhang, Ms. Ping Ye Zhang and Ms. Hong Ye as executive Directors, Dr. Zhiyun Yu, Mr. Jifeng Guan, Mr. Fei Chen, Mr. Jun Yang as non-executive Directors, and Dr. Stephen Newman Oesterle, Mr. Robert Ralph Parks, Mr. Wayne Wu and Mr. Wai Ming Yip as independent non-executive Directors.*