沛嘉醫療有限公司

Peijia Medical Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9996

Annual Report 2021

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COMPANY PROFILE

Overview

Our Company is a global provider of innovative medical products and solutions. We focus on the high-growth interventional procedural medical device market in China. Our products and product candidates target the large, fast-growing and under-penetrated markets with high entry barriers, including transcatheter valve therapeutic medical device market and neurointerventional procedural medical device market.

Our Vision

To be a respected global high-tech medical enterprise focusing on patients and holding to its original spirit.

Our Mission

Committed to providing the safe, effective and affordable products and solutions, alleviating the suffering of patients and improving patients' quality of life through ongoing innovation.

Our Product Pipeline

As of the date of this annual report, our product pipeline consists of transcatheter valve therapeutic and neurointerventional products and product candidates. For our Transcatheter Valve Therapeutic Business, we have two commercialized TAVR systems — TaurusOne® and TaurusElite®, three commercialized procedural accessories and various Transcatheter Aortic Valve Replacement, Trancatheter Mitral Valve Replacement and Repair and Transcatheter Tricuspid Valve Replacement product candidates at different stage of development. For our Neurointerventional Business, we have eleven commercialized products, three registration stage products and product candidates at different stage of development covering hemorrhagic stroke, ischemic stroke and vascular access.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Dr. Zhiyun YU
Mr. Jifeng GUAN
Mr. Fei CHEN
Mr. Jun YANG

Independent Non-executive Directors

Dr. Stephen Newman OESTERLE
Mr. Robert Ralph PARKS
Mr. Wai Ming YIP
Mr. Huacheng WEI

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

8 Zhongtian Street
Suzhou Industrial Park, Suzhou
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Ms. Pui Chun Hannah SUEN

AUTHORIZED REPRESENTATIVES

Ms. Hong YE
Ms. Pui Chun Hannah SUEN

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

LEGAL ADVISER

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

COMPLIANCE ADVISER

Maxa Capital Limited

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

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COMPANY'S WEBSITE

www.peijiamedical.com

LISTING DATE

May 15, 2020

PRINCIPAL BANKS

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8 Suzhou Avenue West
Suzhou Industrial Park
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PRC

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

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

CHAIRMAN'S STATEMENT

Dr. Yi ZHANG
Chairman, Chief Executive Officer, and Executive Director

Dear Shareholders,

2021 is a year of historical milestones for our Company. Our first-and second-generation TAVR products, TaurusOne® and TaurusElite® obtained NMPA approval successively in April and June 2021 respectively, a substantial breakthrough from zero to one. 2021 is also a year of innovation for us. Our Group has entered the fast lane of development with great achievements in all aspects, including the commercialization, pipeline development, team building and international cooperation of our Transcatheter Valve Therapeutic Business and Neurointerventional Business. The total revenue generated by our Group in 2021 increased significantly by 253.2% as compared with the same period in 2020. The commercialization of both businesses formed dual engines to propel our Group and to provide a stable cash flow to fuel the Group's long-term development.

Looking back, the joint efforts of all our employees helped us to notch up many pioneering successes in the field of the transcatheter therapies for valvular heart disease: TaurusOne® is our first-generation TAVR product, whose clinical trial was the first ever TAVR clinical trial completed solely by Chinese physicians. Besides, TaurusOne® is also the first Chinese TAVR product that published clinical results in top quartile research journals; TaurusElite®, our second-generation TAVR product, is the record-breaking domestic retrievable TAVR product in the approval time so far, by virtue of its outstanding clinical data, satisfactory clinical performance such as the excellent retrievable and delivery features, as well as sufficient preparation during the registration stage; TaurusNXT®, the third-generation TAVR product targeting the improvement of valve durability, adopts our internally developed "non-glutaraldehyde crosslinking and vacuum freeze-drying" technologies. These technologies were applied in the field of the transcatheter therapies for valvular heart disease for the first time. It is also the first and the only TAVR device among the third-generation TAVR products in China that entered into the confirmatory clinical trial stage and that was accepted by the Special Review and Approval Procedure for Innovative Medical Devices of NMPA as at the date of this report.

The commercialization of TaurusOne® and TaurusElite® was unfolding smoothly in 2021. This was not only attributable to the excellent clinical outcomes, but also efforts by our professional marketing and sales team who are dedicated to promoting TAVR procedure and providing well-rounded medical support including patient education, physician training and clinical support. We entered into 95 hospitals (102 centers) and sold 452 sets of TAVR products in 2021, standing out among our peers in the first year of commercialization, respectively. With regard to manufacturing and raw material supply, we are focusing on local production to promote self-sufficiency as well as achieving independence from international suppliers. Indicators such as ratios of locally-sourced and self-provided raw materials were continually improved. Our supply chain optimization has achieved remarkable results, leaving us a prominent cost advantage comparing with our peers.

While promoting the commercialization of TAVR products, as an innovative medical device pioneer, we never stopped our endeavor to progress, make a breakthrough and innovate. Based on the actual needs of patients, we are tirelessly looking for innovative solutions for major heart valve diseases:

— We spared no efforts to look for therapies of improving valve durability and other innovative advancements. Our internally developed TaurusNXT® TAVR system is carrying out the multi-center confirmatory clinical trial in China. The polymer leaflets TAVR, TaurusApex, is undergoing animal studies in China. The non-implant Lithotripsy Valvuloplasty system, TaurusWave®, is in the FIM clinical stage while the mitral valve TEER system GeminiOne is under preparation for the confirmatory clinical trial.

— Since late 2020, the Group has harvested four important projects from external sources, which are deployed in the critical technical directions addressing huge unmet markets with no viable solutions. The four projects include (i) Trilogy™, the World's only approved transfemoral TAVR system for AR; (ii) HighLife, the TSMVR system with world-leading clinical progress and promising clinical data; (iii) MonarQ, the TTVR system developed by experienced multidisciplinary team in medtech and engineering; and (iv) Sutra Hemi Valve, the hybrid transcatheter mitral valve coaptation augmentation treatment system between valve replacement and repair technology.

— Through our continued effort in both internal R&D and overseas cooperation, Peijia Medical has established a comprehensive product pipeline in major valve diseases with broadness and depth, covering cutting-edge technologies in the interventional therapy of heart valve diseases. Our TAVR pipeline ranges from AR and AS indications to implant and non-implant solutions. Our pipeline also includes all major mitral valve and tricuspid valve replacement and repair products. Leveraging on our product pipeline, we are hoping to differentiate ourselves with product innovation and enhance our competitiveness in the next-generation technologies.

As the first innovative medical device company in China with both valve therapeutic and neurointerventional product pipelines, we never stopped chasing our intrinsic goal to "provide medical solutions to both heart and cerebrovascular diseases". While developing our Transcatheter Valve Therapeutic Business, we are also rapidly advancing our neurointerventional product pipeline. In 2021, not only has our leading position in the embolization coils market been further strengthened, our ischemic product pipeline has also been progressing smoothly with a number of new products submitted for registration or approved by NMPA. With the successive approval of core ischemic products in 2022, we will be able to provide a fully-integrated solution for treating acute ischemic stroke. The gradual enrichment of the hemorrhagic and ischemic product pipeline will further consolidate our position as a leading domestic neurointerventional company and bring a more diversified and balanced income stream to the Group.

In terms of internationalization strategy, we adhere to technology innovation and developing truly competitive and innovative products. We have established a long-term working relationship with world-leading cardiologists, including Dr. Nicolo Piazza from Canada and Professor Saibal Kar from the United States; We built a pipeline covering leading technologies around the world through acquiring cutting-edge patents; We invested in overseas innovation platforms which allow us to extend our research and development capabilities globally. So far, we have a R&D platform and an incubation center in California and Boston in the United States, respectively, which not only enhanced our international innovation strength and global reputation, but also laid a solid foundation for our technologies and products going abroad in the future.

In terms of talent strategy, we always deemed talent as crucial driving future success. In the past year, our recruitment for R&D, marketing and sales as well as front-line employees progressed smoothly, giving strong backing for the Group's rapid development. As of December 31, 2021, we had an in-house R&D team of 110 employees as well as a sales and marketing team of 157 employees. All of our core employees have rich experience in world-class medical device companies.

Looking forward to 2022, Peijia Medical will pursue more achievements in key R&D projects: we will launch the confirmatory clinical trial of HighLife in China which will bring effective treatment solution to Chinese patients suffering from mitral regurgitation; GeminiOne, targeting a global patent for its innovative design, will launch the confirmatory clinical trial as well. It is expected that the product will optimize the clinical manifestation of TEER technique and has the potential to license out globally; the R&D of the TTVR product MonarQ progressed smoothly, moving toward the FIM clinical trial overseas; In addition, we have initiated the technology transfer of Trilogy™ which could potentially be implanted in human in the Greater Bay Area of China first, benefiting the large number of patients with severe AR. Meanwhile, we will continue to expand our marketing and sales strength and build up a professional and competent team to satisfy the demand of the rapidly developing Chinese market. Furthermore, we will keep optimizing the supply chain to control product costs, maintain the stability of raw material procurement, and consolidate our long-term competitiveness through lean production.

Adherence to our idea of "Innovation with Global Resources, Cooperation between Medical and Engineering Professionals", Peijia Medical strives to increase patients' life expectancy and improve patients' quality of life by providing innovative solutions to physicians. The construction of our new headquarter in Suzhou covering a total area of 86,000 sq.m. started in November 2021, which marks our dedication towards the next decades of development. We believe that with the large scale of the Chinese market and the countless efforts by practitioners in the field of innovative medical devices, a world-class medical device giant will surely emerge in China. With our unremitting efforts in technology and the further development of our business, we hope Peijia Medical, as an innovative company born in China, will become a world-class player in the medical device industry with cutting-edge technologies and global vision, bringing medical device manufactured in China to the world and benefiting all mankind!

Yours sincerely
Dr. Yi ZHANG
Chairman, Chief Executive Officer,
and Executive Director

FINANCIAL HIGHLIGHTS

The following table sets out a comparison between key financial figures for the years ended December 31, 2021 and 2020:

	For the year ended December 31,			
	2021 (RMB'000)	2020 (RMB'000)	changes (RMB'000)	%
Operating Results				
Revenue	**136,534**	38,655	97,879	253.2
Gross profit	**95,654**	25,223	70,431	279.2
Operating loss	**(598,801)**	(403,717)	(195,084)	48.3
Loss before income tax	**(574,216)**	(2,068,656)	1,494,440	-72.2
Loss for the year and attributable to owners of the parent company	**(574,216)**	(2,068,656)	1,494,440	-72.2
Total comprehensive loss for the year and attributable to owners of the parent company	**(574,216)**	(2,068,656)	1,494,440	-72.2
Research and development expenses	**(445,879)**	(103,365)	(342,514)	331.4
Including: One-time expensing business development ("**BD**") payments[1]	**(314,575)**	Nil	(314,575)	—
Loss per share				
Basic and diluted loss per share (RMB)	**(0.86)**	(4.43)	3.56	-80.4

Note:

1 The Group made upfront and milestone payments in relation to four BD projects in 2021. One-time expensing BD payments denote RMB314.6 million of one-time, non-recurring expensing R&D payments in this report unless otherwise stated.

	As at December 31,			
	2021 (RMB'000)	2020 (RMB'000)	changes (RMB'000)	%
Financial Position				
Non-current assets	**737,307**	337,186	400,121	118.7
Cash and cash equivalents	**2,296,112**	2,458,161	(162,049)	–6.6
Other current assets	**130,249**	85,902	44,347	51.6
Total assets	**3,163,668**	2,881,249	282,419	9.8
Non-current liabilities	**25,776**	23,604	2,172	9.2
Current liabilities	**118,707**	44,390	74,317	167.4
Total liabilities	**144,483**	67,994	76,489	112.5
Total equity/(deficit)	**3,019,185**	2,813,255	205,930	7.3

BUSINESS HIGHLIGHTS

1. BOTH TRANSCATHETER VALVE THERAPEUTIC BUSINESS AND NEUROINTERVENTIONAL BUSINESS ARE IN THE FAST LANE OF COMMERCIALIZATION, ESTABLISHING A LONG-TERM FOUNDATION FOR STEADY CASH FLOW GROWTH AND EFFECTIVELY REDUCING THE COMPANY'S OVERALL OPERATIONAL RISK.

2021 was the first year of commercialization of our Transcatheter Valve Therapeutic Business and we have seen robust performance. The first-and second-generation Taurus systems not only obtained NMPA approval earlier than expected, but also quickly gained market access. The provincial tendering and hospital access of such systems were progressing well, with a total of 95 hospitals (equivalent to 102 centers) entered by the end of 2021. Clinical feedbacks on the products were positive, and the sales and implantation were in good progress. As of the date of this report, sales and implantation volume maintained an accelerating upward trend and excellent momentum was observed in the first quarter of 2022.

The commercialization of the hemorrhagic products under the Neurointerventional Business continued to expand, and the commercialization of newly launched ischemic and vascular access products was rapidly advancing, with revenue from the Neurointerventional Business in 2021 increased by 144.7%.

The revenue of the Transcatheter Valve Therapeutic Business and the Neurointerventional Business in 2021 reached RMB41.9 million and RMB94.6 million, respectively, which led to an increase of 253.2% in total revenue as compared with 2020. The rapid advancement of commercialization has laid a solid cash foundation for the long-term development of the Company.

2. WE HAVE DEVELOPED A COMPREHENSIVE PIPELINE WITH INNOVATIVE TECHNOLOGIES TO SEIZE HUGE UNMET MARKET NEEDS, THROUGH INTERNAL DEVELOPMENT AND BD PROJECTS IN THE TRANSCATHETER VALVE THERAPEUTIC BUSINESS. OUR WIDEST AND DEEPEST PIPELINE DIFFERENTIATES US FROM THE PEERS AND STRENGTHENS OUR COMPETITIVENESS IN THE NEXT-GENERATION TECHNOLOGIES.

We have built a strong pipeline with a wide range of innovative product candidates through external acquisitions as well as internal development. Our strategy is to employ both approaches to build a comprehensive portfolio in the next-generation technologies. From late 2020 to the date of this report, we have harvested 4 BD projects, which are deployed in the fields of aortic valve replacement for AR, mitral valve replacement, tricuspid valve replacement and mitral valve coaptation augmentation, respectively:

(1) The Trilogy™ Heart Valve System of JenaValve Technology Inc. ("**JenaValve**") is the first and the only transfemoral device of its kind to receive CE Mark approval for the treatment of both severe symptomatic Aortic regurgitation and Aortic Stenosis as of the date of this report. AR is one of the most common types of aortic valve diseases. According to Frost & Sullivan, there were approximately 3.9 million patients with AR in China in 2020. According to a research jointly published by Academician Runlin Gao and Professor Zengwu Wang et al. from Fuwai Hospital through BMC Cardiovasc Disord in 2021, the most common valvular heart disease was AR (1.2%), followed by mitral regurgitation (1.1%) and tricuspid regurgitation (0.8%), among the enrolled group aged 35 years or older. We entered into a series of agreements with JenaValve in December 2021, for an exclusive license regarding Trilogy™ Heart Valve System for the treatment of AR and AS in the Greater China region. The transaction will enable us to have the most comprehensive TAVR pipeline covering major aortic valve diseases, compared to other players in China. We have initiated the technology transfer as of the date of this report.

(2) The HighLife TSMVR System is a leading product candidate in the field of mitral valve replacement in terms of technical route and clinical progress in the world. HighLife TSMVR product adopted the unique "Valve-in-Ring" concept, allowing the system to realize self-centering and self-alignment. According to Frost & Sullivan, there were approximately 10.8 million patients with MR in China in 2020. We entered into an exclusive license agreement with HighLife SAS ("**HighLife**") in the fourth quarter of 2020 and completed the technology transfer in the third quarter of 2021. The product is currently in the process of research clinical trial, and we are expecting to initiate the confirmatory clinical trial in China in 2022.

(3) The MonarQ TTVR system of inQB8 Medical Technologies ("**inQB8**") is an important product candidate under development in the field of transcatheters tricuspid valve treatment. According to Frost & Sullivan, there were approximately 9.2 million patients with TR in China in 2020. We entered into a series of agreements with inQB8 in May 2021, a US-based medical technology incubator, to explore innovative solutions for treating structural heart diseases. The transaction includes our acquisition of MonarQ TTVR technology from inQB8, for which inQB8 will continue with the device development in partnership with us. MonarQ is currently in the pre-clinical evaluation stage and we expect to carry out FIM clinical trial in 2022.

(4) The Sutra Hemi Valve of Sutra Medical Inc. ("**Sutra**") is a hybrid transcatheter mitral valve coaptation augmentation treatment system between valve replacement and repair technology. The initial closing of the purchase and sale of shares of Sutra by us occurred in August 2021. As of the date this report, the product candidate is in the animal studies stage.

In addition to BD projects, our internally developed projects are also progressing smoothly. The exploration directions include improving the durability of valve materials, non-implant treatment solution for valve disease and developing innovative mitral valve repair products.

(1) TaurusNXT® is our internally developed third-generation TAVR system. TaurusNXT® incorporates our patented non-glutaraldehyde crosslinking tissue processing technology that removes the root cause of valve calcification, which is the number one cause of prosthetic valve degeneration. The technology is expected to greatly enhance the durability and biocompatibility of the PAV. Furthermore, comparing to the traditional dry tissue technology using glycerin, TaurusNXT® adopts a vacuum freeze-drying technology to maintain the physical integrity of the valve tissue while allowing the PAV to be preloaded onto the DCS. The first patient implant of TaurusNXT® was completed in September 2021. We are currently carrying out the multi-center confirmatory clinical trial for TaurusNXT®.

(2) TaurusApex is our internally developed fourth-generation aortic valve replacement system. By replacing bio-materials with long-lasting and stable polymer materials, TaurusApex could further improve durability and biocompatibility of prosthetic valve. It could also significantly simplify the product manufacturing process and reduce the production cost. The development of TaurusApex is a significant step that we take to explore innovative solutions to improve the durability of the valve. We are currently conducting animal studies on TaurusApex with promising results.

(3) TaurusWave® Lithotripsy Valvuloplasty System is our internally developed non-implant solution, using shockwave technology to remodel calcification on valve annulus and leaflets. After the treatment, the hemodynamics of the native valves could better fit the native annulus. The system can be used as a stand-alone TAV treatment or be used prior to TAVR, in order to alleviate valve stenosis. The first patient treatment using TaurusWave® was completed in October 2021. We are currently proceeding with FIM clinical trial for this product.

(4) GeminiOne is our internally developed transcatheter TEER device. The product has a unique design, which enables a longer coaptation length while still maintaining smaller implant size and delivery system. Other innovations include its independent leaflet grasp that reduces the complexity of the procedure, auto-locking mechanism that avoids repeatedly lock & unlock during the procedure, as well as multi-angular detachment that copes with a wider range of anatomy. GeminiOne is designed to treat mitral valve and tricuspid valve diseases. The product is currently in the pre-clinical preparations stage, targeting the launch of the confirmatory clinical trial in 2022.

3. WE HAVE SIMULTANEOUSLY DEPLOYED OUR NEUROINTERVENTIONAL BUSINESS IN THE SIZEABLE HEMORRHAGIC MARKET AND THE FAST-GROWING ISCHEMIC MARKET, AND ACHIEVED REMARKABLE RESULTS IN R&D AND SALES. IN ADDITION TO CONTINUOUSLY CONSOLIDATING OUR LEADING POSITION IN THE HEMORRHAGIC MARKET WITH EXISTING ADVANTAGES, WE HAVE ALSO ESTABLISHED A COMPLETE PRODUCT PORTFOLIO FOR ISCHEMIC STROKE.

In 2021, we continued to deeply cultivate the sizeable hemorrhagic market. Our market share has further expanded, thanks to our continuous efforts in product upgrades and long-precipitated sales relationships. A revenue growth rate of 52.3% was recorded in 2021 for the hemorrhagic product line as compared with 2020.

Our wide and complete product offering is paying off and three core products treating ischemic stroke have been launched or will be launched successively, including Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter and Fluxcap® Balloon Guiding Catheter. Together with the Tethys® Intermediate Guiding Catheter, we have been able to provide a fully-integrated solution for treating acute ischemic stroke. The commercialization of the approved ischemic products progressed smoothly. For example, the SacSpeed® Balloon Dilatation Catheter, which was fully commercialized in 2021, has quickly become the market leader since its commercial launch. The subsequent launch of ischemic products will further increase the attractiveness of our product portfolio.

According to Frost & Sullivan, the embolization coiling market size in 2020 was approximately RMB1.7 billion, and will continue to expand at a compound annual growth rate of 15.3% between 2020 and 2030; the market size of ischemic stroke, excluding intracranial atherosclerotic disease ("**ICAD**") was approximately RMB970.0 million in 2020, and will continue to expand at a compound annual growth rate of 32.0% between 2020 and 2030; the market size of ICAD was approximately RMB400.0 million, and will continue to expand at a compound annual growth rate of 28.7% between 2020 and 2030. The simultaneous deployment in the large hemorrhagic market and the fast-growing ischemic market provides us with stable and continuous cash flow as well as room for rapid growth.

In 2021, the revenue from the ischemic and vascular access products accounted for 20.6% and 24.9% of the revenue from the Neurointerventional Business, respectively, while the revenue from the hemorrhagic products accounted for 54.2% of the revenue from the Neurointerventional Business in 2021, decreasing from 87.1% in 2020. The diversification of product portfolio not only improves our ability to resist risks, but also constantly increases the attractiveness and synergy of our product portfolio.

4. OUR CONTINUAL EFFORTS MADE IN OPTIMIZING SUPPLY CHAIN FOR LONG TERM SUCCESS.

Key achievements include:

(1) Expanding production capacity and production labor force to support business growth;

(2) Diversifying and localizing material sourcing (such as bovine pericardium) to improve the supply chain stability and security while controlling cost;

(3) Streamlining production process to improve efficiency and reduce production cost.

MANAGEMENT DISCUSSION AND ANALYSIS

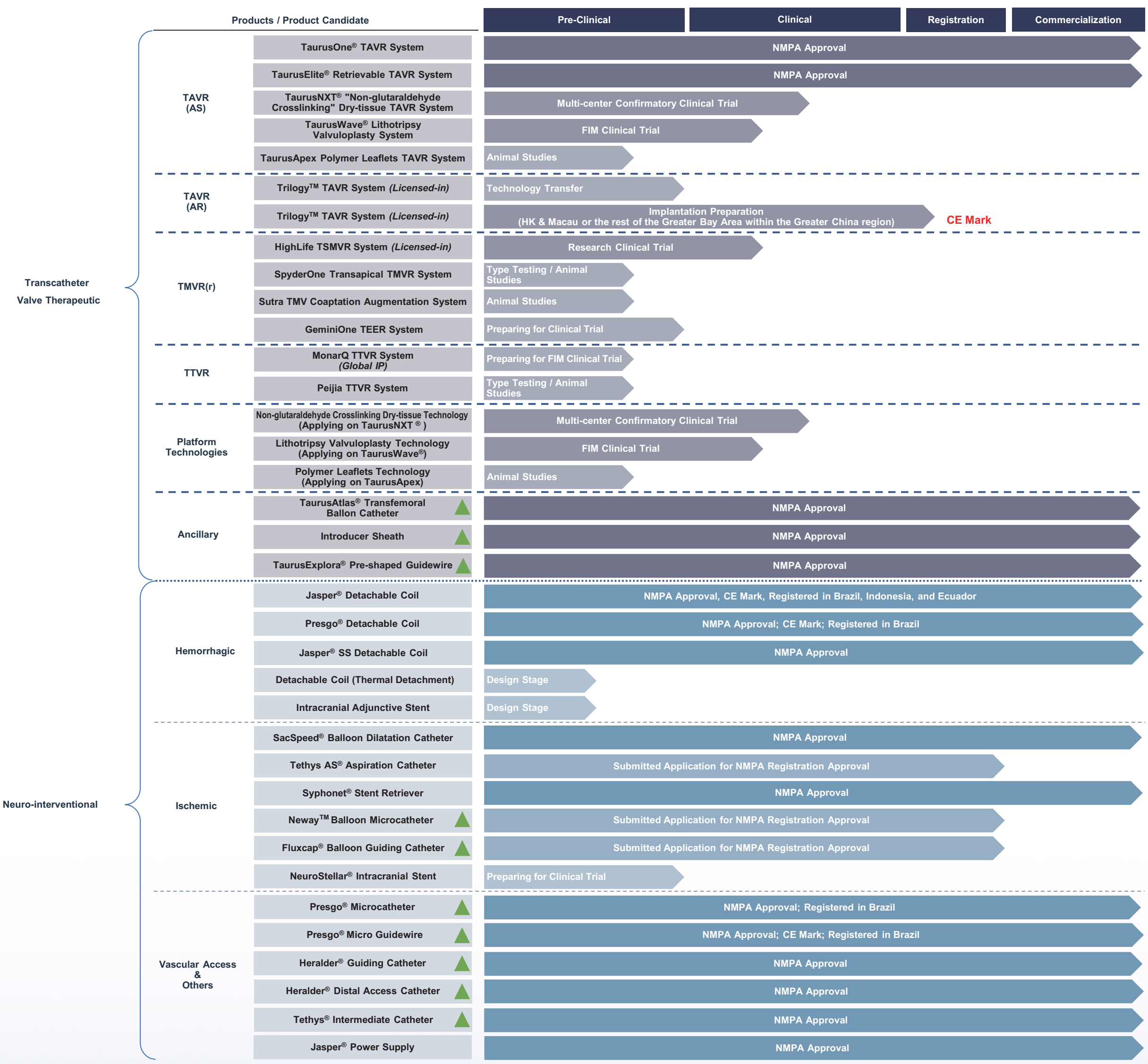
I. BUSINESS REVIEW

Overview

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

Products and Pipeline

During the year ended December 31, 2021, we obtained registration approvals from NMPA for seven products, including TaurusOne® and TaurusElite®, the first and second generations of Transcatheter Aortic Valve Replacement ("**TAVR**") devices. As of March 31, 2022, we have had 16 registered products and 16 product candidates at various development stages. The following chart summarizes the development status of our product portfolio as of March 31, 2022:



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

I. BUSINESS REVIEW (CONT'D)

Transcatheter Valve Therapeutic Products and Product Candidates

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

We have a comprehensive portfolio of commercialized and pipeline products. For the year ended December 31, 2021, our revenue generated from the sales of transcatheter valve therapeutic products amounted to RMB41.9 million, compared to nil recorded during the year ended December 31, 2020.

TAV Replacement Products and Product Candidates

TaurusOne® — First-Generation TAVR System

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

We received the NMPA approval for TaurusOne® in April 2021.

TaurusElite® — Second-Generation Retrievable TAVR System

TaurusElite® is our internally developed second-generation retrievable TAVR product. TaurusElite® has a valve design similar to that of TaurusOne®, and yet it features a key upgrade in its delivery catheter system ("**DCS**") that allows physicians to retrieve and reposition the PAV during the valve placement process if the initial release position is not ideal, further improving the safety of the TAVR procedure.

We received the NMPA approval for TaurusElite® in June 2021 and started commercialization in July 2021. For the year ended December 31, 2021, the sales from TaurusElite® comprised the majority of our sales of the Transcatheter Valve Therapeutic Business.

We have successfully achieved commercial implantation of TAVR products in 95 hospitals (equivalent to 102 centers) for the year ended December 31, 2021, benefiting from the increasing number of experienced physicians and hospitals, great user experience of our product, and our dedicated marketing and sales capabilities for TAVR products.

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

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

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

I. BUSINESS REVIEW (CONT'D)

TAV Replacement Products and Product Candidates (cont'd)

TaurusApex — Polymer Leaflets TAVR System

TaurusApex is our internally developed fourth-generation TAVR featuring the polymer leaflets instead of traditional bovine pericardium. Using multi-layer woven polymer material, TaurusApex may better mimic the features and hemodynamic performance of human's native valves. By replacing bio-materials with long-lasting and stable polymer materials, TaurusApex could further improve durability and biocompatibility of the prosthetic valve. It could also significantly simplify the product manufacturing process and reduce the production cost. The development of TaurusApex is a significant step that we take to explore innovative solutions to improve the durability of the prosthetic value. We are currently conducting animal studies on TaurusApex with promising results.

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

TaurusWave® — Lithotripsy Valvuloplasty System

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

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

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

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

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

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

I. BUSINESS REVIEW (CONT'D)

TAV Replacement Products and Product Candidates (cont'd)

Trilogy™ — Licensed-in TAVR Product for Aortic Regurgitation Indication (cont'd)

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

Besides the above products, we have also been developing a balloon-expandable TAVR product, which is currently in the type testing stage.

TMV Replacement and Repair Product Candidates

HighLife — Licensed-in TSMVR Product

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

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

The technology transfer was completed in the third quarter of 2021, and local manufacturing in China has been established. The first mitral valve replacement procedure using HighLife TSMVR device was completed by West China Hospital of Sichuan University in December 2021, which is also the first application of TSMVR technology in Asia. The product is currently in the process of research clinical trial, and we are expecting to initiate the confirmatory clinical trial in China in 2022.

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

GeminiOne — TEER System

GeminiOne is our internally developed TEER device. The product has a unique design, which enables a longer coaptation length while still maintaining smaller implant size and delivery system. Other innovations include its independent leaflet grasp that reduces the complexity of the procedure, auto-locking mechanism that avoids repeatedly lock & unlock during the procedure, as well as multi-angular detachment that copes with a wider range of anatomy. GeminiOne is designed to treat mitral valve and tricuspid valve diseases. The product is currently in the pre-clinical evaluation stage, targeting the launch of the confirmatory clinical trial in 2022.

Dr. Saibal Kar, who is one of the early advocates for TEER technique and a world-leading doctor specializing in TEER procedure, is our medical consultant for GeminiOne.

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

I. BUSINESS REVIEW (CONT'D)

TMV Replacement and Repair Product Candidates (cont'd)

Sutra — TMV Coaptation Augmentation System

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

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

Besides the collaborations with our global partners, we have also been internally developing a transapical TMV replacement product, which is currently in the animal studies stage.

TTV Replacement and Repair Product Candidates

MonarQ — Acquired TTVR Product

We entered into an IP acquisition agreement, a service agreement and a stock purchase agreement with inQB8 Medical Technologies, LLC ("**inQB8**") in May 2021, a US-based medical technology incubator, to explore innovative solutions for treating structural heart diseases. The transaction includes our acquisition of a TTVR technology, namely MonarQ, from inQB8, and for which inQB8 will continue with the device development in partnership with us. MonarQ is currently in the pre-clinical evaluation stage, and we expect to carry out FIM clinical trial in 2022.

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

Platform Technologies

We are committed to constantly explore platform technologies which can be applied to various therapies. As of March 31, 2022, we have three key patented platform technologies, namely Non-glutaraldehyde Crosslinking Dry-tissue Technology, Polymer Leaflets Technology and Lithotripsy Valvuloplasty Technology.

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

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

Neurointerventional Products and Product Candidates

We have a comprehensive portfolio of commercialized and pipeline products that target both hemorrhagic and ischemic stroke areas. For the year ended December 31, 2021, our revenue generated from the sales of neurointerventional products amounted to RMB94.6 million, representing an increase of 144.7% from approximately RMB38.7 million recorded during the year ended December 31, 2020.

I. BUSINESS REVIEW (CONT'D)

Hemorrhagic Products and Product Candidates

For the year ended December 31, 2021, we generated a total revenue of RMB51.3 million from hemorrhagic products, representing an increase of 52.3% from approximately RMB33.7 million for the year ended December 31, 2020 and accounting for 54.2% of the total revenue of the Neurointerventional Business.

Detachable Coils: we received the NMPA approval for the Jasper® SS Detachable Coil in June 2021, making it our third NMPA approved detachable coil. The detachment process for Jasper® SS Detachable Coil is the same as for Jasper® Detachable Coil, our first-generation detachable coil, whereas Jasper® SS Detachable Coil is much softer in order to address further clinical needs during the fill and finish processes of a cerebral aneurysm endovascular coiling procedure. We are also in the process of developing our third-generation detachable coil (thermal detachment).

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

Ischemic Products and Product Candidates

For the year ended December 31, 2021, we generated a total revenue of RMB19.5 million from ischemic products, representing an increase of 596.2% from approximately RMB2.8 million for the year ended December 31, 2020 and accounting for 20.6% of the total revenue of the Neurointerventional Business.

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

Tethys AS® Aspiration Catheter: our Tethys AS® Aspiration Catheter is specially designed for direct-aspiration in mechanical thrombectomy. It features a softer distal tip which allows the device to pass through the tortuous vessels easily. The 0.071-inch wide lumen increases the suction force. Meanwhile, the double layer design with outer braids and inner coils shows high compressive strength and helps maintain lumen integrity. The device improves the recanalization rate and reduces the procedure time for better clinical outcomes. We have submitted the application of Tethys AS® Aspiration Catheter for NMPA Approval as of March 31, 2022 and expect to receive the regulatory approval within 2022.

I. BUSINESS REVIEW (CONT'D)

Ischemic Products and Product Candidates (cont'd)

Fluxcap® Balloon Guiding Catheter: Fluxcap® Balloon Guiding Catheter offers a multi-faceted approach for clot retrieval by creating proximal flow arrest, reducing embolic burden during endovascular treatment of acute ischemic stroke. We have submitted the application of Fluxcap® Balloon Guiding Catheter for NMPA Approval as of March 31, 2022 and expect to receive the regulatory approval within 2022.

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

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

Neway™ Balloon Microcatheter: Neway™ Balloon Microcatheter is an innovative combination of balloon dilation catheter and microcatheter. It is used for dilating stenosis to help with intracranial blood supply in intracranial angioplasty procedure, while providing the channel for intracranial stent placement or other medical devices immediately after. The unique design can improve the safety of the procedure and significantly reduce procedure steps and time. We have submitted the application of Neway™ Balloon Microcatheter for NMPA Approval as of March 31, 2022 and expect to receive the regulatory approval within 2022.

Vascular Access Products

For the year ended December 31, 2021, we generated a total revenue of RMB23.5 million from vascular access products, representing an increase of 1,094.3% from approximately RMB2.0 million for the year ended December 31, 2020 and accounting for 24.9% of the total revenue of the Neurointerventional Business.

Tethys® Intermediate Catheter: our Tethys® Intermediate Catheter assists the delivery of diagnostic devices and/or treatment devices to the neurovascular system and peripheral vascular system, and is applicable in various procedures, including aneurysm embolization procedures, mechanical thrombectomy procedures and ICAD procedures.

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

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

Research & Development

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

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

I. BUSINESS REVIEW (CONT'D)

Research & Development (cont'd)

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

inQB8 will serve as a project incubation center in partnership with us. The arrangement constitutes a 50–50 ownership of the incubator between the Company and inQB8. Under the partnership, in the joint development of novel products and solutions in the structural heart field, we will have exclusive privileges and rights to these technologies globally. The founding team of inQB8 has multidisciplinary backgrounds in medtech and engineering. Before founding inQB8, the team founded CardiAQ Valve Technologies ("**CardiAQ**"). CardiAQ developed the world's first transcatheter TMVR system and was later acquired by Edwards Lifesciences.

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

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

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

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

As of December 31, 2021, we had an in-house R&D team of 110 employees dedicated to the research and development of our transcatheter valve therapeutic products and neurointerventional products, accounting for 16.0% of our total number of employees. As of December 31, 2021, we had a robust intellectual property portfolio, consisting of a total of 81 registered patents and 39 patents under application.

I. BUSINESS REVIEW (CONT'D)

Research & Development (cont'd)

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

Manufacturing

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

For our Neurointerventional Business, during the year ended December 31, 2021, we manufactured our Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Microcatheter, Jasper® Detachable Coil and Jasper® Power Supply in our leased properties in Shanghai. Since we obtained the Contract Manufacturing License (委託生產許可) to manufacture our Jasper® Detachable Coil in our Suzhou production facility, under the Jiangsu Pilot Marketing Authorization Holder (MAH) System (江蘇醫療器械註冊人制度試點), we relocated part of the Jasper® Detachable Coil's production to Suzhou and manufactured the product at both sites. we currently manufacture our Jasper® Detachable Coil, Heralder® Guiding Catheter, Tethys® Intermediate Catheter, SacSpeed® Ballon Dilatation Catheter, Jasper® SS Detachable Coil, Heralder® Distal Access Catheter, and Syphonet® Retriever Stent in our Suzhou facility.

For our Transcatheter Valve Therapeutic Business, we have five NMPA approved products as of March 31, 2022, including our first-and second-generation TAVR products, guidewire, introducer sheath, and balloon aortic valvuloplasty catheter, all of which are manufactured or will be manufactured in our Suzhou facility. Our Suzhou facility is also equipped with multiple production lines dedicated to TaurusNXT®, TaurusWave®, and other transcatheter valve therapeutic product candidates.

Commercialization

As of December 31, 2021, we had an expanded sales and marketing team of 157 employees, with 55 of whom dedicated to the sales and marketing of our neurointerventional products and 102 focusing on the sales and marketing of our transcatheter valve therapeutic products.

For our Transcatheter Valve Therapeutic Business, we have built an in-house sales and marketing team with professional background and experience in the innovative medical device industry. We have established an effective sales and marketing team structure that matches the innovative nature of TAVR products, comprised of

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

I. BUSINESS REVIEW (CONT'D)

Commercialization (cont'd)

- Apart from above sales and marketing personnels, we are also equiped with a group of medical department specialists, who provide patient assessment and full support to clinical needs.

Accurate product positioning and superior product performance, well-round marketing and sales support as well as high-touch sales model are three key building blocks for accelerated commercialization of our TAVR products. For the year ended December 31, 2021, we have achieved commercial implantation of TAVR products in 95 hospitals (equivalent to 102 centers) which includes 3 of the Top 4 centers and 29 of the Top 40 centers. We will strengthen our research cooperation with TOP/KA hospitals in 2022 and size up the sales team for more coverage and adoption of our TAVR products.

For our Neurointerventional Business, we have an experienced and professional sales team which has built a long-term relationship with seasoned distributors. For the year ended December 31, 2021, we had 143 distributors, covering over approximately 1,700 hospitals nationwide. We will continually build on our sales team and distributor coverage in response to our expanding ischemic product portfolio.

Impact of the COVID-19 Pandemic

The Chinese government has strengthened the epidemic prevention and control since the outbreak of Delta variant and Omicron variant successively in 2021. Despite of the social restrictions imposed, our product sales, financial condition and results of procedures were not adversely impacted. Our revenue for the year ended December 31, 2021 increased by 253.2% to RMB136.5 million from RMB38.7 million for the year ended December 31, 2020. We will continue to enhance remedial measures in line with the government's requirements in response to the ongoing situation.

Future Outlook

In the future, we will uphold our corporate vision and continue our commitment to the development and commercialization of interventional solutions for structural heart and neurovascular diseases in China and globally. The construction of our new headquarter in Suzhou covering a total area of 86,000 sq.m started in November 2021, which marks the start of the new journey of our development.

For our Transcatheter Valve Therapeutic Business, our sales and marketing team will focus on the commercialization of TaurusOne® and TaurusElite®. In addition, we will actively launch clinical trials for a number of our pre-clinical stage product candidates and facilitate the progress of those that are currently in the clinical stage. We are carrying out the technology transfer of Trilogy™ from JenaValve and in preparation of the subsequent clinical trial. We are also in preparation of the implantations of Trilogy™ in Hong Kong, Macau and the rest of the Greater Bay Area within the Greater China region.

For our Neurointerventional Business, we intend to keep the sales growth momentum through further penetration of our existing products, and commercially launch new products currently in the pipeline. In particular, we received the NMPA approval of Syphonet® Stent Retriever in February 2022 and we expect to receive NMPA approval for a number of other ischemic products this year, including Tethys AS® Aspiration Catheter, Fluxcap® Balloon Guiding Catheter and Neway™ Balloon Microcatheter. Our dedicated sales team will make efforts to commercialize these products once approved.

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

II. FINANCIAL REVIEW

For the year ended December 31, 2021, the Group recorded a revenue of RMB136.5 million, as compared to RMB38.7 million for the year ended December 31, 2020, representing an increase of 253.2% in total revenue as compared with 2020; and a net loss of RMB574.2 million, as compared to RMB2,068.7 million for the same period in 2020.

The net loss for the year ended December 31, 2021 was mainly due to the increase of research and development expenses. The Group made upfront and milestone payments in relation to four BD projects in 2021, resulting in RMB314.6 million of one-time expensing R&D payments.

The net loss for the year ended December 31, 2020 was mainly due to fair value loss of RMB1,675.5 million attributable to financial instruments and foreign exchange losses of RMB221.2 million. The fair value loss of financial instruments is a non-cash item, and there will be no such gains or losses on fair value changes upon the closing of the global offering in 2020.

Revenue

For the year ended December 31, 2021, the Group's revenue was RMB136.5 million, representing an increase of 253.2% compared to RMB38.7 million for the year ended December 31, 2020. The increase in revenue was primarily attributable to: (i) commercialization of the first generation TAVR product TaurusOne® and the second generation retrievable TAVR product TaurusElite®, of which the revenue was RMB41.9 million; (ii) increased sales revenue of detachable coils and other existing neuro-interventional products including SacSpeed® Balloon Dilatation Catheter; and (iii) commercialization of multiple new neuro-interventional products including Tethys® Intermediate Catheter and Jasper® SS Detachable Coil. The revenue from Neurointerventional Business was RMB94.6 million for the year ended December 31, 2021, representing an increase of 144.7% as compared to RMB38.7 million for the year ended December 31, 2020.

With the new additions to our ischemic and vascular access products, our revenue from the Neurointerventional Business has been further diversified. The following table sets forth the components of revenue from neuro-interventional products for the period indicated.

	Year ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Hemorrhagic	**51,293**	**54.2**	33,684	87.1
Ischemic	**19,465**	**20.6**	2,796	7.2
Vascular Access	**23,539**	**24.9**	1,971	5.1
Others	**296**	**0.3**	204	0.6
Total	**94,593**	**100.0**	38,655	100.0

II. FINANCIAL REVIEW (CONT'D)

Cost of Sales

For the year ended December 31, 2021, the Group's cost of sales was RMB40.9 million, representing a 204.3% of increase as compared to RMB13.4 million for the year ended December 31, 2020, primarily attributed to (i) new products launched from both Transcatheter Valve Therapeutic Business and Neurointerventional Business in the Reporting Period; and (ii) the increased sales volume of the existing products from the Neurointerventional Business.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 279.2% from RMB25.2 million for the year ended December 31, 2020 to RMB95.7 million for the year ended December 31, 2021, which was in line with the increase of revenue. Gross profit margin is calculated as gross profit divided by revenue and multiplying the result by 100%. The Group's gross profit margin increased to 70.1% for the year ended December 31, 2021, as compared to 65.3% for the year ended December 31, 2020, primarily attributed to the launch of new products of Transcatheter Valve Therapeutic Business and Neurointerventional Business, which have a higher margin compared with existing products.

Selling and Distribution Expenses

Selling and distribution expenses increased by 341.4% from RMB21.1 million for the year ended December 31, 2020 to RMB93.3 million for the year ended December 31, 2021. Such increase was primarily attributable to (i) the increase in market education, development of multi-sales channels, and sales promotion which was in line with the increase of sales revenue during the year of 2021; and (ii) the increase in staff costs.

Administrative Expenses

Administrative expenses decreased by 3.0% from RMB118.0 million for the year ended December 31, 2020 to RMB114.4 million for the year ended December 31, 2021. The decrease was mainly attributed to (i) the decrease in listing fee; and (ii) the decrease in the amortization of share-based compensation expenses.

Research and Development Expenses

Research and development expense increased by 331.4% from RMB103.4 million for the year ended December 31, 2020 to RMB445.9 million for the year ended December 31, 2021. Such increase was primarily attributable to (i) the one-time expensing BD payments of RMB314.6 million for TMVR and TTVR products; (ii) the increase in staff costs; and (iii) the increase in expenses in the on-going research and development projects.

For the year ended December 31, 2021, research and development expenses in Transcatheter Valve Therapeutic Business and Neurointerventional Business amounted to RMB394.2 million and RMB51.7 million, respectively. The increase in the research and development expenses of Transcatheter Valve Therapeutic Business was mainly due to the upfront and milestone payments in relation to four BD projects in 2021. This resulted in RMB314.6 million of one-time expensing R&D payments. The following table sets forth the components of research and development expenses for the year indicated.

II. FINANCIAL REVIEW (CONT'D)

Research and Development Expenses (cont'd)

	Year ended December 31,			
	2021		2020	
	RMB'000	%	RMB'000	%
Service expenses for research and development	**340,517**	**76.4**	21,325	20.6
Employee benefits expenses	**60,117**	**13.5**	49,399	47.8
Raw materials and consumables used	**33,731**	**7.6**	22,731	22.0
Depreciation and amortization	**5,253**	**1.2**	5,183	5.0
Other	**6,261**	**1.3**	4,727	4.6
Total	**445,879**	**100.0**	103,365	100.0

Other Income

Other income decreased from RMB12.4 million for the year ended December 31, 2020 to RMB9.7 million for the year ended December 31, 2021. The decrease was mainly attributable to the decrease in investment income from bank wealth management products.

Finance Income

Finance Income decreased from RMB33.6 million for the year ended December 31, 2020 to RMB24.8 million for the year ended December 31, 2021. The decrease was mainly due to lower amount of term deposits and the lower interest rate of bank deposit.

Finance Costs

Finance costs decreased from RMB23.0 million for the year ended December 31, 2020 to RMB0.2 million for the year ended December 31, 2021. For the year ended December 31, 2020, the Group recorded foreign exchange losses amounted to RMB22.9 million on preferred shares.

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As at December 31, 2021, the gearing ratio of the Group increased to 4.79% from 2.42% as at December 31, 2020.

Net Current Assets

The Group's net current asset as at December 31, 2021 was RMB2,307.7 million, as compared to RMB2,499.7 million as at December 31, 2020.

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions.

II. FINANCIAL REVIEW (CONT'D)

Liquidity and Financial Resources

As at December 31, 2021, the Group's total cash and cash equivalents amounted to approximately RMB2,296.1 million, representing an decrease of 6.6% as compared to RMB2,458.2 million as at December 31, 2020. The management is confident that the Group's financial resources is sufficient for its daily operations.

As at December 31, 2021, the current assets of the Group were RMB2,426.4 million, including cash and cash equivalents of RMB2,296.1 million, the inventories of RMB66.1 million and other current assets of RMB64.2 million.

As at December 31, 2021, the current liabilities of the Group were RMB118.7 million, including trade and other payables of RMB115.2 million and other current liabilities of RMB3.5 million.

As at December 31, 2021, the Group did not have any borrowings.

We rely on capital contributions by our shareholders as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized products. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, improving cost control and operating efficiency.

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 is 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 RMB201.3 million, which was mainly used in (i) technologies; (ii) acquisition of equipment and machinery; and (iii) construction of building.

Significant Investment

As at December 31, 2021, the Group did not have any significant investment.

Contingent Liabilities

As at December 31, 2021, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

As at December 31, 2021, the Group did not conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Charge on Assets

As at December 31, 2021, the Group did not have any pledged asset.

Foreign Exchange Exposure

The Group has transactional currency exposures. Certain of cash and cash equivalents and financial assets at fair value through profit or loss are dominated in foreign currencies and are exposed to foreign currency risk. Management of the Group monitors foreign exchange exposure and will enter into forward exchange settlement agreements with financial institutions to lock exchange rate risks should the need arise.

Future Plans for Material Investments and Capital Asset

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

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 were 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 December 31, 2021:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK$ million	Utilised amount as at December 31, 2021 HK$ million	Unutilised amount as at December 31, 2021 HK$ million	Expected timeline for unutilised amount
Development and commercialization of our Core Product and other major product candidates	65	1,682.18	183.33	1,498.85	2025
Ongoing pre-clinical studies and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our other product candidates in our pipeline	10	258.80	205.14	53.66	2025
Strengthen our research and development capabilities to enrich our product pipeline	8	207.04	39.57	167.47	2024
Expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities	10	258.80	157.97	100.83	2022
Working capital and other general corporate purposes	7	181.16	128.08	53.08	2024
Total	100	2,587.98	714.09	1,873.89	

As at December 31, 2021, net proceeds from the Global Offering not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On January 22, 2021, the Company entered into the Placing Agreement with the Morgan Stanley & Co. International plc, pursuant to which the Company appointed Morgan Stanley & Co. International plc as its placing agent to procure not less than six Placees who are Independent Third Parties to subscribe up to 33,800,000 new ordinary shares of HK$0.0001 each in the capital of the Company (the "**Placing Shares**") at the placing price of HK$29.38 per Placing Share in accordance with the terms and conditions of the Placing Agreement. The closing price for the Company's shares on January 21, 2021 (being the last trading day prior to the date of signing the Placing Agreement) was HK$29.95 per share. The net price for such shares was appropriately HK$28.74 per Placing Share and aggregate nominal value of such shares was US$3,380. The purpose of this Placing is to fund for further business expansion activities. The Placing Shares represented approximately 5.3% of the existing issued share capital of the Company as at the Placing Agreement date, and approximately 5.1% of the enlarged issued share capital of the Company immediately following the completion of the Placing.

The Placing was completed on January 29, 2021. An aggregate of 33,800,000 Placing Shares have been successfully placed to not less than six Placees. The net proceeds from the Placing were approximately HK$971.48 million. The table below sets forth the utilisation of the net proceeds from the Placing and the unused amount as at December 31, 2021:

Business objective as stated in the announcement of the Company dated January 22, 2021	Percentage to total amount %	Net proceeds HK$ million	Utilised amount as at December 31, 2021 HK$ million	Unutilised amount as at December 31, 2021 HK$ million	Expected timeline for unutilised amount
To fund potential product licensing and possible merger and acquisition opportunities in the area of mitral valve replacement and repair treatment, including a collaboration and license agreement for transeptal mitral valve replacement with HighLife SAS dated December 18, 2020 (for further details, please refer to the voluntary announcement of the Company, published on December 21, 2020)	100	971.48	610.21	361.27	Yr2025
To fund potential product licensing and possible merger and acquisition opportunities in other areas including tricuspid valve replacement and repair treatment					
To fund ongoing technology transfer, product development, and research and development, across the Group					
For other general corporate purposes					
Total	100	971.48	610.21	361.27	

As at December 31, 2021, net proceeds from the Placing not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

HUMAN RESOURCES

As of December 31, 2021, the Group had 689 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 year ended December 31, 2021 were approximately RMB171.3 million.

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

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee had reviewed together with the Company's management the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended December 31, 2021.

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of three Executive Directors, four non-executive Directors and four independent non-executive Directors.

DIRECTORS

Executive Directors

Dr. Yi ZHANG (張一) ("Dr. ZHANG"), aged 53, is the Executive Director, Chairman of the Board and Chief Executive Officer of the Company. He was appointed as a director of the Company on May 30, 2012, and re-designated as an Executive Director of the Company on January 21, 2020.

Dr. ZHANG is primarily responsible for the overall management, business, technology development, strategy and oversight of the commercial suitability and sustainability of our Group. Dr. ZHANG has served as a director at XinYue International Limited since September 2009, a company in which he holds 65% interest. Dr. ZHANG holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	August 2009 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	August 2009 to present
Peijia Suzhou	Director	January 2013 to present
	Legal Representative	November 2018 to May 2019, and March 2021 to present
Peijia Shanghai	Director	October 2012 to present
	Legal Representative	March 2021 to present
Achieva Shanghai	Director	May 2006 to present
	Legal Representative	March 2021 to present
Achieva Suzhou	Director	January 2019 to present
	Legal Representative	March 2021 to present
Jiangxi Zhisheng	Director	May 2019 to present
	Legal Representative	March 2021 to present
Peijia Medical Holding Limited	Director	April 2021 to present
Peijia Medical US Limited	Director	May 2021 to present

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Prior to joining our Group, from 1996 to 1998, Dr. ZHANG worked at Medtronic Plc, a biomedical engineering company listed on the NYSE (stock code: MDT). From 1998 to 2002, Dr. ZHANG was a senior engineer at the research & development department of Guidant Corporation (subsequently acquired by Boston Scientific Corporation, a company listed on the NYSE (stock code: BSX)), a company which designs and manufactures artificial cardiac pacemakers, stents, and cardiovascular medical products. From February 2002 to June 2006, Dr. ZHANG served as the chief executive officer of MicroPort Medical (Shanghai) Co., Ltd., the predecessor of MicroPort Scientific Corporation, which is a company listed on the Stock Exchange (stock code: 0853) that manufactures and sells coronary drug eluting stents, peripheral vascular stents, aortic balloon dilation catheters, aortic stent grafts, and other related products, primarily in China. In this capacity, Dr. ZHANG was responsible for overseeing the company's overall business and strategic expansion.

From 2006 to 2019, Dr. ZHANG was the chairman at Otsuka China, a company which is primarily engaged in the strategic investments in pharmaceuticals and consumer products businesses, spanning pharmaceuticals, and food and beverage industries. Products manufactured by investees and/or subsidiaries of Otsuka China include oral drugs, and food and beverage products.

From 2010 to 2019, Dr. ZHANG was the board chairman of Otsuka Medical Devices Co., Ltd., a company which is primarily engaged in the development and production of medical devices and treatment solutions in endoscopy, orthopedic implants, vascular intervention, and regenerative medical devices targeting drug-resistant, treatment resistant and intractable diseases. In this capacity, Dr. ZHANG was responsible for advising the company's strategic planning and investment. Medical devices produced by Otsuka Medical Devices Co., Ltd. mainly include ultrasound-based renal denervation which is used to treat resistant hypertension, and drug-coated scaffolds which are used in Percutaneous Coronary Intervention (PCI) procedures.

Dr. ZHANG received his bachelor's degree in chemical engineering, with a specialization in production process automation in July 1988, and his master's degree in chemical engineering, with a specialization in device and instrument automation in March 1991, both from Zhejiang University. Subsequently, he received his degree of doctor of philosophy in engineering science in March 1997 from the University of Toledo.

Dr. ZHANG and Mrs. Ping Ye ZHANG are spouses, and Dr. ZHANG is the brother-in-law of Ms. Hong YE.

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Mrs. Ping Ye ZHANG (張葉萍) ("Mrs. ZHANG"), aged 54, was appointed as a director of the Company on August 28, 2018, and re-designated as an Executive Director of the Company on January 21, 2020. She is primarily responsible for the overall management, business, and strategy of our Group. She has served as a director at XinYue International Limited since September 2009. Mrs. Zhang holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	November 2005 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	March 2009 to present
Peijia Suzhou	Supervisor	January 2013 to November 2018
	Director	November 2018 to present
Peijia Shanghai	Supervisor	November 2011 to December 2018
	Director	December 2018 to present
Achieva Shanghai	Director	February 2006 to present
Achieva Suzhou	Director	January 2016 to present
Jiangxi Zhisheng	Director	January 2018 to present

From June 1993 to March 2000, Mrs. Zhang served as manufacturing engineer and R&D engineer at Guidant Corporation. From March 2000 to July 2003, Mrs. Zhang served as engineering manager at Biosensors International (formerly known as Sunscope International Inc.), in which she oversaw the development of processes and designs for its Percutaneous Transluminal Coronary Angioplasty (PTCA) and stent delivery system and as project manager at Jomed Inc.

Mrs. Zhang received her bachelor's degree in polymer engineering in June 1989 from Zhejiang University. She received her degree of master of science in engineering in May 1993 from University of Akron. Subsequently, she received her degree of master of business administration in December 1996 from University of Redlands.

Dr. Yi ZHANG and Mrs. ZHANG are spouses, and Mrs. ZHANG is a sibling of Ms. Hong YE.

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Ms. Hong YE (葉紅) ("Ms. YE"), aged 50, was appointed as a director of the Company on October 23, 2012 and re-designated as an Executive Director of the Company on January 21, 2020. She is also a board secretary of the Company. She is primarily responsible for the overall management, business, and strategy of our Group and also in charge of general corporate governance and development of our Group. Ms. YE was responsible for the financial management and plant construction of our Group from its establishment until April 2019. Ms. YE holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	December 2019 to present
Marvel Finder	Director	November 2017 to present
Achieva HK	Director	December 2019 to present
Peijia Suzhou	Legal Representative	January 2013 to November 2018, and May 2019 to March 2021
	Director	January 2013 to present
Peijia Shanghai	Director	November 2011 to present
Achieva Shanghai	Supervisor	February 2008 to March 2016
	Director	December 2019 to present
Achieva Suzhou	Supervisor	January 2016 to December 2019
	Director	December 2019 to present
Jiangxi Zhisheng	Director	December 2019 to present

Ms. YE graduated from Sichuan Institute of Foreign Language (now known as Sichuan International Studies University) in 1992. She also took courses provided by the Certified General Accountants Association of Canada at British Columbia Institute of Technology prior to her joining the Group.

Ms. YE is a sibling of Mrs. Ping Ye ZHANG, and the sister-in-law of Dr. Yi ZHANG.

Non-executive Directors

Dr. Zhiyun YU (喻志雲) ("Dr. YU"), aged 43, was appointed as a director of the Company on March 22, 2016, and re-designated as a non-executive director of the Company on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. Dr. YU holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	September 2018 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	October 2018 to present
Peijia Suzhou	Director	March 2016 to present
Peijia Shanghai	Director	December 2016 to present
Achieva Shanghai	Director	October 2018 to present
Achieva Suzhou	Director	January 2019 to present
Jiangxi Zhisheng	Director	May 2019 to present

DIRECTORS (CONT'D)

Non-executive Directors (cont'd)

From October 2014 to the present, Dr. YU served at Matrix Partners China and currently is a partner, where he is responsible for targeting investment opportunities in the healthcare sector. From 2012 to 2014, Dr. YU was a vice president at the Beijing Representative Office of Fidelity Growth Partners China. From 2009 to 2012, Dr. YU was the deputy general manager at the Northeastern Office of Shenzhen Capital Group. From 2006 to 2007, Dr. YU worked as an associate at the New York Office of McKinsey & Company.

Dr. YU received his degree of bachelor of science in applied chemistry at Peking University in July 1999. He subsequently received his degree of doctor of philosophy at Columbia University in October 2004, and his degree of master of business administration from Dartmouth College in June 2009.

Mr. Jifeng GUAN (關繼峰) ("Mr. GUAN"), aged 52, who had previously served as a director of the Company between March 2016 to September 2019, was reappointed as a director of the Company on October 22, 2019, and re-designated as a non-executive director of the Company on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. In addition, Mr. GUAN holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	December 2019 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	December 2019 to present
Peijia Suzhou	Director	March 2016 to present
Peijia Shanghai	Director	December 2017 to present
Achieva Shanghai	Director	December 2019 to present
Achieva Suzhou	Director	December 2019 to present

From June 2005 to May 2010, Mr. GUAN served as the chairman and chief executive officer at Jiuzhitang Co., Ltd., a company engaged in the production of biological and Chinese medicine pharmaceutical products and is listed on the Shenzhen Stock Exchange (stock code: 000989). From July 2013 to present, Mr. GUAN had served as various senior management positions of various private equity funds that focus on medical investments. From July 2013 to present, Mr. GUAN served as an Executive Director and general manager of Beijing Tianfeng Spring Capital Ltd. From November 2017 to present, he served as an executive director and general manager of Beijing Tianfeng Dehui Investment. From March 2015 to present, Mr. GUAN has served as a director at Shanghai Ace Investment & Development Co., Ltd., a company principally engaged in the logistics management for sulfur, fertilizer, chemical products, non-ferrous metals, mineral products, and certain dangerous goods, and is listed on the Shanghai Stock Exchange (stock code: 603329). From May 2016 to present, Mr. GUAN has served as a director at Jiangsu Apon Medical Technology Co., Ltd., a company principally engaged in the research and development, production and sale of medical device products for pain management and nasal care in China, and is listed on the Shenzhen Stock Exchange (stock code: 300753).

Mr. GUAN studied in Industrial Enterprise Management at Capital University of Economics and Business in August 1991, and obtained his degree of master of business administration jointly issued by University of Northern Virginia and School of International Education Beijing Institute of Technology in November 2005. From December 2017, Mr. GUAN has also obtained his China fund practitioner qualification certificate (中國基金從業人員資格證) from the Asset Management Association of China (AMAC).

DIRECTORS (CONT'D)

Non-executive Directors (cont'd)

Mr. Fei CHEN (陳飛) ("Mr. CHEN"), aged 42, was appointed as a director of the Company on June 6, 2019, and re-designated as a non-executive director of the Company on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. In addition, Mr. CHEN holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	June 2019 to present
Marvel Finder	Director	July 2019 to present
Achieva HK	Director	July 2019 to present
Peijia Suzhou	Director	August 2019 to present
Peijia Shanghai	Director	August 2019 to present
Achieva Shanghai	Director	July 2019 to present
Achieva Suzhou	Director	August 2019 to present
Jiangxi Zhisheng	Director	August 2019 to present

Mr. CHEN has over 11 years of senior management experience in research and development, and investments in the biomedical industry. Prior to joining our Group, Mr. CHEN served as investment manager, and subsequently as senior investment manager and investment director in Lilly Asia Ventures, the biomedical venture arm of Eli Lilly and Company, a company listed on the NYSE (stock code: LLY) which develops and manufactures human pharmaceutical products from April 2009 to September 2011, and as managing partner at Lilly Asia Ventures since its spin off from Eli Lilly and Company as an independent biomedical venture capital firm in September 2011 to the present. Since January 2015, Mr. CHEN has been a director of Zhejiang Ausun Pharmaceutical Co., Ltd. (stock code: 603229), a company listed on the Shanghai Stock Exchange.

Mr. CHEN received his bachelor of science degree in biology in July 2002, and his degree of doctor of philosophy in medical molecular genetics in June 2008, both at Fudan University.

Mr. Jun YANG (楊俊) ("Mr. YANG"), aged 41, was appointed as a non-executive director of the Company on August 12, 2020. He graduated from Nanyang Technological University with a bachelor's degree in electrical engineering in July 2004. Mr. YANG obtained his master's degree in business administration from Institut Européen d' Administration des Affaires (INSEAD) in December 2007. Mr. YANG is currently serving as the managing partner of Tianjin Yuanyi Yongxuan Enterprise Management Center (Limited Partnership) and general manager of Grand Flight Investment Management Co., Ltd.. Mr. YANG has been appointed a director of Baixing Co., Ltd., a company listed on the NEEQ (stock code: 836012) on September 2018, under a 3-year-term of service. From September 2011 to May 2016, Mr. YANG served as the deputy general manager of direct investment department of Far East Horizon Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3360). From April 2009 to August 2011, Mr. YANG had served as the joint execute director at SC LOWY. From December 2007 to April 2009, Mr. YANG served as a senior associate in Deutsche Bank's Strategic Investment Group in Hong Kong.

DIRECTORS (CONT'D)

Independent Non-executive Directors

Dr. Stephen Newman OESTERLE ("Dr. OESTERLE"), aged 71, was appointed as an independent non-executive director of the Company on January 21, 2020 (effective from the Listing Date). He is responsible for supervising and providing independent advice and judgment to our Board. Dr. OESTERLE currently holds several senior management and advisory positions. Since 2015 to the present, he has served an advisor at EQT Partners, and corporate advisor at Temasek Holdings Private Limited. Since 2016 to the present, he has served as an independent non-executive director at Sigilon Therapeutics, Inc., a company that engages in developing therapies to treat chronic diseases and was listed on NASDAQ (stock code: SGTX) from November 2020. Since 2017 to the present, he has served on the board of directors at each of Baxter International Inc., a Fortune 500 company listed on NASDAQ (stock code: BAX) that engages in the healthcare business, and Alcyone Lifesciences, Inc. a company that engages in developing technologies for the treatment of central nervous system disorders. Since 2018 to 2021, he served as an independent non-executive director at GlobalLogic, a digital product engineering services company. Since January 2021 to present, Dr. OESTERLE has served as a venture partner at Cathay Capital. Since October 2020 to 2021, he served as an independent director at Montes Archimedes Acquisition Corp, a company listed on NASDAQ (stock code: MAAC). Since August 2020, he also has served on the board of directors at each of SHL Medical AG, a world-leading provider of drug delivery solutions in Switzerland, and from January 2020 — present on Paragon 28, Inc., an orthopedic company in Colorado, United States. From 2015 to 2020, Dr. OESTERLE served as a venture partner at New Enterprise Associates. From February 2018 to March 2019, Dr. OESTERLE served as a director at REVA Medical, Inc., a medical device company listed on the Australian Securities Exchange (ASX: RVA) which engages in the development of bioresorbable polymers for vascular applications. From 2002 to 2015, he served as the senior vice president for medicine and technology at Medtronic plc, a company listed on the NYSE (stock code: MDT), where he was responsible for formulating technological strategies. From 1998 to 2002, Dr. OESTERLE was an associate professor of medicine, director of invasive cardiology services at Harvard Medical School. From 1992 to 1998, he served as an associate professor of medicine, director of interventional cardiology at Stanford University's School of Medicine. From 1991 to 1992, he served as an associate professor of medicine, director of interventional cardiology at Georgetown University.

Dr. OESTERLE received his bachelor of arts degree from Harvard University, graduating summa cum laude in 1973, and his degree of doctor of medicine from Yale University in 1977. During 1977 to 1980, he was a post-doctoral fellow at Harvard Medical School — Massachusetts General Hospital. From 1981 to 1983, he was a post-doctoral fellow at Stanford University School of Medicine.

Mr. Robert Ralph PARKS ("Mr. PARKS"), aged 78, was appointed as an independent non-executive director of the Company on January 21, 2020 (effective from the Listing Date). He is responsible for supervising and providing independent advice and judgment to our Board. Mr. PARKS has extensive experience in senior management in the financial services sector. From 1981 to 1994, he was a general partner (and limited partner until 1997) of the investment banking division of Goldman Sachs & Co.. From 1997 to 2000, he was the General Partner of the Beacon Group, a boutique investment bank specializing in private equity investing and merger and acquisition advisory services, which was later acquired by JPMorgan Chase. From 2001 to 2006, Mr. PARKS was the executive chairman of the Asia Pacific region of JPMorgan Chase, and was responsible for all operations and functions in Asia Pacific region. From 2007 to 2012, he was the Asia chairman of Oaktree Capital Management, in which he was subsequently appointed as co-portfolio manager of the Asia Pacific Opportunities Fund. From 2014 to 2019, Mr. PARKS was an independent non-executive director of Ambow Education Holding Ltd., a company listed on the New York Stock Exchange (stock code: AMBO), a provider of education and training services in China.

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

From February 2010 to April 2014, Mr. PARKS had served as an independent non-executive director at Siam Commercial Bank (a company listed on the Stock Exchange of Thailand (stock code: SCB)). From June 2015 to September 2018, he served as an independent non-executive director at AAG Energy Holdings, a company listed on the Stock Exchange (stock code: 2686). From January 2017 to December 2020, he served as the chairman of Paradigm Advisors Holdings Limited. He has also served as a senior advisor to Ascendent Capital Partners, a private equity fund focused on investment in China.

Mr. PARKS received his bachelor's degree in history from Rice University in 1966, and his degree of master of business administration from Columbia University Graduate School of Business in 1970.

Mr. Wai Ming YIP (葉偉明) ("Mr. YIP"), aged 56, was appointed as an independent non-executive director of the Company on January 21, 2020 (effective from the Listing Date). He is responsible for supervising and providing independent advice and judgment to our Board. Mr. YIP has many years of experience in financial accounting, capital markets and corporate finance in Hong Kong and China. From 1987 to 1996, he worked in the audit department of Ernst & Young, and immediately prior to his departure, he served as a senior manager. From 1996 to 1998, he was the associate director at the merchant banking division of ING Bank N.V. (the former subsequently merged with ING Barings, and was acquired by Macquarie Group). From 1999 to 2001, Mr. YIP served as the chief financial officer at Tafu International Holdings Limited (now known as Lamtex Holdings Limited), a company principally engaged in securities trading and property investment, and listed on the Stock Exchange (stock code: 1041). From 2001 to 2003, Mr. YIP served as the vice president at Hi Sun Technology (China) Limited, a provider of information technology services, and listed on the Stock Exchange (stock code: 0818). From 2004 to 2009, Mr. YIP served as chief financial officer at Haier Electronics Group Co., Ltd., a provider of home appliances in China, and listed on the Stock Exchange (stock code: 1169). From 2009 to 2015, Mr. YIP served as an independent non-executive director at BBMG Corporation, a company engaged in the cement and property development business, and listed on the Stock Exchange (stock code: 2009) and Shanghai Stock Exchange (stock code: 601992). Mr. YIP also served as deputy general manager of Yuzhou Properties Company Limited, a company listed on the Stock Exchange (stock code: 1628), between February and September 2010.

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

In addition, he currently holds directorships in the following listed companies, as independent non-executive director, his responsibilities include providing independent advice, as well as reviewing and supervising the financial reporting process and internal control system of these companies:

Name of entity	Principal business	Place of listing and stock code	Position and duration of office
Ju Teng International Holdings Limited	Manufacturing of notebook computer casings	Stock Exchange (stock code: 3336)	Independent non-executive director from May 2006 to present
PAX Global Technology Limited	Development and sale of POS products and related services	Stock Exchange (stock code: 327)	Independent non-executive director from December 2010 to present
Far East Horizon Limited	Finance lease services	Stock Exchange (stock code: 3360)	Independent non-executive director from March 2011 to present
Poly Culture Group Corporation Limited	Auction of art works and management of theaters and cinemas	Stock Exchange (stock code: 3636)	Independent non-executive director from December 2013 to present
Yida China Holdings Limited	Development and management of business parks and related residential and business properties	Stock Exchange (stock code: 3639)	Independent non-executive director from June 2014 to present
Huobi Technology Holdings Limited	Power related electrical/ electronic products business and technology solution business	Stock Exchange (stock code: 1611)	Independent non-executive director from October 2018 to present

Notwithstanding Mr. YIP's engagement as an independent non-executive director of six companies listed on the Stock Exchange, Mr. YIP confirmed that he would devote sufficient time to act as our independent non-executive Director based on the following:

- Mr. YIP is neither a full time member of the above-named companies nor involved in the day-to-day operations or management of such companies. As such, he has no executive and management responsibility therein;

- Mr. YIP is primarily required to attend relevant board meetings, committee meetings and shareholders' meetings of the above-named listed companies. He has maintained a high attendance rate for board meetings, committee meetings and shareholders' meetings for such listed companies during the respective latest financial period since his appointment date;

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

- with his background and experience, Mr. YIP is fully aware of the responsibilities and expected time involvement for an independent non-executive director. He has not found difficulties in devoting to and managing his time with numerous companies and he is confident that with his experience in being responsible for several roles, he will be able to discharge his duties to our Company;

- none of the above-named listed companies that he has a directorship with has questioned or complained about his time devoted to such companies; and

- Mr. YIP's role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business, thus his engagement as our independent non-executive Director will not require his full-time participation.

Mr. YIP received his bachelor's degree in social science from University of Hong Kong in 1987. He subsequently received his bachelor of laws from University of London in 2001. Mr. YIP has been a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since 1996, a fellow of the Chartered Association of Certified Accountants (ACCA) since 1995, and a member of China Institute of Certified Public Accountants (CICPA) since 1996.

Mr. Huacheng WEI ("Mr. WEI"), aged 62, was appointed as an independent non-executive director of the Company on September 20, 2021. He graduated from Central South Institute of Mining and Metallurgy with a bachelor's degree in metallurgical machinery in 1982. Mr. Wei obtained his master's degree in business administration from Tsinghua University in 1999 and his doctoral degree in management from Huazhong University of Science and Technology in 2004. Mr. Wei has considerable experience in medical industry as he served as the Party Secretary and the chairman of Beijing Pharmaceutical Group Company Limited, the Party Secretary and the chairman of Beijing Double-Crane Pharmaceuticals Co., Ltd. (now known as CR Double-Crane Pharmaceuticals Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: SHA 600062)), the chairman of the supervisory committee of Beijing Wandong Medical Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: SHA 600055)), and the deputy general manager of China Resources Pharmaceutical Group Limited.

He has subsequently been a standing committee member of the Party Committee of Beijing Automotive Group Co., Ltd. since February 2013, and he served as the vice chairman of Beijing Automotive Group Co., Ltd. from February 2013 to April 2021. From June 2006 to June 2012, he served as the chairman of the supervisory committee of Beijing Wandong Medical Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: SHA 600055)). He has been an adjunct professor of Huazhong University of Science and Technology (華中科技大學) since 2005 and a visiting professor of Renmin University of China (中國人民大學) since 2008.

SENIOR MANAGEMENT

Yi ZHANG (張一) is the chief executive officer of our Company. Please refer to "Directors" section above for his biographical details.

Hong YE (葉紅), is the board secretary of our Company. Please refer to "Directors" section above for her biographical details.

Leo TSAI (蔡洌), aged 42, has been serving as the Chief Financial Officer of our Company since April 2019. In this capacity, Mr. Tsai is primarily responsible for overseeing the overall financial management and corporate development of our Group. Prior to joining our Group, Mr. Tsai has broad experience in managerial positions in the investment banking sector. He was a director at Huatai Financial Holdings (Hong Kong) Limited from October 2016 to January 2019, a vice president at Barclays Capital Asia Limited from December 2015 to July 2016, and a vice president at ICBC International Capital Limited from June 2013 to October 2015. He received his bachelor's degree from National Taiwan University in June 2003, and his degree of master of business administration from Cornell University's Samuel Curtis Johnson Graduate School of Management in May 2011.

Kongrong Karl PAN (潘孔榮), aged 63, is the Chief Operating Officer of our Company and has been serving as the chief operating officer of Peijia Suzhou since January 2017. Prior to joining our Group, he worked as the engineering manager at St. Jude Medical Supplies Co., Ltd. from January 1997 to September 2009, in which he was responsible for managing the development and manufacture of medical devices. From October 2009 to December 2015, Mr. Pan became the senior vice president of supply chain at Shanghai Microport Medical (Group) Co., Ltd, in which he was responsible for developing, manufacturing and marketing medical devices in China with a focus on minimally invasive interventional products for the treatment of vascular diseases and lesions. He received his bachelor's degree in aircraft design from Beijing Institute of Aeronautics and Astronautics in October 1982, and master's degree in mechanical engineering from Shanghai University of Technology (now known as Shanghai University) in March 1986. Subsequently, he received his master's degree in mechanical engineering in March 1992, and master's degree in management of technology in December 2002 from Carlson School of Management, both at the University of Minnesota.

SENIOR MANAGEMENT (CONT'D)

Jian Fong TAN (陳劍鋒), aged 47, is the Chief Technology Officer of our Company. He served as the engineering director and subsequently vice president of manufacturing at Achieva Shanghai from July 2006 to June 2012. Prior to joining our Group, Dr. Tan was the operation director at Bioridge Consulting from July 2016 to June 2019, in which he was primarily responsible for the development of medical devices. Dr. Tan had also served as assistant vice president of biomedical sciences division at Exploit Technologies Pte Ltd. (ETPL) (now known as A*ccelerate), the commercialization arm of Agency for Science, Technology and Research (A*STAR), and director of new technologies at Biosensors Interventional Technologies Pte Ltd. from February 2013 to February 2015. He received his bachelor of science degree in applied science (materials engineering) from Nanyang Technological University, Singapore in July 1999, a master's degree followed by a degree of doctor of philosophy in the molecular engineering of biological and chemical systems programme at Singapore-MIT Alliance for Research and Technology in November 2006.

Ping HU (胡平), aged 50, is the Assistant to CEO in our Company, and has been serving in this capacity since May 2020. Prior to joining our Company, Mr. Hu worked as the deputy General Manager of Otsuka (China) Investment Co., Ltd. from January 2015 to April 2020. From June 2011 to December 2014, he served as the deputy General Manager of Shanghai Pudong Xinxing Niushida Venture Capital Co., Ltd. From June 2008 to June 2011, he was the Human Resource Director of MicroPort Medical Group. From June 2003 to June 2008, he served as the Human Resource Director and a Supervisor in Shanghai Zhang jiang Hi-Tech Park Development Co., Ltd. From October 1999 to June 2003, he was a Staff Member in the Organization Department of Pudong New Area in Shanghai. Mr. Hu graduated from Jilin University of Technology with a bachelor of engineering degree in 1994 and received a master of engineering degree from Shanghai Jiaotong University in 1999.

Xin ZHANG (張昕), aged 48, served as a vice president of business development of our Company on April, 2021. Prior to joining our Company, from December 2017 to December 2020, Dr. Xin ZHANG worked as a general manager of medical device at Shenzhen Salubris Pharmaceuticals Co., Ltd. (002294). From May 2016 to November 2017, he served as a co-founder at Jarvis Medical Technology Co., Ltd. in Hangzhou. Dr. Xin ZHANG was a marketing director at Smith&Nephew Inc. in Andover, U.S. between March 2015 and May 2016. From March 2013 to December 2014, he served as marketing director at Boston Scientific Corporation (BSX) Cardiac Rhythm Management (CRM) in Shanghai. From June 2011 to March 2013, Dr. Xin ZHANG worked as a senior marketing manager at Medtronic (MDT) Spinal & Biologics in Memphis, U.S.. From August 2005 to May 2009, he served as a senior scientist at Medtronic (MDT) Cardiac Rhythm Disease Management (CRDM) in Minneapolis, U.S.. From September 1992 to June 1999, Dr. Xin ZHANG obtained his bachelor and master degree in biomedical engineering at Zhejiang University. He subsequently received his degree of doctor (PhD) of biomedical engineering at the University of Minnesota Twin Cities in May 2005, and his degree of Master of Business Administration (MBA) in Finance and Healthcare from Wharton Business School, University of Pennsylvania in May 2011.

SENIOR MANAGEMENT (CONT'D)

Dan GAO (高丹), aged 42, is vice president of finance and capital markets of our Company, and has been serving in this capacity since August 2021. Ms. Gao has extensive experience in the investment banking sector and capital markets, prior to joining our Group. From October 2017 to January 2019, Ms. Gao served as an executive director of cross-border mergers and acquisitions in the investment banking department of Citi Orient Securities Company Limited. From August 2014 to September 2017, Ms. Gao founded a boutique consumer brand that also served premier enterprise customers. From June 2011 to July 2014, Ms. Gao was a vice president and then an executive director in the investment banking department of ICBC International Holdings Limited. From May 2010 to June 2011, Ms. Gao was a senior associate in the China Investment Banking Department of Citigroup Global Markets Asia Limited. From July 2005 to October 2009, Ms. Gao worked as an analyst and then an associate in the Investment banking department of Deutsche Bank AG, Hong Kong Branch. Ms. Gao received her bachelor's degree in International Finance from Zhejiang University in June 2001. She received her master's degree in International Economics and Finance from Brandies International Business School in May 2005.

Hongpeng WANG (王鴻鵬), aged 42, is the director of Marketing of our Company and joined Peijia Suzhou in July 2019. Ms. Wang was a product manager at Cordis of Johnson & Johnson Medical (Shanghai) Co., Ltd. between September 2007 and March 2010. Ms. Wang was a product marketing manager, a senior marketing manager and an automatic external defibrillator (AED) business leader at Philips (China) Investment Co., Ltd during August 2010 to December 2018. Ms. Wang was a marketing manager of Actelion Pharmaceuticals Trading (Shanghai) Co. Ltd., a subsidiary of Actelion Pharmaceuticals Ltd., which is a Swiss-based pharmaceutical company, between December 2018 and June 2019. Ms. Wang received her degree of bachelor of medicine from Shanghai Medical College of Fudan University in June 2003. She also received the degree of executive master of business administrative from Olin Business School of Washington University in St. Louis in July 2021.

Xiaoxiao ZHUANG (莊筱筱), aged 39, is the director of Sales of our Company, and has been serving in this capacity since April 2020. In this capacity, she is in charge of the strategic management of the sales function of our Group. Prior to joining our Group, from April 2017 to March 2020, Ms. Zhuang served as regional sales manager at BSC Int'l Medical Trading (Shanghai) Co., Ltd.. From January 2015 to April 2017, she had served as district sales manager at Medtronic (Shanghai) Management Co., Ltd.. Ms. Zhuang was a district sales manager at Abbott Laboratories Trading (Shanghai) Co., Ltd. between March 2010 and January 2015. From July 2008 to March 2010, she served as a product specialist at Johnson & Johnson Medical (Shanghai) Ltd.. Ms. Zhuang received her bachelor's degree in biology from Szechuan University in July 2005. She received her master's degree in biotechnology and medicine from Shanghai Institutes for Biological Sciences in July 2008.

SENIOR MANAGEMENT (CONT'D)

Chen WANG (王晨), aged 47, is the General Manager of Achieva and has been serving as the chief executive officer of Achieva Shanghai since June 2016. Prior to such role, Ms. Wang held positions in Achieva Shanghai as sales director, intercontinental marketing director, and vice president of sales & marketing from December 2010 to May 2016. In these capacities, her responsibilities primarily included sales and marketing to both domestic and overseas markets. Prior to joining our Group, Ms. Wang held various managerial positions, including as a senior district sales manager in Johnson & Johnson Medical (Shanghai) Ltd. from July 2006 to March 2010. She received her bachelor degree in science specializing in international trade from China Textile University (now known as Donghua University) in July 1998, and her degree of master of business administration from University of California, Berkeley, in May 2005.

COMPANY SECRETARY

Ms. SUEN Pui Chun Hannah (孫佩真), was appointed as the company secretary of our Company on January 21, 2020. Ms. Suen is currently a Manager of Corporate Services of Vistra Corporate Services (HK) Limited. She has over thirteen years of experience in providing company secretarial services to numerous private and listed companies.

Ms. Suen obtained a Master of Corporate Governance from Hong Kong Metropolitan University (formerly The Open University of Hong Kong) and a Bachelor of Arts (Hons) in Translation and Interpretation from The City University of Hong Kong. She has been an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in United Kingdom since 2019.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed herein, as the date of this annual report, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT OF DIRECTORS

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

DIRECTORS

The Directors who held office during the year ended December 31, 2021 and up to the date of this annual report are:

Executive Directors:

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

Non-executive Directors:

Dr. Zhiyun YU
Mr. Jifeng GUAN
Mr. Fei CHEN
Mr. Jun YANG

Independent Non-executive Directors:

Dr. Stephen Newman OESTERLE
Mr. Robert Ralph PARKS
Mr. Wayne WU *(resigned as an independent non-executive Director on June 21, 2021)*
Mr. Wai Ming YIP
Mr. Huacheng WEI *(appointed as an independent non-executive Director on September 20, 2021)*

Note:

Mr. Wayne WU has resigned as an independent non-executive Director and ceased to be a member of the audit committee and nomination committee of the Company and the chairman of the remuneration committee of the Company with effect from June 21, 2021. The resignation of Mr. Wayne WU was due to his other personal commitments which require more of his time and dedication.

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 31 to 44 of this annual report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on May 30, 2012 as an exempted company with limited liability. The Company's ordinary shares (the "**Shares**") were listed on the Main Board of the Stock Exchange on May 15, 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company's subsidiaries were involved in research and development of medical devices.

The Company and its subsidiaries are principally engaged in the business of (i) research and development of transcatheter valve therapeutic medical devices ("**Transcatheter Valve Therapeutic Business**") and (ii) Neurointerventional Business in the PRC and other countries. Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Suzhou and Peijia Shanghai, and Neurointerventional Business is primarily operated by Achieva Group.

The activities and particulars of the Company's subsidiaries are shown under Note 35 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year ended December 31, 2021 by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Subsequent Event After The Reporting Date" under "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to operate its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations.

The Group is subject to environmental protection and occupational health and safety laws and regulations in China. The Group aims to operate our facilities in a manner that protects the environment and the health and safety of our employees and communities. The Group has implemented company-wide environmental, health and safety (EHS) policies and operating procedures relating to waste treatment, process safety management, worker health and safety requirements and emergency planning and response. To further ensure the compliance with applicable environmental protection and health and safety laws and regulations, the Group (i) has established various guidelines governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes to ensure such guidelines are strictly enforced for the disposal of laboratory materials and wastes; (ii) inspect equipment and facilities regularly to identify and eliminate safety hazards; (iii) provide regular safety awareness training to employees; (iv) keep health records for all employees and conduct health examinations before, during and after their time at the company, especially for employees engaged in work involving occupational hazards; and (v) conduct regular fire safety inspections, maintenance of fire-fighting equipment and regular emergency drills.

All of the Group's properties, plants and equipment meet the standards required for compliance with applicable environmental rules and regulations, and the Group believes it has maintained a good relationship with the communities surrounding the Group's production facilities.

To the best knowledge of the Group, during the year ended December 31, 2021, the Group has complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the Reporting Period.

Further details of the Company's environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES

As of December 31, 2021, the Group had 689 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 year ended December 31, 2021 were approximately RMB171.3 million.

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

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

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

RETIREMENT BENEFITS SCHEME

The Group has one employee who participates in the Mandatory Provident Fund in Hong Kong. The employees of the Group in the PRC are members of the state-managed pension scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the specified contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 8 to the consolidated financial statements in this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended December 31, 2021 are set out in Note 33 to the consolidated financial statements contained herein.

None of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

During the year ended December 31, 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the revenue amounts from the Group's five largest customers accounted for 36.79% (2020: 27.08%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 15.18% (2020: 7.04%) of the Group's total revenue.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

For the year ended December 31, 2021, purchases from the Group's five largest suppliers accounted for approximately 22.45% (2020: 19.65%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2021 accounted for approximately 8.53% (2020: 7.37%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended December 31, 2021, the Group did not experience any significant disputes with its customers or suppliers.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee training, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual and interim reports and results announcements.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

Risks relating to our financial position and need for additional capital

- We have incurred significant operating losses since our inception, and may continue to incur operating losses for the foreseeable future. You may lose substantially all your investments in us given the high risks involved in the medical device business.

- We had net cash outflows from our operating activities in the past and may need to obtain additional financing to fund our operations. If we are unable to obtain such financing, we may be unable to complete the development of our product candidates and the commercialization of our approved products.

Risks Relating to the Development of Our Product Candidates

- Our future growth depends substantially on the successful development of our product candidates to commercialization.

- Clinical product development involves a lengthy and expensive process with an uncertain outcome.

- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results in a timely manner or at all, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

- The initial or interim results of clinical trials may not be predictive of the final clinical trial results and may be subject to adjustments.

- We may not be able to develop new products that are competitive in the market, or in a timely manner or at all.

Risks Relating to the Commercialization of Our Products

- If physicians and hospitals are not receptive to our products, our results of operations may be negatively affected.

- Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations.

- If our distributors fail to expand or maintain their sales network, or if we fail to educate or manage our distributors effectively, our sales may decline.

- Our current revenue is generated from sales of first- and second-generation TAVR systems and neurointerventional procedural medical devices.

Risks Relating to Extensive Government Regulations

- The regulatory approval processes are lengthy, time-consuming and inherently unpredictable.

- We may not be able to maintain or renew all the permits, licenses and certificates required for our production.

- We may not be able to comply with ongoing regulatory obligations which may result in withdrawal of approvals for our products.

Risks Relating to Manufacture and Supply of Our Products

- The manufacture of our products is highly complex and subject to strict quality controls. Our business could suffer if our products and product candidates are not produced in compliance with all the applicable quality standards.

- We mainly rely on our production facilities in Suzhou and Shanghai for the manufacturing of our products and product candidates; any disruptions to the operation of our production facilities could materially adversely affect our business, financial condition and results of operations.

- We may be exposed to potential product liability claims and product recalls, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur.

Risks Relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain patent protection for our products and product candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Risks relating to our operations:

- Our business, results of operations and financial position has been, and could be further adversely affected by the outbreak of COVID-19.
- We have entered into collaborations, and may establish or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such collaborations, alliances or licensing arrangements.
- Acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- We have historically received government grants and subsidies for our research and development activities and we may not receive such grants or subsidies in the future.

Risks relating to doing business in China

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- The discontinuation of any preferential tax treatment currently available to us could adversely affect our results of operations, cash flow and prospects.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 207 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the Acts of Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2021 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2021 and details of the Shares issued during the year ended December 31, 2021 are set out in Note 22 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the year ended December 31, 2021, the Group made charitable donations of approximately RMB285,950 (2020: approximately RMB728,807).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2021 (2020: Nil).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2021 (2020: Nil).

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2021 are set out on pages 129 to 206 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2021.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Such permitted indemnity provision has been in force for the year ended December 31, 2021. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Details of the movements in the reserves of the Company during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity and Note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

During the year ended December 31, 2021, the Company did not have any distributable reserves.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2021 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 33 to the consolidated financial statements.

CONVERTIBLE BONDS

As at the date of this annual report, the Company has not issued any convertible bonds.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The initial term of their service contracts for a term of 3 years commencing from the Listing Date, which may be terminated by not less than 30 days' notice in writing served by either the executive Director or the Company. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

Each of the other non-executive Directors, has entered into a service contract with the Company. The initial term of their service contracts for a term of 3 years commencing from the Listing Date, which may be terminated by not less than 30 days' notice in writing served by either the non-executive Director or the Company. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

The Company has entered into a letter of appointment with Mr. Huacheng WEI, who was appointed as an independent non-executive Director on September 20, 2021 and continuing until the coming annual general meeting of the Company, upon which Mr. Huacheng WEI shall stand for re-election by the Shareholders as an independent non-executive Director. Subject to approval at the coming annual general meeting of the Company, Mr. Huacheng WEI shall serve as an independent non-executive Director for a term of three years commencing from the date of the coming annual general meeting of the Company. His appointment is subject to the provisions of retirement by rotation of Directors under the Articles of Association.

Each of the independent non-executive Directors, has entered into a letter of appointment with the Company. The initial term of their letters of appointment for a term of 3 years commencing from the Listing Date, which may be terminated by not less than 30 days' notice in writing served by either the independent non-executive Director or the Company. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

None of the Directors proposed has a service contract which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except as disclosed in Note 33(d) to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting nor has entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation) during or at the end of the year ended December 31, 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2021, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2021 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

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

As at December 31, 2021, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Capacity/nature of interest	Number of Shares interested (1)	Approximate percentage of the Company's issued share capital (2)
Dr. Yi ZHANG	Beneficial owner (3)	9,890,440	1.47%
	Trustee (4)	33,124,560	4.93%
	Interest of controlled corporation (5)	90,685,640	13.51%
	Interest held jointly with other persons (6)	20,379,299	3.04%
	Interest of spouse (7)	1,021,500	0.15%
Mrs. Ping Ye ZHANG	Beneficial owner	1,021,500	0.15%
	Trustee (4)	33,124,560	4.93%
	Interest held jointly with other persons (6)	111,064,939	16.54%
	Interest of spouse (7)	9,890,440	1.47%
Ms. Hong YE	Beneficial owner (8)	20,379,299	3.04%
	Interest of controlled corporation (5)	90,685,640	13.51%
	Interest held jointly with other persons (6)	44,036,500	6.56%
Mr. Fei CHEN	Interest of controlled corporation (9)	19,952,740	2.97%
Dr. Stephen Newman OESTERLE	Beneficial owner (10)	50,829	0.008%
Mr. Robert Ralph PARKS	Beneficial owner (11)	53,664	0.008%

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

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

Notes:

(1) All interests stated are long position; (P) denotes lending pool.

(2) The calculation is based on the total number of 671,334,904 ordinary shares of the Company in issue as at December 31, 2021.

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

(4) Jinnius Drive Trust, Hanlindale Trust and THE ZHANG LIVING TRUST were respectively established by Dr. ZHANG and Mrs. Ping Ye ZHANG as grantor. Both Dr. ZHANG and Mrs. Ping Ye ZHANG are trustees of Jinnius Drive Trust, Hanlindale Trust and THE ZHANG LIVING TRUST. Therefore, under the SFO, each of Dr. ZHANG and Mrs. Ping Ye ZHANG is deemed to be interested in an aggregate 33,124,560 Shares held by the three trusts, including 15,713,560 Shares held by Jinnius Drive Trust, 17,094,000 Shares held by Hanlindale Trust and 317,000 Shares held by THE ZHANG LIVING TRUST.

(5) XinYue International Limited was owned as to 65% by Dr. ZHANG and 35% by Ms. Hong YE as of December 31, 2021. Therefore, under the SFO, each of Dr. ZHANG and Ms. Hong YE is deemed to be interested in 90,685,640 Shares held by XinYue International Limited.

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

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

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

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

(10) As at December 31, 2021, a total of 50,829 Shares have been granted to Dr. Stephen Newman OESTERLE under the RSU Scheme, pursuant to his service contract with the Company. Please refer to the announcement of the Company dated October 5, 2020 for further details.

(11) As at December 31, 2021, a total of 53,664 Shares have been granted to Mr. Robert Ralph PARKS under the RSU Scheme, pursuant to his service contract with the Company. Please refer to the announcement of the Company dated October 5, 2020 for further details.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2021, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at December 31, 2021, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares interested [1]	Approximate percentage of the Company's issued share capital [2]
Jinnius Drive Trust [3]	Beneficial owner	15,713,560	2.34%
	Interest held jointly with other persons [5]	139,387,879	20.76%
Hanlindale Trust [3]	Beneficial owner	17,094,000	2.55%
	Interest held jointly with other persons [5]	138,007,439	20.56%
XinYue International Limited [4]	Beneficial owner	90,685,640	13.51%
	Interest held jointly with other persons [5]	64,415,799	9.60%
LAV Aero Limited	Beneficial owner	42,428,460	6.32%
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation [6]	42,428,460	6.32%
LAV GP IV, L.P.	Interest of controlled corporation [6]	42,428,460	6.32%
LAV Corporate IV GP, Ltd.	Interest of controlled corporation [6]	42,428,460	6.32%
Mr. Yi SHI	Interest of controlled corporation [6]	46,845,460	6.98%
HH SUM-XXIV Holdings Limited	Beneficial owner	41,698,980	6.21%
Hillhouse Capital Management, Ltd.	Investment manager [7]	41,698,980	6.21%
Hillhouse Fund IV, L.P.	Interest of controlled corporation [7]	41,698,980	6.21%
Matrix Partners China IV, L.P.	Beneficial owner	36,050,780	5.37%
Matrix China Management IV, L.P.	Interest of controlled corporation [8]	39,655,440	5.91%
Matrix China IV GP GP, Ltd.	Interest of controlled corporation [8]	39,655,440	5.91%
FIL Limited	Interest of controlled corporation [10]	61,505,000	9.16%
Pandanus Partners L.P.	Interest of controlled corporation [10]	61,505,000	9.16%
Pandanus Associates Inc.	Interest of controlled corporation [10]	61,505,000	9.16%
Brown Brothers Harriman & Co.	Agent	40,232,000	5.99%
		40,232,000(P)	5.99%(P)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (CONT'D)

Notes:

(1) All interests stated are long position; (P) denotes lending pool.

(2) The calculation is based on the total number of 671,334,904 ordinary shares of the Company in issue as at December 31, 2021.

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

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

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

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

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

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

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

(9) To the best of the Directors' knowledge, both MGR International Limited and Flexmed International (HK) Limited are wholly-owned by Ms. Jin ZHU. Therefore, under the SFO, Ms. Jin ZHU is deemed to be interested in an aggregate 36,041,380 Shares held by the two companies, including 19,641,380 Shares held by MGR International Limited and 16,400,000 Shares held by Flexmed International (HK) Limited.

(10) FIL Limited directly owns 4,000 Shares. In addition, FIL Limited through its directly or indirectly wholly-owned subsidiaries, namely FIL Investment Management (Hong Kong) Limited, FIL Investment Management (Singapore) Limited, FIL Investment Advisors, FIL Investment Services (UK) Limited and FIL Fund Management (Ireland) Limited, holds 46,912,000 Shares indirectly.

Pandanus Partners, L.P. is wholly-owned by Pandanus Associates Inc., and Pandanus Partners, L.P. also owns 37.01% equity interest in FIL Limited. Therefore, under the SFO, each of Pandanus Partners, L.P. and Pandanus Associates Inc. is interested in the 46,916,000 Shares held by FIL Limited directly and indirectly.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2021, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE INCENTIVE SCHEMES

1. Share Option Plan

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

(a) Purpose and Principal Terms

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

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

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

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

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

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

(b) Establishment of Employee Trust

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

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

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

(c) Outstanding Grants

As of December 31, 2021, outstanding options to subscribe for an aggregate of 42,968,569 Shares (as adjusted after Capitalization Issue) have been granted to a total of 168 eligible participants by the Company under the Share Option Plan.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

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

Grantee	Position/Relationship	Number of Shares under outstanding options granted (as adjusted after Capitalization Issue)	Note(s)
Directors			
Dr. Yi ZHANG	Executive Director; Chairman; Chief Executive Officer	4,657,720	1, 2, 3, 4, 5
Hong YE	Executive Director; Board Secretary	5,690,339	6, 7, 8, 16
Chief Management			
Leo TSAI	Chief Financial Officer	7,944,340	7, 9, 10
Kongrong Karl PAN	Chief Operating Officer	2,225,000	11
Jian Fong TAN	Chief Technology Officer	9,626,820	7, 12
Other Grantees			
163 other option holders including former and current employees and consultants of the Group	Not applicable	12,824,350	13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27
		42,968,569	

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes:

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

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

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

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

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

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

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

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

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

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

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

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

17. For 61 eligible participants, with vesting commencement dates falling on either the December 31 of 2019, 2020, 2021, 2022, or 2023 and in accordance with a vesting schedule for each of the eligible participants, the Shares subject to the corresponding options will be vested at annual intervals, but in any case not later than the fourth anniversary of the vesting commencement date, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, and exercisable at an exercise price of, where applicable, US$0.03 (equivalent to approximately HK$0.23), or US$0.39 (equivalent to approximately HK$3.04), respectively.

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

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

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

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

22. For one eligible participant, with vesting commencement date on December 31, 2020 and exercisable when certain product candidates obtain registration certificates and production permits, at an exercise price of US$0.39 (equivalent to approximately HK$3.03); with vesting commencement date on December 31, 2021, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.39 (equivalent to approximately HK$3.03).

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

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

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

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

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

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

Please refer to Note 25 to the consolidated financial statements for further details.

As of December 31, 2021, no other options have been granted or agreed to be granted by our Company under the Share Option Plan.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme

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

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

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

As at December 31, 2021, the trustee of the RSU Scheme has purchased an aggregate of 3,881,000 Shares (representing approximately 0.5781% of the total issued share capital of the Company) under the RSU Scheme. A total of 104,493 Shares (representing approximately 0.0156% of the total issued share capital of the Company) have been granted to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme. A total of 136,434 Shares (representing approximately 0.0203% of the total issued share capital of the Company) have been granted to an external consultant of the Group under the RSU Scheme.

Please refer to Note 23 and 25 to the consolidated financial statements for further details.

3. Share Option Scheme

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

(a) Purpose

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(b) Who may join

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

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

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

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

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

(c) Maximum number of Shares

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(d) Maximum entitlement of each participant

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

(e) Grant of options to connected persons

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

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

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

Please refer to Note 25 to the consolidated financial statements for further details.

As of December 31, 2021, a total of 7,801,386 options were granted on December 7, 2021. Please see details in below table.

Grantee	Position/ Relationship	Date of Grant	Vesting Period	Exercise Period	Exercise Price (HK$)	Grant during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As of December 31, 2021
249 Employees	Not applicable	7/12/2021	2021/1/1–2025/12/31	2021/12/7–2031/12/6	15.26	2,873,273	0	0	0	2,873,273
		7/12/2021	2021/7/1–2026/6/30	2021/12/7–2031/12/6	15.26	432,525	0	0	0	432,525
		7/12/2021	2022/1/1–2024/12/31	2021/12/7–2031/12/6	15.26	100,000	0	0	0	100,000
		7/12/2021	2022/1/1–2026/12/31	2021/12/7–2031/12/6	15.26	4,395,588	0	0	0	4,395,588
						7,801,386	0	0	0	7,801,386

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 8 to the consolidated financial statements.

For the year ended December 31, 2021, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2021.

Except as disclosed above, a total of 104,493 Shares have been granted and paid to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme, for the year ended December 31, 2021, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2021 or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2021.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On January 29, 2021, the Company allotted and issued a total of 33,800,000 new Shares by the way of Placing at the placing price of HK$29.38 per Placing Share in accordance with terms and conditions of the Placing Agreement. Please refer to the section headed "Management Discussion and Analysis — PLACING OF NEW SHARES UNDER GENERAL MANDATE" for further details.

As of December 31, 2021, the trustee of the RSU Scheme has purchased an aggregate of 3,881,000 Shares (representing approximately 0.5781% of the total issued share capital of the Company) under the RSU Scheme. Please refer to section headed "Report of Directors — SHARE INCENTIVE SCHEME — 2. RSU Scheme" and Note 23 and 25 to the consolidated financial statements for further details.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

AUDITOR

The Shares were only listed on the Stock Exchange on May 15, 2020, and there has been no change in auditors of the Company since the Listing Date. The consolidated financial statements for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor, who are proposed for reappointment at the forthcoming annual general meeting of the Company.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 73 to 89 of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

In January 2022, all terms relating to the agreements with JenaValve became effective.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after the Reporting Period and up to the date of this report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

On behalf of the Board
Peijia Medical Limited

Dr. Yi ZHANG
Chairman and executive Director

Hong Kong, March 31, 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2021.

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 CG Code, as its own code to govern its corporate governance practices.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Dr. Yi Zhang is the chairman of the Board and chief executive officer of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Dr. 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.

On June 21, 2021, Mr. Wayne Wu resigned as an independent non-executive Director, and ceased to be the member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee. On September 20, 2021, (i) Mr. Huacheng Wei was appointed as an independent non-executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee; and (ii) Mr. Robert Ralph PARKS was appointed as the chairman of Remuneration Committee.

Accordingly, during the period from June 21, 2021 to September 19, 2021, the Company did not meet the following requirements of the Listing Rules and the CG Code:

1. Rules 3.10A of the Listing Rules with regard to proportion of independent non-executive Directors on the Board;

2. Rule 3.25 of the Listing Rules, Rules with regard to the membership and composition of the Remuneration Committee; and

3. Code provision A.5.1 of the then CG Code (which has been amended as Rule 3.27A of the Listing Rules since January 1, 2022) with regard to the membership and composition of the Nomination Committee.

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 year ended December 31, 2021.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Dr. ZHANG is the chairman of the Board and chief executive officer of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Dr. ZHANG is in charge of overall management, business, strategic development and scientific 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.

In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Dr. ZHANG distinctly. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises three executive Directors (including Dr. ZHANG), four non-executive Directors and four independent non-executive Directors, and therefore has a strong independent element in its composition. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon specific enquiries, all Directors confirmed that they have complied with the Model Code during the year ended December 31, 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year ended December 31, 2021.

BOARD OF DIRECTORS

The Board currently comprises three executive Directors, four non-executive Directors and four independent non-executive Directors.

As at the date of this annual report, the composition of the Board is as followings:

Executive Directors:

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

Non-executive Directors:

Dr. Zhiyun YU
Mr. Jifeng GUAN
Mr. Fei CHEN
Mr. Jun YANG

Independent Non-executive Directors:

Dr. Stephen Newman OESTERLE
Mr. Robert Ralph PARKS
Mr. Wayne WU *(resigned as an independent non-executive Director on June 21, 2021)*
Mr. Wai Ming YIP
Mr. Huacheng WEI *(appointed as an independent non-executive Director on September 20, 2021)*

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 31 to 44 of this annual report.

Dr. ZHANG and Mrs. Ping Ye ZHANG are spouses, and Dr. ZHANG is the brother-in-law of Ms. Hong YE. Ms. Hong YE is a sibling of Mrs. Ping Ye ZHANG, and the sister-in-law of Dr. ZHANG.

Except as disclosed above, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Save from disclosed above, for the period from the Listing Date and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the four independent non-executive Directors, Mr. Wai Ming Yip has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

BOARD MEETINGS AND COMMITTEE MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to relevant Board or Board Committee for comments and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

4 Board meetings, 2 Audit Committee meeting, 1 Remuneration Committee meeting and 1 Nomination Committee were held during the year ended December 31, 2021. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

BOARD MEETINGS AND COMMITTEE MEETINGS (CONT'D)

A summary of the attendance record of the Directors at Board meetings and committee meetings during the year ended to December 31, 2021 is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the year ended December 31, 2021			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Dr. Yi ZHANG	4/4	Not Applicable	Not Applicable	1/1
Mrs. Ping Ye ZHANG	4/4	Not Applicable	Not Applicable	Not Applicable
Ms. Hong YE	4/4	Not Applicable	Not Applicable	Not Applicable
Non-executive Directors:				
Dr. Zhiyun YU	4/4	Not Applicable	1/1	Not Applicable
Mr. Jifeng GUAN	4/4	2/2	Not Applicable	Not Applicable
Mr. Fei CHEN	4/4	Not Applicable	Not Applicable	1/1
Mr. Jun YANG	4/4	Not Applicable	Not Applicable	Not Applicable
Independent Non-executive Directors:				
Dr. Stephen Newman OESTERLE	4/4	Not Applicable	1/1	1/1
Mr. Robert Ralph PARKS	4/4	2/2	1/1	Not Applicable
Mr. Wayne WU *(Note 1)*	2/4	1/2	1/1	1/1
Mr. Wai Ming YIP	4/4	2/2	Not Applicable	1/1
Mr. Huacheng WEI *(Note 2)*	1/4	0/0	0/0	0/0

Notes:

1. Mr. Wayne WU has resigned as an independent non-executive Director and a member of audit committee and nomination committee of the Company and the chairman of the remuneration committee of the Company on June 21, 2021.

2. Mr. Huacheng WEI has been appointed as an independent non-executive Director on September 20, 2021.

GENERAL MEETING

During the year ended December 31, 2021, a general meeting was held. Dr. Yi ZHANG and Ms. Hong YE attended the general meeting. Other Directors did not attended the general meeting due to personal affairs.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each independent non-executive Director of their independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their respective identity of the public companies or organizations and the time involved to the issuer, Directors have agreed to disclose, and already disclosed their commitments to the Company in a timely manner.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date.

Mr. Huacheng WEI, who was appointed as an independent non-executive Director on September 20, 2021 and continuing until the coming annual general meeting of the Company, upon which Mr. Huacheng WEI shall stand for re-election by the Shareholders as an independent non-executive Director. Subject to approval at the coming annual general meeting of the Company, Mr. Huaheng WEI shall serve as an independent non-executive Director for a term of 3 years commencing from the date of the coming annual general meeting of the Company.

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of 3 years with effect from the Listing Date.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of 3 years with effect from the Listing Date.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

APPOINTMENT AND RE-ELECTION OF DIRECTORS (CONT'D)

In accordance with the Articles of Association, all the Directors are subject to retirement by rotation and re-election at annual general meeting of the Company. Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to article 16.2 or article 16.3 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the annual general meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman of the Board and the chief executive officer of the Company.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively to safeguard in the interests of the Company and its Shareholders. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. Before entering into any significant transactions or commitments on behalf of the Company, senior management of the Group should obtain prior approval and authorization from the Board.

To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

BOARD COMMITTEES

Audit Committee

The Company has established an Audit Committee on April 28, 2020 (effective from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The written terms of reference of the Audit Committee are available on the respective website of the Stock Exchange and the Company. As at the date of this annual report, the Audit Committee consists of three independent non-executive Directors being Mr. Wai Ming YIP, Mr. Robert Ralph PARKS and Mr. Huacheng WEI, and one non-executive Director, namely Mr. Jifeng GUAN. The chairman of the Audit Committee is Mr. Wai Ming YIP. Mr. Wai Ming YIP holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

During the year ended December 31, 2021, the Audit Committee convened 2 meetings. The attendance record of the Directors at meetings of the Audit Committee is set out in the table on page 76.

During the meeting(s), the audit committee:

- reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the audit committee on the selection, appointment, resignation or dismissal of external auditor.

- reviewed the interim results of the Company and its subsidiaries for the six months ended June 30, 2021 and the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

- There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

Remuneration Committee

The Company has established a Remuneration Committee on April 28, 2020 (effective from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The written terms of reference of the Remuneration Committee are available on the respective website of the Stock Exchange and the Company. As at the date of this annual report, the Remuneration Committee consists of three independent non-executive Directors being Mr. Huacheng WEI, Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, and one non-executive Director, namely Dr. Zhiyun YU. The Remuneration Committee is chaired by Mr. Robert Ralph PARKS. Mr. Wayne Wu has resigned as an independent non-executive Director and a chairman of the Remuneration Committee on June 21, 2021.

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

BOARD COMMITTEES (CONT'D)

Remuneration Committee (cont'd)

During the year ended December 31, 2021, 1 Remuneration Committee meeting was held.

On September 20, 2021, the Remuneration Committee reviewed the background and experience of Mr. Huacheng WEI according to the Company's policy and structure for the remuneration of all the Directors and senior management of the Company to determine and made recommendation to the Board on remuneration package of Mr. Huacheng WEI act as an independent non-executive Director.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2021 are set out in Note 8 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2021 is set out below:

Remuneration bands (RMB)	Number of persons
10,000,000–20,000,000	0
1,000,000–10,000,000	8
0–1,000,000	3
Total	11

Nomination Committee

The Company has established a Nomination Committee on April 28, 2020 (effective from the Listing Date) with written terms of reference in compliance with paragraph B.3 of the CG Code. The written terms of reference of the Nomination Committee are available on the respective website of the Stock Exchange and the Company. As at the date of this annual report, the Nomination Committee consists of three independent non-executive Directors being Dr. Stephen Newman OESTERLE, Mr. Huacheng WEI and Mr. Wai Ming YIP, one executive Director being Dr. Yi Zhang and one non-executive Director bring Mr. Fei CHEN. The Nomination Committee is chaired by Dr. Yi Zhang.

The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board; developing the criteria, process and procedures for identifying and assessing the qualifications of and evaluating candidates for directorship, including standards for determining Director independence and criteria for the evaluation of Director performance; assessing the independence of independent non-executive Directors; making recommendations to our Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman of the Board and the chief executive of the Company.

During the year ended December 31, 2021, 1 Nomination Committee meeting was held.

BOARD COMMITTEES (CONT'D)

Nomination Committee (cont'd)

On September 20, 2021, according to the criteria, process and procedures adopted by the Company's Directors nomination policy, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of Mr. Huacheng WEI as an independent non-executive Director. The Nomination Committee also reviewed and discussed the Board diversity policy and discussed all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy. In this regards, the Nomination Committee reviewed the background and experience of Mr. Huacheng WEI, the time commitment required from the independent non-executive Director and fulfilled duties as required aforesaid, and made recommendations to the Board on the appointment of Mr. Huacheng WEI as an independent non-executive Director.

Board Diversity Policy

Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report.

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy (the "**Board Diversity Policy**") which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board Diversity Policy specifies that in the appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, ethnicity, language, cultural and educational background, industry and professional experience.

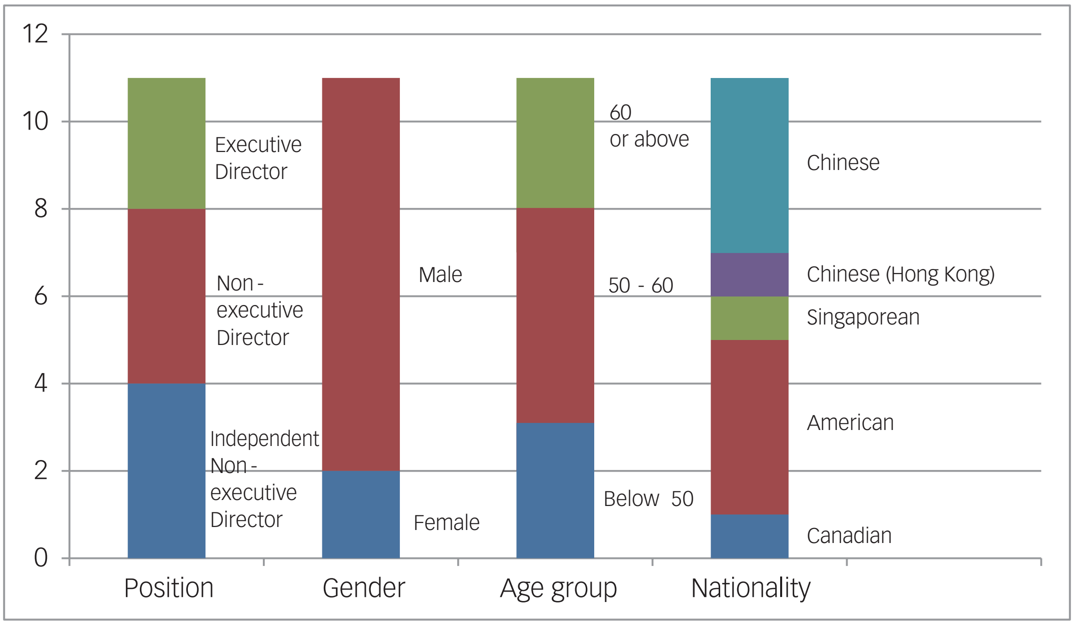
The Nomination Committee is responsible for reviewing the diversity of the Board, and it will continue to monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee reviews the implementation of the Board Diversity, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives on an annual basis.

Currently, the Board comprises eleven members, including three executive Directors, four non-executive Directors and four independent non-executive Directors. Our Directors have a balanced mix of gender knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including business administration, applied physics, biological sciences, English language and literature, and philosophy. Furthermore, the Board possesses members spanning a wide range of ages, from 41 years old to 78 years old.

BOARD COMMITTEES (CONT'D)

Board Diversity Policy (cont'd)

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 31 to 44 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation. Taking into account our existing business model and specific needs as well as the different background of our Directors, in the opinion of the Board, the current composition of the Board satisfies our Board Diversity Policy, and the Board and the Nomination Committee will assess the Board composition regularly. We will also continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels.

BOARD COMMITTEES (CONT'D)

Dividend Policy

The Company has never declared or paid regular cash dividends on its ordinary Shares. The Company currently expect to retain all future earnings for use in the operation and expansion of the business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by the Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman legal adviser, under the Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in the Prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. For details, please refer to the paragraphs headed "Risk Factors — Risks Relating to Doing Business in China — Payment of dividends is subject to restrictions under PRC law and regulations" and "Financial Information — Dividend" in the Prospectus.

Nomination Policy

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

BOARD COMMITTEES (CONT'D)

Nomination Policy (cont'd)

The Nomination Committee will recommend to the Board for the nomination, appointment of new Directors in accordance with the following procedures and process: (a) the Nomination Committee shall first review and assess factors relating to the diversity of the Board, including but not limited to professional experience, skill, knowledge and length of service, gender, age, cultural and education background, and give consideration to the candidate's willingness to devote adequate time to the Board and independence of each independent non-executive directors based on the requirements of the Listing Rules as amended from time to time; (b) the Nomination Committee shall then nominate suitable candidates to the Board based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company.

For the re-election of Directors at the general meeting, the Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors, including its attendance at Board meetings, Board committee meetings and general meetings (if applicable), and his/her level of participation and performance on the Board. The Nominating Committee shall require the nominee to submit updated biographical information and the consent to be appointed as a Director; and should review and determine whether retiring Directors still meet the criteria for Director selection. The Nominating Committee shall then make recommendations to the Board on the re-election of Directors.

The Nomination Committee shall also monitor and review the implementation of the nomination policy, as appropriate from time to time, and will report to the Board annually.

CORPORATE GOVERNANCE FUNCTION

The Board has delegated the functions set out in code provision A.2.1 of the Corporate Governance Code to the Audit Committee.

The Audit Committee would develop and review the Company's corporate governance policies and practices and make recommendations to the Board; review and monitor the training and continuous professional development of the Directors and senior management of the Group; review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; develop, review and monitor the code conduct and compliance manual (if any) applicable to employees and Directors; and the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the external auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. During the year ended and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Dr. Yi ZHANG, Mrs. Ping Ye ZHANG, Ms. Hong YE, Dr. Zhiyun YU, Mr. Jifeng GUAN, Mr. Fei CHEN, Mr. Jun YANG, Dr. Stephen Newman OESTERLE, Mr. Robert Ralph PARKS, Mr. Huacheng WEI, Mr. Wai Ming YIP and Mr. Wayne WU (during the period from January 1, 2021 to June 21, 2021), have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS (CONT'D)

Mr. Huacheng WEI, an independent non-executive Director appointed on September 20, 2021, has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of director and on-going obligations of listed companies.

The Directors are asked to submit a signed training record to the Company on an annual basis.

AUDITOR'S REMUNERATION

Details of the remuneration paid or payable to the external auditors of the Company, in respect of audit services and non-audit services for the year ended December 31, 2021 are set out in the table below:

Services rendered for the Company	Fees paid or payable RMB'000
Audit services:	3,964
Non-audit services (including tax and other advisory services):	1,001
Total	4,965

Note: The total amount of Auditor's Remuneration as disclosed in note 7 to the consolidated financial statements is RMB4,965 which comprises audit services provided by other auditors in the total amount of RMB3,964.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems, and make annual review on the effectiveness of such systems. The Audit Committee is responsible for the internal audit. Qualified management personnel of the Company will also maintain and monitor the internal control system on a going concern basis. We also engaged an internal control consultant to perform certain procedures in respect of assessing our internal control in preparation of our Listing. Upon completion of such procedures, the internal control consultant provided us with a number of assessment results and the relevant recommendations, which we have adopted in full. Currently we have a series of internal control policies, procedures and programs designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including but not limited to the following:

RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)

- The Board receives regular updates from the management team and reviews the Group's business plan, financial results, and investment strategies to ensure that business risks are identified and managed;

- The management team supervises the Group's business performance on an on-going basis via regular meetings with the respective departments and project teams to identify potential risks and develop strategies to address such risks;

- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors. The Company also works with external legal, accounting, tax, and other professional consultants at various jurisdictions to ensure that it is in compliance with relevant laws and regulations;

- We have put in place an internal audit charter that clearly states the objectives, organization, functions, responsibilities and work scope of our internal audit functions. We have established an internal audit department that is responsible for internal auditing and conducts independent review on operational activities, and reports to the senior management;

- Our Code of Conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. We also put in place anti-money laundering policies and a working group that is responsible for monitoring and supervising the implementation of the policies as well as the code of conduct.

The Board and its Audit Committee hear reporting of the management with regard to risk management and internal control on an annual basis; they also work together to review the effectiveness of the relevant systems and procedural defects. If any material defects in internal control are found, the management and the Board have to make active responses and resolve the problems arose in the most appropriate way and, at the same time, review the existing systems and procedures to seek improvement and take remedial measures.

The risk management and internal control systems seek to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, though not absolute, assurance that adequate governance and controls are in place to address business risks or financial loss.

The Company understands its obligations under the SFO and the Listing Rules, and has set up procedures and internal control measures for processing and disclosing inside information. It will make public disclosure on inside information as soon as reasonably practicable and strictly comply with the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission when handling matters involving inside information, strictly prohibiting unauthorized use of confidential or insider information.

The Board has reviewed the risk management and internal control system of the Group for the year ended December 31, 2021, which covers financial, operational, compliance procedural and risk management functions, and considers them efficient and adequate. Upon review, the Board was also of the view that there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

In compliance with Rule 3.29 of the Listing Rules, Ms. Pui Chun Hannah SUEN has undertook not less than 15 hours of relevant professional training to update her skills and knowledge during the Reporting Period. Ms. Hong YE is the board secretary of the Company, who acts as the main contact person of Ms. Pui Chun Hannah SUEN and the internal departments of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

(1) Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

(2) Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 12.3 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 12.3 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

(3) Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 8 Zhongtian Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC
Attention: Ms. Qinyi Zuo
Email: ir@peijiamedical.com
Tel: +86-0512-81877166-5065

Enquiries will be dealt with in a timely and informative manner.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company (the "**AGM**") provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board, the chairmen of the Board Committees will attend the AGM to answer Shareholders' questions. The external auditors of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.peijiamedical.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective websites of the Stock Exchange and the Company.

Save as disclosed above, there is no other change in constitutional documents of the Company during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Overview

We hereby release the 2021 Environmental, Social and Governance Report ("**ESG report**") of Peijia Medical Limited and its subsidiaries (the "**Group**"). This report comprehensively explains our efforts, performance, and management regarding all environmental, social, and governance (ESG) criteria in 2021 and focuses on items of concern to stakeholders.

Boundary and Scope

Unless otherwise stated, this report covers our two main businesses in China, which are transcatheter valve therapeutic business (hereinafter referred to as "**Peijia**") and neurointerventional procedural business (hereinafter referred to as "**Achieva**"). Key performance indicators (KPIs) in environmental aspects cover the offices and factories of the Group in Suzhou and Shanghai.

Unless otherwise stated, all performance reporting covers our fiscal year 2021(FY21), from January 1, 2021, to December 31, 2021.

Reporting Principles

This report is prepared in compliance with the "ESG Reporting Guide" in Appendix 27 of the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited ("**HKEx**") and follows the following principles:

Materiality: Key ESG issues are identified through materiality assessment and relevant information on the key issues are disclosed in the ESG report.

Quantitative: Information on the standards, methodologies, assumptions, conversion factors used to calculate KPIs are disclosed.

Balance: The report provides an unbiased picture of our ESG performance.

Consistency: The methodologies used to disclose ESG information in this report are consistent with the ones used in the 2020 ESG report.

1. OUR APPROACH TO ESG

1.1 Our ESG strategy

Peijia Medical is a leading domestic player in the interventional procedural medical device market in China. Following the corporate concept of "Dedication with Passion, Devotion for Life", we are committed to:

1. Delivering modern medical technologies and products to places where they are very in need.

2. Achieving great success in lives by synergizing as many resources as possible.

3. Using our best endeavors on promoting wellness in China.

Peijia Medical puts sustainable development at the heart of our business and incorporates ESG concepts into our business strategy to guide our daily operations. We proactively listen to key stakeholders to deliver sustainable impact and use every endeavor to create values, improve life quality and promote wellness in the communities around us.

We shall consistently perform these commitments, to become good corporate citizens and create great value for our patients, employees, customers, shareholders, and the society at large.

1.2 Our ESG management

The Group adheres to the sustainable development strategy and is committed to providing innovative medical products and services for the society. We have developed an ESG management system and integrated ESG management concepts such as product quality, employee management, community development, business ethics, and compliance operation into our daily operation.

The Board of Directors of the Group (the "**Board**") is the highest decision-making body of the ESG management of the Group. The Board is responsible for formulating the Group's ESG strategy and objectives, as well as consistently evaluating, prioritizing, and managing material ESG-related issues and risks. The Board also reviews the performance of the ESG management system and the progress of achieving ESG objectives regularly.

To effectively help carry out ESG work, the Group has set up an ESG working group involving participants from department heads to senior management. The working group is responsible for the implementation of ESG work, the compilation of annual ESG report, and regular reports of ESG matters to the Board.

1. OUR APPROACH TO ESG (CONT'D)

1.3 Stakeholder engagement

The Group fully considers the impact of its operations on stakeholders and maintains regular communication and diversified relationships with our stakeholders, including shareholders and investors, employees, governments and regulators, doctors and patients, suppliers and distributors, peers and industrial associations, communities, and media. The expectations of stakeholders provide a key reference for us to identify important ESG issues, which allows us to enhance our business model in a sustainable way, hence, to disclose relevant information.

Stakeholders	Expectations and Requirements	Communication Mechanisms
Shareholders and investors	• Corporate governance • Risk management • Continuous and stable business growth • Return of investment • Information disclosure	• General meeting of shareholders • Roadshow • Information disclosure • Investor meetings and communications • Investor relations website
Employees	• Employee rights protection • Healthy and safe workplace • Welfare and benefits • Training and development	• Regular survey feedback • Online and offline training • Employee activities and outings
Governments and regulators	• Support for the local government • Compliance with the laws and regulations • Tax payment • Product safety and efficacy	• Active participation in government's projects • Compliance management • Conferences and meetings • Registration communication • Adverse event reporting
Doctors and patients	• Privacy protection • High-quality products and services	• Company hotline and email • Conferences and meetings • Clinical trials • Training and education
Suppliers and distributors	• Compliance procurement • Win-win cooperation	• Business visits and meetings • Audit and performance evaluation
Peers and industrial associations	• Fair competition • Contribution to industrial development	• Industrial conferences • Industrial associations
Communities	• Community development • Charitable projects	• Official website • Community activities
Media	• Quality products and services • Business impact on society	• Press release and information disclosure • Interviews

1. OUR APPROACH TO ESG (CONT'D)

1.4 Materiality Assessment

In response to the requirements set out in the ESG Reporting Guide and to further clarify the expectations of internal and external stakeholders towards ESG management issues for the Group, we have conducted the materiality assessment through the following steps:

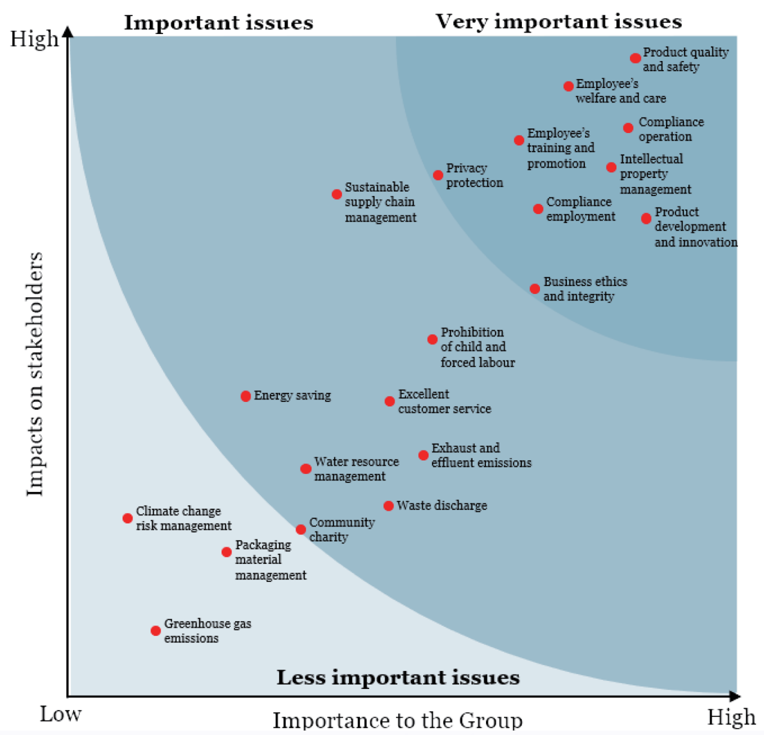
Step 1: Identification: In accordance with the requirements of the ESG Reporting Guide and taking our business model and industrial trends into consideration, we have identified 20 ESG issues for assessment, which have been recognized to significantly impact our stakeholders.

Step 2: Assessment: Through the online survey questionnaire and face-to-face interviews, we invited stakeholders to assess the "Importance to the Group" and "Impacts on stakeholders" of each ESG issue and formulated the Materiality Assessment Matrix.

Step 3: Results: We ranked the importance of ESG issues according to the results of the Materiality Assessment Matrix which was reviewed by the ESG working group.

From the assessment, we have identified what matters most to our business and stakeholders. In FY21, our management have reassessed the results of materiality issues and decided to follow the result in FY20. The materiality assessment identified the following ESG issues as priorities for the Group:

Materiality Assessment Matrix



1. OUR APPROACH TO ESG (CONT'D)

1.5 Board Statement

As stated above, the Board is the highest decision-making body of the ESG management of the Group, fully implementing the ESG governance, reviewing the implementation of ESG objectives and the effectiveness of ESG risk management and internal control systems. Specific information on governance structure can be found in the "Our ESG Management" section.

The material ESG issues have been identified through stakeholder engagement and materiality assessment process, as detailed in the "Stakeholder Engagement" and "Materiality Assessment" sections in the report.

The Board actively supervises the management of the Group's material ESG issues and periodically reviews on the progress of ESG work and the ESG reports.

2. COMMITMENT TO PATIENTS

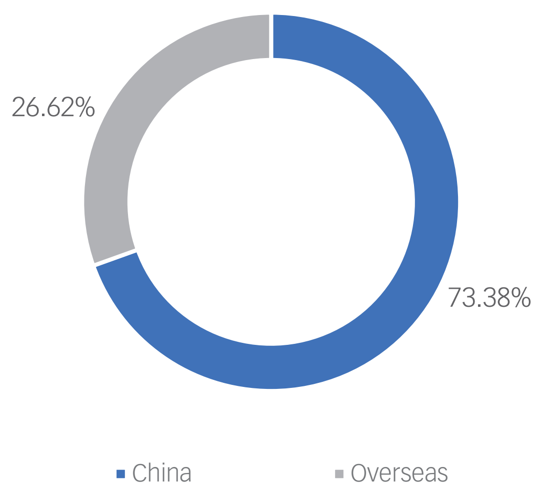
The quality and safety of our products and services are critical to the patients. By providing safe and effective products, and collaborating with trusted suppliers, we uphold our core competency and maintain trust with our patients and partners.

2.1 Supplier management

Delivering high-quality products to patients is only possible through collaboration with trustworthy suppliers. As at December 31, 2021, we have 139 suppliers in total, and most of them are located in China. Specific data is detailed in the following charts:

Number of suppliers by geographical region	Unit	FY21
China	Number	102
Overseas	Number	37

Supply base by region in FY21



We strictly abide by the *Law of the People's Republic of China on Tenders and Bids (《中華人民共和國招投標法》)*, and other laws and regulations. We uphold responsible practices in our supply chain through strong policies, supplier due diligence, and performance evaluation process. These policies include *the Procurement Control Procedures (《採購控制程序》)*, *the Supplier Performance Evaluation Procedure (《供應商績效評估程序》)*, and *the Supplier Development and Management Control Procedures (《供應商開發及管理控制程序》)*.

2. COMMITMENT TO PATIENTS (CONT'D)

2.1 Supplier management (cont'd)

We classify suppliers into 3 categories marked as level A, B, and C, according to the risk level of the products or services provided. When procuring products and services, preliminarily screening was conducted through National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). Through on-site audit or remote audit and other methods, we review suppliers with criteria including business qualification, quality management, registration documents, production environment, production process, etc. Suppliers that pass the review will be added to the Approved Supplier List.

We conduct a comprehensive assessment for suppliers under the Approved Supplier List annually. We are inclined to sign procurement contracts with suppliers having higher scores. Supplier assessment scores will be divided into five categories. Those who failed the assessment are required to take measures to make rectifications and get re-evaluated within a specified period. We will terminate the cooperation relationship with the suppliers who fail the re-evaluation and those who cannot meet our minimum score.

Our supply chain management not only focuses on the quality of products and services provided by our suppliers, but also considers environmental and social responsibility factors. We expect our suppliers to comply with the laws, regulations and standards related to the medical devices industry, and motive them to abide by the ones related to environmental protection, work safety, labor management, etc. When selecting suppliers, we prioritize choosing those who are more sustainable to encourage them to use environmentally friendly materials and packaging.

We maintain interaction with suppliers through the hotline, business negotiations, on-site communication, and supplier conferences.

2.2 Product responsibility

2.1.1 Compliance to quality

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

Our Quality Guidelines is part of our Quality Management System reflecting the pursuit of excellence in product quality and service, which are:

- **Efficient Compliance:** We will ensure that our products and services satisfy our partners and stakeholders through efficient and compliant processes.

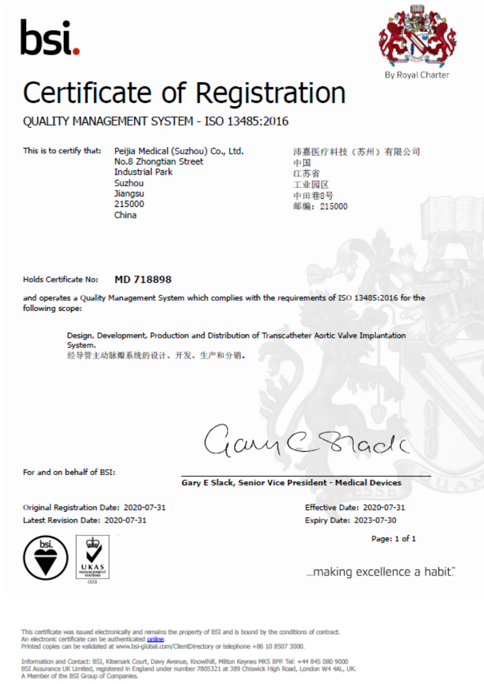
- **Continuous Improvement:** We will make sustained efforts to innovate our management approach and enhance our quality management through an innovative and integrated system.

- **Pursuit of Excellence:** We will continually improve our quality management system and improve the quality of our products and services to make sure our product and service are always at levels of excellence.

2. COMMITMENT TO PATIENTS (CONT'D)

2.2 Product responsibility (cont'd)

2.1.1 Compliance to quality (cont'd)


bsi.

By Royal Charter

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 13485:2016

This is to certify that: Peijia Medical (Suzhou) Co., Ltd.
No.8 Zhongtian Street
Industrial Park
Suzhou
Jiangsu
215000
China

沛嘉医疗科技（苏州）有限公司
中国
江苏省
工业园区
中田巷8号
邮编：215000

Holds Certificate No: **MD 718898**

and operates a Quality Management System which complies with the requirements of ISO 13485:2016 for the following scope:

Design, Development, Production and Distribution of Transcatheter Aortic Valve Implantation System.
经导管主动脉瓣系统的设计、开发、生产和分销。

For and on behalf of BSI:

Gary E Slack, Senior Vice President - Medical Devices

Original Registration Date: 2020-07-31
Latest Revision Date: 2020-07-31

Effective Date: 2020-07-31
Expiry Date: 2023-07-30

Page: 1 of 1

UKAS MANAGEMENT SYSTEMS 003

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BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.
A Member of the BSI Group of Companies.

ISO 13485 certificate

To implement ISO 13485:2016 Medical devices - Quality management systems, and the regulations and requirements of National Medical Products Administration ("國家藥品監督管理局", "**NMPA**"), and to strengthen our operation under the quality management system, we have established a hierarchical quality management system built on 4 documents which contains:

- Level 1: *The Quality Manual《質量手冊》*
- Level 2: Procedure document
- Level 3: Quality control documents
- Level 4: Forms and records

2. COMMITMENT TO PATIENTS (CONT'D)

2.2 Product responsibility (cont'd)

2.1.1 Compliance to quality (cont'd)

Quality control targets will be reviewed and renewed every year to ensure we always meet customer demands and regulation requirements. We have also established a dedicated team responsible for quality assurance. Regular internal audits are conducted to ensure that the quality management system complies with relevant laws, regulations and customer requirements so that the system is effectively implemented and maintained.

All of our employees are accountable for product quality:

- ➢ The Management Representative is appointed under the leadership of the Chief Operating Officer (COO), ensuring that the procedures required by the management system are established, implemented, and maintained.
- ➢ Our various departments including Quality Department, R&D Department, Procurement Department, Clinical Department, Marketing Department, Sales Department, and Human Resources Department, etc. are the implementation branches of our quality principles and targets and serve important roles in the quality management system life cycle.
- ➢ Employees are educated with relevant regulatory requirements, quality principles, and objectives through regular communication and training.

Case study: Organizing regulations lessons
On July 20, 2021, we organized employees to attend an online training conducted by the National Medical Products Administration so that they could learn the new version of the *Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)*, and about 50 employees participated in the on-site training.

Through the professional training, the employees gained a more thorough understanding of the updated version of the regulations.

2. COMMITMENT TO PATIENTS (CONT'D)

2.2 Product responsibility (cont'd)

2.1.2 Quality control throughout the lifecycle

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

- Design and development phase
  To meet the requirements of applicable laws and regulations on the product design and development process, we have established an internal control protocol for the design and development of new medical devices, concerning the risk management standards under ISO 14971:2007. We formulated the *Design & Development Control Procedure (《設計和開發控制程序》)* to standardize and monitor several product designs and development stages including design input, design output, design review, design validation, and design change.

- Procurement phase
  According to the relevant procurement procedures, our procurement staff and Supplier Quality Engineers (SQE) work together to conduct meticulous due diligence such as document audit, sample approval, on-site audit on our suppliers. We will sign quality agreements with suppliers to ensure complex production process and high safety risks are properly controlled so that our quality management stays intact.

  We conduct sample inspection on each batch of raw materials to make sure there are no quality or safety issues. The raw material label tracking system implemented also helps us guarantee the traceability of raw materials.

- Manufacturing phase
  We implement *Production and Service Delivery Control Procedures (《生產和服務提供控制程序》)* to regulate production and service standard processes. Under the requirements of the *Marking and Traceability Control Procedures (《標識和可追溯性控制程序》)*, we maintain records of each batch of products, marking the production combs and combs approved for sale, and validating and approving the records.

  We have established the Nonconformance Control Procedure *(《不合格品控制程序》)*, which manages all non-conforming events that occurs, stipulates the process and requirements for processing, and ensures that all non-conforming events in the whole product lifecycle from raw material purchase, production process to product delivery and use can be effectively identified and managed. The quality control inspectors are used to inspect our products in accordance with our *Product Inspection Manual*, including testing the capability and measurement of our products, verifying the product labels and manuals as well as confirming that the products are properly packaged and sterilized. The inspection results will be documented, and the non-conforming products will be disposed or destroyed.

2. COMMITMENT TO PATIENTS (CONT'D)

2.2 Product responsibility (cont'd)

2.1.2 Quality control throughout the lifecycle (cont'd)

- Manufacturing phase (cont'd)

  We have also established the *Monitoring and Measuring Device Control Procedure (《監視和測量裝置控制程序》)*, which specifies the requirements for the calibration of monitoring and measuring devices. Our Peijia Suzhou Testing Center is certified by China National Accreditation Service for Conformity Assessment in accordance with ISO/IEC 17025:2017 General Requirements for the Competence of Testing and Calibration Laboratories.

Peijia Suzhou Testing Center

ilac-MRA CNAS

China National Accreditation Service for Conformity Assessment

LABORATORY ACCREDITATION CERTIFICATE

(Registration No. CNAS L13482)

Peijia Medical (Suzhou) Co., Ltd. Testing Center

(Legal Entity: Peijia Medical (Suzhou) Co., Ltd.)

3/F., No.8, Zhongtianxiang, Suzhou Industrial Park, Suzhou, Jiangsu, China

is accredited in accordance with ISO/IEC 17025: 2017 General Requirements for the Competence of Testing and Calibration Laboratories(CNAS-CL01 Accreditation Criteria for the Competence of Testing and Calibration Laboratories) for the competence to undertake the service described in the schedule attached to this certificate.

The scope of accreditation is detailed in the attached schedule bearing the same registration number as above. The schedule forms an integral part of this certificate.

Effective Date：2020-08-26

Expiry Date：2026-08-25

Signed on behalf of China National Accreditation Service for Conformity Assessment

China National Accreditation Service for Conformity Assessment (CNAS) is authorized by Certification and Accreditation Administration of the People's Republic of China (CNCA) to operate the national accreditation schemes for conformity assessment. CNAS is a signatory of the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement (ILAC MRA) and the Asia Pacific Accreditation Cooperation Mutual Recognition Arrangement (APAC MRA).

The validity of the certificate can be checked on CNAS website at http://www.cnas.org.cn/english/findanaccreditedbody/index.shtml.

ISO/IEC 17025 certificate

- Clinical trials

  Our clinical trials are a vital step in establishing the safety and effectiveness of products. We are committed to following all regulations such as the *Standard for Quality Management of Medical Device Clinical Trials (《醫療器械臨床試驗質量管理規範》)* and ethical standards when conducting clinical research. We carry out our research strictly under the *Clinical Evaluation Procedures for Medical Devices (《醫療器械臨床評估程序》)* to ensure the safety of the clinical trial processes. All of our clinical results and practices meet GCP and ICH-GCP standards.

2. COMMITMENT TO PATIENTS (CONT'D)

2.2 Product responsibility (cont'd)

2.1.2 Quality control throughout the lifecycle (cont'd)

- Clinical trials (cont'd)

  We only select hospitals approved as clinical trial centers by NMPA to conduct clinical trials. We will enter into a new agreement with selected hospitals, setting out the purpose, timeline, structure, procedures, methods, and risks of clinical trials. We constantly meet with physicians to discuss the clinical trial's details and provide them with technical trainings so they can complete the procedure successfully. Following the approval of clinical trial protocol by the selected institution's ethics committee, we will conduct the feasibility trials and the confirmatory trials for our products before commercialization. Before the trial starts, each participant needs to sign the *Informed Consent Form (《知情同意書》)* and be fully informed with the background of the trial and how the products work. Participants have the right to choose whether to participate or withdraw. They will be informed of their rights prior to the clinical trial which are retained in the *Informed Consent Form (《知情同意書》)*. Participants will also have the right to use our products for free and to be compensated by us in the case of any health damage due to the trial.

  In the process of clinical trials, we implemented procedures like *Reporting Process of Severe Adverse Events (《嚴重不良事件上報流程》)* as we keep a constant monitoring in case of adverse reactions or quality problems of the medical device. We also follow up the trials timely and make adjustments needed in case of adverse events to ensure the safety of trial participants.

- Post-market surveillance

  Once we launch our products on the market, we monitor in-market use and performance and measure and improve safety to inform future designs. Through our *Feedback Control Procedures (《反饋控制程序》)* and the *Post-Marketing Surveillance Control Procedures (《上市後監督控制程序》)*, we monitor the information requested by customers to ensure the effectiveness of the management system.

2. COMMITMENT TO PATIENTS (CONT'D)

2.2 Product responsibility (cont'd)

2.1.2 Quality control throughout the lifecycle (cont'd)

- Post-market surveillance (cont'd)

  We abide by the *Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers* (《中華人民共和國消費者權益保護法》) and established *Complaint Handling Control Procedure* (《投訴處理控制程序》). According to the procedural requirements, the Quality Department works together with the relevant departments to collect, review, and evaluate customer complaints, analyze the causes, and take relevant corrective actions. In FY21, we did not receive any complaints.

  Our adverse event monitoring team makes public its contact information on its official website, mobile app, and other platforms to receive adverse reaction reports. The Quality Department is responsible for registering with the Medical Device Adverse Event Monitoring And Information System (國家醫療器械不良事件監測信息系統), and actively collecting and timely reporting adverse events to the monitoring agency in accordance with the prescribed time limit. If an adverse event occurs, we will handle it by the requirements of our *Product Adverse Event Monitoring and Control Procedures* (《產品不良事件監測控制程序》) and submit a governmental non-volume event report following the requirements of the *Measures for the Management of the Monitoring and Reevaluation of Medical Device Adverse Events* (《醫療器械不良事件監測和再評價管理辦法》) and other laws and regulations. Meanwhile, we will also carry out safety research of the medical devices, conduct risk analysis and assessment, and take measures such as suspending production and sales of related products and recalling products to minimize product health risks. The Document Control Center is responsible for the preservation of monitoring records of adverse events of relevant medical devices. And the Human Resources Department will incorporate relevant training on the monitoring of adverse events of medical devices into the annual training plan, which will be reviewed and implemented by our adverse event monitoring team.

Case study: Workshop on innovative adverse event monitoring

In October 2021, our employee representatives attended the 2021 Adverse Event Monitoring Seminar for Innovative Medical Device Registrants in Jiangsu Province and exchanged ideas with representatives from other companies on "post-marketing monitoring programs and implementation of innovative medical device registrants" and discussed the "actual needs and technical difficulties of active adverse event monitoring" based on the specific situation of each enterprise.

2. COMMITMENT TO PATIENTS (CONT'D)

2.2 Product responsibility (cont'd)

2.1.2 Quality control throughout the lifecycle (cont'd)

- Post-market surveillance (cont'd)

  If a product recall is required under China's medical device regulations, we follow the requirements of the *Advisory Notice and Recall Control Procedures* (*《忠告性通知和召回控制程序》*) to formulate a detailed recall plan and complete the recall process within a limited time period. Subsequently, we will take measures to replace or destroy the recalled products and report the recall to the regulatory authorities. In FY21, we were not involved in any product recall cases caused by safety and health reasons.

2.1.3 Distributor Management

According to the *Distributor Management Procedures* (*《經銷商管理規程》*), we select our distributors based on their experience in the medical device industry and their working relationship with hospitals. Furthermore, they must hold the necessary business licenses and permits to sell medical devices in the region where they conduct business activities. Before we take on new distributors, we review their qualification documents to ensure that they have the appropriate license and background. In FY21, we have carried out 8 online training sessions for distributors to help them better understand our products and serve our customers.

3. COMMITMENT TO EMPLOYEES

Technological innovation is the core competitiveness, and high-tech professionals are essential to our sustainable development. We are committed to listening to our employees' voice, providing them with good care and competitive compensation, and ensuring them unparalleled development opportunities so that they can fulfill their full potential.

3.1 Recruiting talents

We strictly comply with the *Labor Law of the People's Republic of China* (*《中華人民共和國勞動法》*), the *Labor Contract Law of the People's Republic of China* (*《中華人民共和國勞動合同法》*) and other related laws and regulations in the place where we operate. Meanwhile, we have formulated the *Employee Handbook* (*《員工手冊》*) to standardize employment and dismissal management, compensation and benefits, performance appraisal system, rewards and punishment, training and development, etc.

We forbid any forms of child and forced labor and are committed to dealing with any related incident according to the laws and regulations. We will carry out background investigation and authentication under the consent of candidates. In FY21, we did not find any cases of child and forced labor.

In terms of diversity and inclusion within the Group, we treat every employee in a fair and equal manner and guarantee that each of them has equal opportunities and rights in recruitment, promotion, training, etc. We prohibit any forms of discrimination, stereotypes towards the vulnerable, and unfair treatment in the workplace due to nationality, race, gender, age, religion, disability, marital status, education, etc.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.1 Recruiting talents (cont'd)

To attract talented human resources, we have built a well-rounded recruitment system. We recruit employees through various channels, including talent market, online platforms, on-campus job fair, internal referral, etc. We evaluate candidates' educational background, skill sets, and work experience to select people best meet our business needs. As at December 31, 2021, we have 689 employees in total.

The workforce at the year-end	Unit	FY21
Total workforce	**Number**	**689**
Total workforce by employment type:		
Regular employees	Number	**629**
Contractors	Number	**60**
Total workforce by gender:		
Male	Number	**266**
Female	Number	**423**
Total workforce by age group:		
<30 years old	Number	**242**
30–50 years old	Number	**442**
>50 years old	Number	**5**
Total workforce by geographical region:		
Shanghai, China	Number	**116**
Suzhou, China	Number	**468**
Others	Number	**105**

Employee Turnover	Unit	FY21[2]
Employee turnover by gender:		
Male	%	**18.54**
Female	%	**22.63**
Employee turnover by geographical region:		
Shanghai, China	%	**14.50**
Suzhou, China	%	**24.26**
Others	%	**13.93**
Employee turnover by age group:		
<30 years old	%	**21.21**
30–50 years old	%	**21.21**
>50 years old	%	**0**

Notes:

1 Formula of turnover rate: turnover rate of the category = number of dismission of the category/ (total employees in the year-end of the category + number of dismission of the category) * 100%.

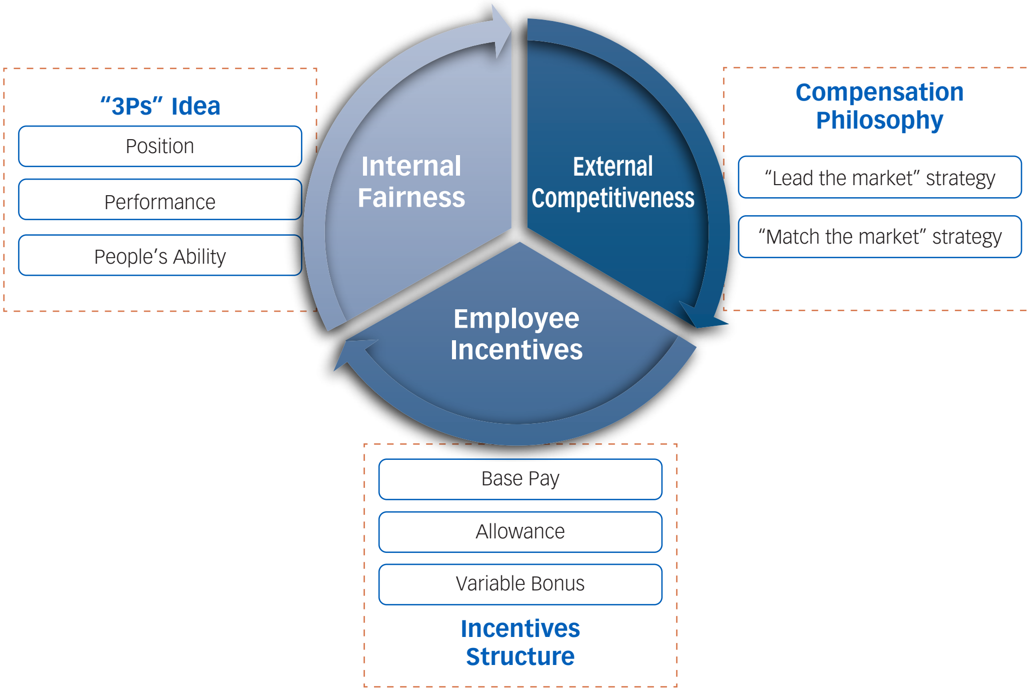
2 The turnover rate is for regular employees of the Company only.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.2 Compensation and benefits

We provide our employees with competitive compensations and benefits. The compensation and benefits system and related regulations are enunciated in the *Employee Handbook (《員工手冊》)*, detailing working hours and entitled vacations of our employees.

On top of offering a scientifically sound and rational compensation system, we leverage three compensation principles: internal fairness, external competitiveness, and employee incentives.



Peijia Medical's Compensation and Incentive System

In terms of benefits, we comply with laws and regulations such as *Social Insurance Law of the people's Republic of China (《中華人民共和國社會保險法》)*, *Regulations on paid annual leave of employees (《職工帶薪年休假條例》)*, *Regulations on Labor Protection of Female Workers (《女職工勞動保護規定》)*, etc. We cover all legally mandatory social insurances including endowment insurance, medical insurance, maternity insurance, employment injury insurance, unemployment insurance, and housing provident fund. Furthermore, we also cover part of supplementary commercial insurance expense for our employees. Additionally, we offer a wide variety of welfare including holiday, wedding, and birthday presents and gift cash, consolation funds for illness, annual health checks, team-buildings, birthday-celebration parties, etc.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.2 Compensation and benefits (cont'd)

We implement a legal-standard working hour system: every employee works 8 hours per weekday. In addition, if any employee works outside the regulated working hours, he or she can complete an Overtime Application Form to be reviewed by the responsible department leaders and countersigned by the human resources department. Employees who work overtime will get allowances based on legal standards.

Employees are entitled to not only legal holidays but also a series of vacations, such as annual leave, personal leave, sick leave, marriage leave, maternity leave, bereavement leave, and work-related injury leave, etc.

3.3 Development and training

Through Management, Professional and Operational development path, we encourage and guide our employees to select the right channel for their development. Employees can capitalize on their strengths in different fields and to fulfill their career development goals.

To retain key employees, we have set up a sound promotion scheme for three types of employees as categorized by the Group, i.e., management, professionals, and technical staff. We have established a personalized internal career path for each category, combined with performance enhancements such as talent review and diversified training programs, thus our people are exposed to a working environment with equal chance and positive competition, enabling them to achieve their career ambitions.

To evaluate professional performance and take effective measures accordingly, we have established a performance appraisal system. We appraise employees in various dimensions regarding their comprehensive qualities, such as work performance, capabilities, attitude, and peer opinions. We have regular performance evaluation and flexible evaluation adjusted based on practical needs such as business targets, task requirements, and performance management. The evaluation results will determine arrangements such as promotion, pay adjustment, and dismissal. Thanks to this system, our employees are encouraged to improve their work performance and abilities in a timely and active manner.

Peijia Medical's Performance Appraisal Procedures

To increase our staff retention rate and reduce the turnover rate, we regularly conduct appropriate employee reviews, from dimensions of "Performance and Capability", to understand where they are at, identify employees with high potential in the Group, and establish a targeted talent development system. The results from this employee review offer a solid foundation for scientific decision-making when it comes to employee selection, recruitment, cultivation, and retention.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.3 Development and training (cont'd)

It is stipulated in the *Employee Handbook (《員工手冊》)* that we regard employee training and development as crucial because it drives and strengthens our organizational improvement and development. Hence, we built a learning platform taking into account both *Employee Training Control Procedure (《員工培訓控制程序》)* and company developmental needs. This platform provides diversified learning materials through various channels to allow employees to enhance capability consistently and boost performance progressively. Our training platform can also be customized. This function is designed to provide higher-level learning and development opportunities to high performers with high potential. In FY21, we conducted 64 training sessions and 154 hours of training in total; more information is demonstrated below:

Training status	Unit	FY21
Proportion of employees participated in training by employee category:		
Senior management	%	5
Middle-level management	%	21
Other Staff	%	74
Proportion of employees participated in training by gender:		
Male	%	38
Female	%	62
Average training hours by employee category:		
Senior management	Hour	55.06
Middle-level management	Hour	57.64
Other Staff	Hour	19.47
Average training hours by gender:		
Male	Hour	29.58
Female	Hour	22.12

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.3 Development and training (cont'd)

We have an in-depth and comprehensive training and developing system. At the end of each year, we collect employees' feedback on training experience over the past year, based on which the training scheme will be adjusted for the following year. The training programs consist of five types, which are induction training, management capability enhancement training, staff capability enhancement training, function-based training, with group activities being a fun section. Details of the types are listed below:

- **Induction training:** the HR department organizes orientations for the new hires. This is aimed to provide new employees with basic knowledge of the Group so that they can start their work more easily. Topics include but not limited to company culture and value, regulations and systems, product knowledge, safety and sanitation, etc.

- **Management capability enhancement training:** this training is particularly personalized to the senior and middle-level management. It includes but not limited to sessions of leadership enhancement, production management, project management, financial management, marketing and sales, and public speech, etc.

Case Study: Training on applying "coaching technique" in daily work and life

In September 2021, we invited external trainers to the Group to introduce how to apply a coaching technique in daily work and life. This training program aims to enhance employees' teamwork and individual effectiveness to better aligned to our rapid development pace and overcome anxiety caused during daily interactions and changes.

After this training session, participants gained knowledge in implementing coaching techniques to better unleash their own potential and exploring external possibilities.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.3 Development and training (cont'd)

Case Study: Management ability improvement training

In 2021, we organized a Middle-level Management Ability Improvement Camp. It aims to enhance the leadership and management capabilities of the middle-level management. The trainees all obtained a certificate of completion. The out-performers received recognitions such as books and awards, like "Best Performance Team Award", "Study Star Award", and "Best Presentation Award".

- **Staff capability enhancement training:** Such trainings are typically for all the non-management employees and comes in two types.

  - **General skills training:** the purpose is to improve individual skills and efficiency, such as time-management skills, communication skills, Microsoft Office suite techniques, etc.

  - **Professional skills training:** The purpose is to enhance specific professional skills include but not limited to product knowledge, cardiac anatomy fundamentals, and clinical registration knowledge. It also covers specific topics such as patent search and compilation targeting R&D staff, and GMP production quality management and basic microbiology knowledge targeting staff from production and quality departments.

- **Function-based training:** it focuses on different targets based on different function lines. Such training covers modules such as new products and new regulations training, certificates review training, and professional skills training via public lectures and videos, etc.

- **Group activities:** group activities are equally a significant part of Peijia's training system. The diverse group activities include events targeting employees' interests and hobbies, team-coaching skills, team building, and interactive seminars. At the same time, we endeavour to explore more interesting formats of training.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.4 Safe and healthy workplace

At Peijia Medical, we are committed to providing a safe and healthy workplace for all of our employees. We strictly obey relevant laws and regulations on occupational health and safety, including the *Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》)*, and have formulated the *Rules for the Administration of Safe Production (《安全生產管理規程》)* to handle work safety and occupational health of our people. We do not have any work-related fatalities that occurred in the past two years.

Occupational Health and Safety status at the year-end	Unit	FY21	FY20
Number of casualties due to work-related injuries	Number	**0**	0
Working days lost due to work-related injuries	Person-Day	**182**	169

Measures conducted to keep the workplace safe are as follows:

- Established *Safety Operation Guidelines (《安全操作指南》)* to securely manage chemicals, cutting machine, polishing machine, heat treatment furnace, dryer, etc., for the sake of deepening employees' safety awareness and minimize operational risks.

- Formulated *Work Safety Accountability Policy (《安全生產責任制》)* which was understood by every business department, covering 100% employees.

- Designed training sessions on occupational diseases, especially targeting the employees who are often exposed to hazardous chemicals.

- Require employees to conduct safety inspection before start-up operation, to ensure that the equipment is in good condition and the safety protection equipment and safety measures are effective; We also establish a safety production inspection team and appoint the safety director to carry out daily safety inspection and annual safety inspection. If safety risks are found, we will supervise the relevant person in charge to rectify defects and eliminate potential safety hazards.

- Provide three levels of safety education training programs to new employees, including factory level, workshop level and group level (post) education. The training content covers safety production requirements, hazard sources, identification of safety hidden dangers, safety protection, safe operation, etc. We require employees to complete no less than 24 hours of safety education training and they will only be allowed to work after passing the assessment.

- Invited a third-party evaluation company to identify risk and potential risk during production.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.4 Safe and healthy workplace (cont'd)

- Provided protective equipment for employees to use during the production process, such as respirators and heat-resistant gloves for operating salt-bath furnace, high temperature warning device for the autoclave, protective clothing, eyeglasses and active-carbon masks preventing hazardous chemicals, etc. These actions help early intervention and prevent overall injuries.

- Posted warning signs or notices at visible positions on equipment with high health risks such as electricity generators in various workshops.

- Carried out an annual fire drill and an annual leakage drill as contingency measures to reinforce employees' awareness of fire prevention and safety standards, and enhance their coping capabilities to safety accidents.

Case Study: Eye fatigue alleviation for sewing workers
To relieve sewing employees' eye fatigue, we adjusted the management policies to include a 15-minute break every morning and afternoon so that they can do eye exercises and moisturize their eyeballs with eye drops provided by the Group.

Case Study: Automatic lifting installation for heat protection
Due to the needs of the production process, products are required to be put into our heat-treatment furnace for processing. Originally, when our production personnel directly put the products into high-temperature treatment and subsequent cooling operations, high-temperature liquid splashed, which may cause the risk of employee injury. Hence, we have introduced an automated lifting device, employees are required to only put the products on the auomatic lifting device, then the device can automatically complete the rest of the process. This reduces the risk to the production personnel, reduces the possibility of employee injury, and improve production efficiency.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.4 Safe and healthy workplace (cont'd)

Case Study: "5S" philosophy in the production system

Since 2016, we have adopted the "5S" methodology to our day-to-day production, and we have been improving the methodology ever since. We established a "5S" audit squad to conduct investigation and supervision towards 5 dimensions, which are Sort, Straighten, Shine, Standardize, and Sustain, in every production site once a week. Meanwhile, the "5S" audit report is generated after each weekly investigation. We also apply a competition mechanism into our "5S" investigation every week: performance of every production team is compared and appraised, and employees need to rectify their behaviors timely afterwards if applicable.

In terms of Covid-19 prevention and control, we carried forward our good work from 2020 to 2021. As of December 31, 2021, the staff vaccination rate reached 100%. Moreover, we enforced prevention control measure in the vicinity in case of virus spread. Specific actions included temperature monitoring, health QR code check, milk provision to enhance employees' immunity, regular disinfection and sterilization in the workplace, and mandatory mask-wearing, etc.

3.5 Wellbeing and engagement

We have always valued the work-life balance of our employees. To be specific, the human resources management upholds a people-oriented strategy. We have organized activities including team building, travels, badminton, table tennis and other sports tournaments, and birthday celebration parties on a monthly or quarterly basis.

3. COMMITMENT TO EMPLOYEES (CONT'D)

3.5 Wellbeing and engagement (cont'd)

Case Study: Holiday gifts to employees
To make the work environment warm and homely for our people, we always hold birthday celebration parties and give out greeting cards and presents on festivals such as Mid-Autumn Festival, Teachers' Day, Women's Day, etc.

Birthday gifts for employees

The Mid-Autumn Festival presents for employees

To improve employees' sense of belongings and unity, and ensure workplace harmony and enjoyment, we made continued efforts to ensure open communication channels between staff and the management. We encourage employees to give suggestions or feedback via HR email or face-to-face communication with senior management.

Case Study: Lunch with senior management
In September 2021, we held a lunch appointment with senior management. We invited our COO Mr. Pan and several employees to a relaxing chat over lunch about their work and life, thus employees' opinions got to be easily heard and understood by the senior management.

4. COMMITMENT TO COMMUNITY

We believe our business and work inspire hope and contribute to better lives of our patients, employees, and the society at large. Thus, we commit ourselves to making every endeavor to promote people's wellness in China. We support various charitable donations, cooperate with industrial associations, actively participate in the COVID-19 pandemic relief actions, and adhere to continuous development of "Care Plan" project. In FY21, we have contributed RMB285,950 to society.

Case Study: Charity of Supporting Orphans
As one of the five counties listed as areas with extreme poverty, Yushu County in Tibet Autonomous Region is exposed to an often extremely freezing climate. For many years, we have been providing philanthropic support to a local orphanage sending love and warmth to the children there. In FY21, we donated clothing and food to the children in the orphanage. Meanwhile, we invited authoritative neurosurgeons to give online lectures to the children, providing them with hygiene, sanitization, and healthcare tips and knowledge.

Case Study: Establish the Institute of Interventional Medical Technology
On January 18, 2022, the Institute of Interventional Medical Technology of Suzhou Industrial Technology Research Institute started up in Suzhou Industrial Park. The Institute of Interventional Medical Technology is a life science and technology industry incubation, operation and investment platform. It plans to primarily discover, invest, and integrate revolutionarily innovative medical projects in the field of interventional medical treatment on a global scale and help boost the development of high-end medical device industry in a high-quality manner.

5. COMMITMENT IN GOVERNANCE

We are committed to building a culture of compliance in the Group, engaging all our employees for ethical behavior.

5.1 Corporate governance

Sound corporate governance is important to business continuity and shareholder trust maintenance.

The Board has three standing committees, namely the Audit Committee, the Remuneration Committee, and the Nomination Committee. These committees operate in accordance with the terms of reference established by the Board.

We believe that a truly diverse Board will include and make good use of directors with different skills, regional and industry experience, background, race, gender, and other qualities. Our *Diversity Policy of the Board* states that all Board appointments will be based on merits while taking into account diversity (including gender diversity).

5.2 Integrity and anti-corruption

Acting ethically is essential for running a sustainable business. We strictly adhere to the *Criminal Law of the People's Republic of China (《中華人民共和國刑法》)*, the *Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》)*, and other applicable anti-corruption and bribery laws and regulations. We have specified our expectations for ethical behavior through internal policies, including our *Anti-fraud Policy《反舞弊管理制度》*, which is applicable for employees at all levels. We deliver multiple anti-fraud training sessions for all employees at all levels, including new employees and senior management, to ensure every employee understand the Policy and is responsible for abiding it.

We have developed a sound management and supervision structure for business ethics conduct. The Board has the responsibility to supervise and guide the Anti-fraud Office to establish an ethical culture throughout the Group. We put into place the Internal Control System to prevent fraudulent cases. Our management is responsible for maintaining the Internal Control System, setting up reporting channels, implementing control measures, and taking remedial actions to reduce the risk of fraud in the Group. Every employee shall abide by the national laws and regulations, as well as the internal policies. Employees are encouraged to report alleged misconduct through proper channels.

We also attach importance to the ethical risk management of our suppliers. To ensure the integrity in our procurement, we sign the *Agreement of Anti Commercial Bribery (《反商業賄賂協議》)* with our suppliers.

When employees and external stakeholders have concerns about potential violations, we encourage them to speak up through the following channels:

- Email: eileenye@achievamedical.com
- Suggestion mailbox
- Anti-fraud office

If the anti-fraud office confirms violations after investigation, we will report it to the Board. Corrective actions will be taken, including verbal or written warning, or dismissal in serious cases. Any discrimination or retaliation against whistleblower will not be tolerated, and the whistleblower will be protected as he or she assists the investigation.

5. COMMITMENT IN GOVERNANCE (CONT'D)

5.2 Integrity and anti-corruption (cont'd)

We will take remedial measures to rectify the internal control of the affected business units. For the employees who are confirmed to have fraud, we will punish them according to our internal regulations; for those who violate the law, we will transfer them to the judicial organs for further handling. In FY21, we were not involved in any violation incidents related to corruption, bribery, extortion, fraud, or money laundering.

5.3 Marketing and sales compliance

Ethical sales and marketing conducts are the preconditions to patient safety. We strictly abide by the *Advertising Law of the People's Republic of China (《中華人民共和國廣告法》)* and *the Criteria for the Examination and Publication of Medical Apparatus Advertisements (《醫療器械廣告審查發佈標準》)*. In the meantime, we have formed an auditing mechanism to ensure our sales and marketing practices comply with internal policies and external regulations.

We are committed to using trademarks, images, labels, and other information in an appropriate way, and strictly managing the authenticity, accuracy, and compliance of the marketing information throughout the whole marketing process. Paying close attention to the compliance of sales staff's marketing behavior, we have held related trainings for them in 2021.

Besides, we require our employees to uphold high ethical standards when interacting with doctors and nurses, prohibiting any types of bribery, undue payments, or gift exchange. Through contract terms, we restrict our contractors, including vendors and distributors, to guard against the ethically challenging scenarios.

5.4 Data stewardship and privacy security

As the cybersecurity landscape is ever changing and evolving, it is essential to safeguard information, data, assets, and system security. We adhere to national laws and regulations such as the *Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》)*, and the *Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》)*.

We have formulated *Regulations on the Management of Information Security (《信息安全管理規程》)* to define the principles and approaches for safeguarding data and personal information. We strengthen the internal cybersecurity stewardship by authority management, remote disaster backup, firewall, anti-virus software, password strategy, etc. Meanwhile, we continually scrutinize our operational environment for cyber risks and vulnerabilities.

Additionally, we respect the privacy of our patients, customers, and employees, and ensure that individual information will not be leaked or abused. We sign a confidentiality agreement with hospitals on clinical and experimental information, to ensure the privacy of our users. We will notify the participants for a clinical trial in an *Informed Consent Form (《知情同意書》)* that all trial information is strictly confidential and personal information such as the name of the participant will not appear in any published materials or reports related to the clinical trial.

We have trained all our employees in FY21 on data security and privacy, so they understand the importance of cybersecurity and know the way to protect and prevent cyber intrusions.

5. COMMITMENT IN GOVERNANCE (CONT'D)

5.5 Intellectual property (IP)

Protecting intellectual property is important to maintaining our competitiveness in the market. We strictly abide by the Patent *Law of the People's Republic of China (《中華人民共和國專利法》)*, the *Trademark Law of the People's Republic of China (《中華人民共和國商標法》)* and other laws and regulations. We formulated the *Intellectual Property Management Policy (《知識產權管理制度》)* to develop a culture of protecting our IPs from external threats, promoted internal staff IP protection training and strengthened the application of R&D achievements to ensure that we do not infringe property rights of others.

In March 2021, we have implemented GB/T 29490–2013 *Enterprise Intellectual Property Management Standards《企業知識產權管理規範》* as our IP management standards to strengthen the creation, application, management, and protection of our IPs so as to improve our market competitiveness.

We have laid down *Incentive Measures for Employees' Inventions and Creations (《員工發明創造獎勵辦法》)* to encourage our employees to engage in innovative activities to gain relevant rewards. Our management conducts regular review of patent proposals and gives instructions on the patent application. In FY21, we held 6 patent proposal review meetings, 3 employees were granted the Annual Technological Innovation Awards. In FY21, we conducted 9 IP trainings in total.

The patent proposal review meeting

We actively generate new IP and pursue the acquisition of complementary IP across our business. As at December 31, 2021, we own 120 patents issued and pending patents applications in China and foreign jurisdictions.

6. COMMITMENT TO ENVIRONMENT

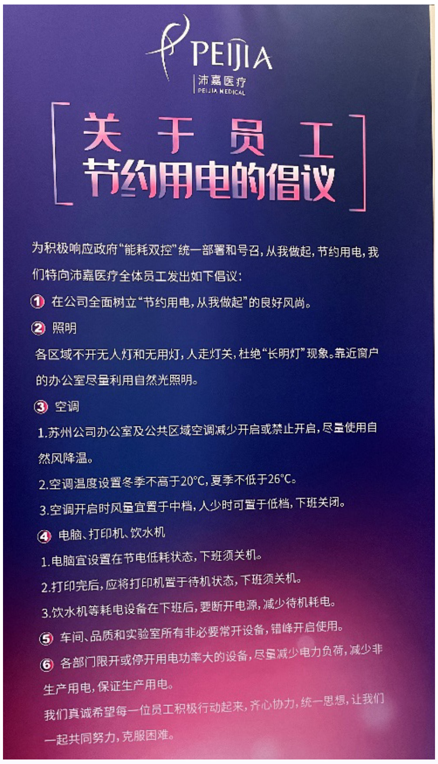
Peijia Medical strictly abide by the *Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)*, the *Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》)* and other laws and regulations in our daily operation. The Group conducts business with respect for the environment. We advocate the concept of "green and sustainability" and are committed to making progresses towards a sustainable future by proactively addressing carbon emissions, waste management, energy and water use.

We are dedicated to minimizing the impacts on the environment from our operations by implementing related policies to reduce energy consumption and cut water consumption and waste. In FY21, the Group was in compliance with all applicable legal and regulatory requirements regarding environmental protection.

6.1 Energy and GHG emissions management

The Group is committed to ensuring that all departments adhere to the *Employees' Electricity-saving Initiatives (《關於員工節約用電的倡議》)*. We continue to invest in energy-efficient measures across our operations. The main energy consumption in our production process is electricity, and our vehicles run on petrol.

Greenhouse gas emissions (GHG emissions) are mainly directly motor vehicle gasoline consumption (Scope 1) and indirectly from purchased electricity (Scope 2).



Electricity Conservation Initiative

6. COMMITMENT TO ENVIRONMENT (CONT'D)

6.1 Energy and GHG emissions management (cont'd)

In FY21, we improved the energy efficiency and reduced the GHG emissions in the following ways:

- Considering our product characteristics, samples need to be produced in a clean room, which requires the purified air conditioning system. To improve production efficiency and reduce the use of purified air conditioning systems, we made arrangements so that several products can be produced at the same time.
- For the production with no specific purified air requirement, we have established a non-cleanroom pilot production line to reduce the overall use of the purified air conditioning.
- In June 2021, we have optimized the heat treatment furnace from a 24-hour insulation mode to a 2-hour advance preheat mode before work starts. In this way, we can ensure the production process to be directly accessed during work time, reducing the electricity demand.
- In-office areas, we have put up posters raising employee awareness on electricity and water conservation. Security personnel regularly inspects the use of water and electricity equipment in the office, production, and lab areas to reduce unnecessary waste.

6.2 Water management

Our operations are not water-intensive generally, however, we recognize that there's a global water stress and have been working to upgrade our production system to reduce water waste and improve consumption efficiency.

- In October 2021, we have optimized the water injection system. After the modification, the water vapor in the storage tank is heated to reach an optimal water temperature and directly supplied to the injection system, reducing the water and electricity consumption and the risk of damaging the electric heating rod.
- We have set automatic start and stop time of water production and water release for the water injection system to be aligned with the production demand to ensure that the water use is only available to the production line until the machine is shut down.
- We have obtained the pollutant discharge permit approved by the Environmental Protection Agency and the domestic wastewater from our site is discharged to the municipal wastewater network for treatment.
- The purified water from the production process is collected and used as cleaning water for public areas for Achieva. Using this method, 31.5 tons of water was saved in FY21.

6. COMMITMENT TO ENVIRONMENT (CONT'D)

6.3 Waste management

We have established the *Waste Treatment Management Process (《廢棄物處理管理規程》)* to ensure well-regulated treatment and disposal of non-hazardous and hazardous wastes. In FY21, no significant amount of waste was generated by the Group.

Our approach to non-hazardous wastes is:

- ➢ The production department collects wastes and places them in different containers based on garbage sorting rules. Later the containers will be placed in a designated area in the warehouse, and finally dealt with by the Municipal Sanitation Department.

We strictly abide by the laws and regulations, and take initiatives to manage hazardous waste to prevent negative environment impacts, the measures are as follows:

- ➢ Collect and store the hazardous wastes in the hazardous waste warehouse. No discharge of hazardous waste into the sewer, pile-up in the public area, and mixing with domestic waste is allowed.
- ➢ Hazardous waste needs to be carried out by vehicles with qualifications.
- ➢ Record the type and weight of hazardous waste and label it well, then hand it over to qualified hazardous waste disposal companies for disposal.
- ➢ Register on the hazardous waste disposal website as required by the government to ensure that the disposal records are consistent.

6. COMMITMENT TO ENVIRONMENT (CONT'D)

6.3 Waste management (cont'd)

The Company continues to make efforts to save energy and reduce emissions. Our KPIs in Environmental Aspects are listed below:

Energy consumption	FY21
Energy consumption in total (MWh)	4,168.62
Total direct energy consumption (MWh)	13.82
Total indirect energy consumption (MWh)	4,154.80
Intensity of energy consumption (MWh/m^2)	0.208

Notes:

1. Energy consumption is presented in MWh and mainly for the consumption of purchased electricity and gasoline. The conversion factors for gasoline come from the default values of relevant parameters in the *Accounting Methods and Reporting Guide of Greenhouse Gas Emissions of Machinery Equipment Manufacturing Enterprises (Trial)《機械設備製造企業溫室氣體排放核算方法與報告指南（試行）》* issued by the NDRC.

GHG emissions	FY21
GHG emissions in total (Scope 1 and Scope 2) (tCO_2e)[1]	450.67
GHG emissions (Scope 1) (tCO_2e)	3.38
GHG emissions (Scope 2) (tCO_2e)	447.29
Intensity of GHG emissions (tCO_2e/m^2)	0.022

Notes:

1. As our operations barely have direct air emissions, the KPI A1.1 (The types of emissions and respective data) is not considered applicable to us.

2. GHG emissions are presented as CO_2 equivalent. The GHG emissions from gasoline combustion and purchased electricity are calculated following the *Accounting Methods and Reporting Guide of Greenhouse Gas Emissions of Machinery Equipment Manufacturing Enterprises (Trial) (《機械設備製造企業溫室氣體排放核算方法與報告指南（試行）》)* issued by the National Development and Reform Commission (國家發展和改革委員會, "**NDRC**"). The GHG emission factor for purchased electricity comes from the *Average CO_2 Emission Factors for Regional Power Grids in China (《中國區域電網平均二氧化碳排放因子》)* and Shanghai Municipal Bureau of Ecology and Environment.

Types of resources	FY21
Water consumption in total (tonnes)	13,949.00
Intensity of water consumption (tonnes/m^2)	1.212
Total packaging materials used for finished products (tonnes)	6.37
Intensity of packing material used (kg/person)	9.25

Notes:

1. Considering that our business activities do not have a significant impact on the environment and natural resources, thus A3 (environment and natural resources) and KPI A3.1 (description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not disclosed in the Report.

2. The Group's water consumption comes from the municipal water supply and is mainly for domestic and production use.

6. COMMITMENT TO ENVIRONMENT (CONT'D)

6.3 Waste management (cont'd)

Types of emissions	FY21
Hazardous waste produced in total (tonnes)[2]	285.08
Intensity of hazardous waste emissions (tonnes/m^2)	0.014
Non-hazardous waste produced in total (tonnes)[3]	144.96
Intensity of non-hazardous waste emissions (tonnes/m^2)	0.007

Notes:

1. The hazardous wastes generated by the Group mainly include medical waste, waste liquid, waste acid, and waste containers and bottles.

2. The non-hazardous wastes generated by the Group mainly include domestic waste from the office area and production waste from the manufacturing workshop.

6.4 Climate change risk management

The *World Economic Forum's annual Global Risks Report (2021) (《世界經濟論壇：2021全球風險報告》)* listed five climate-related risks and environmental issues among the top six risks in terms of likelihood and impact. Without doubt, climate change has become one of the biggest challenges globally. We understand the risks of climate change to our business, and its potential impacts on our ability to deliver products.

As identified by our ESG working group, acute physical risks such as extreme weather, super typhoon, and floods caused by climate change may have a significant impact on our business. Therefore, we have formulated the *Emergency Plan Management Procedures (《應急預案管理制度》)* and *Management Rules of Emergency Plan for Enterprise Production Safety (《企業生產安全應急預案管理規程》)* to improve the handling of all kinds of accidents, disasters, and health events. We want to ensure that corresponding rescue work can be conducted quickly and effectively in any kind of emergency to minimize casualties and property losses. We have also incorporated safety and emergency knowledge into our training plan and hold at least one safety emergency drill per year to increase our capacity of emergency rescue and handling.

We have also identified the potential impact on our business productivity when implementing *Plan for Improving the Dual Control System of Total Energy Consumption and Energy Intensity (《完善能源消費強度和總量雙控制度方案》)* issued by the NDRC. In response, we continue investing in energy and water efficiency projects as stated in the previous sections to improve productivity and energy efficiency at the same time.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Peijia Medical Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 129 to 206, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill and intangible assets not available for use
- Research and development expenses

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets not available for use	
Refer to notes 2.7, 2.8 and 17 to the consolidated financial statements. The Group has goodwill and intangible assets not available for use, amounted to RMB51,658,000 and RMB112,693,000 respectively as at 31 December 2021. The Group is required to perform impairment test of goodwill and intangible assets not available for use on an annual basis. The impairment tests are based on the recoverable amount of the cash generating unit ("**CGU**") to which the goodwill is allocated, and the recoverable amount of intangible assets not available for use. The recoverable amount is the higher of the fair value less cost to sell and the value in use using cash flow projections based on a financial budget. Management established the impairment assessment model with the involvement of external independent valuer and prepared a recoverable amount calculation to estimate the future cash flows taking into account key assumptions, including estimated revenue growth rate, gross profit margin and discount rate, and management considered no impairment loss was considered necessary as at 31 December 2021 based on the impairment assessment performed.	We performed the following audit procedures on the impairment assessment of goodwill and intangible assets not available for use: 1) Obtaining an understanding of the management's internal control and assessment process and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity; 2) Evaluating the competence, capabilities and objectivity of the independent valuer engaged by management; 3) Evaluating the appropriateness of management's identification of CGU to which the goodwill is allocated; 4) Assessing whether the management's impairment assessment model is appropriate with the involvement of our valuation specialists by reference to industry practices and valuation techniques; 5) Assessing the reasonableness of the key assumptions used in the future cash flow forecast, including the estimated revenue growth rate and gross profit margin, by comparing them with the historical financial performance and future forecast of the CGU;

KEY AUDIT MATTERS (CONT'D)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets not available for use (cont'd)	
We considered this is a key audit matter given the significant management judgements and assumptions involved in the impairment assessment and because the estimation of recoverable amount is subject to high degree of estimation uncertainty.	6) Evaluating the appropriateness of the discount rate adopted with the involvement of our valuation specialists by benchmarking market data and comparable companies. Based on the above procedures performed, we found the management's judgements and assumptions used in the impairment assessment of goodwill and intangible assets not available for use were supported by the audit evidences we obtained.
Recognition and measurement of research and development expenses	
Refer to notes 2.7(d) and 7 to the consolidated financial statements. The Group is principally engaged in the research and development, manufacturing and commercialisation of medical devices. During the year ended 31 December 2021, the Group incurred significant research and development expenses of RMB445,879,000 which mainly consisted of service fees paid to outsourced service providers, employee benefits expenses, raw materials used in research and development activities, testing and clinical trial fees and depreciation and amortization expenses. We considered this is a key audit matter because the amount of the research and development expenses incurred is significant to the consolidated financial statements, and significant audit effort involved in auditing the research and development expenses.	We performed the following audit procedures on research and development expenses: 1) Understanding, evaluating and testing the key controls related to research and development expenses; 2) Testing research and development expenses, on a sample basis, to supporting evidence such as contracts, invoices and payment slips; 3) For the service fees paid to outsourced service providers, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by outsourced service providers, obtaining confirmations from outsourced service providers, on a sample basis, to determine whether the service fees were recorded based on the respective contract terms, work progress and/or relevant milestones achieved; 4) Performing cut-off test on research and development expenses paid before and after the balance sheet date, on a sample basis, by inspecting relevant supporting evidence such as contracts, payment vouchers and invoices. Based on the above procedures performed, we found that management's recognition and measurement of research and development expenses were supported by the audit evidences we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Chung Bor.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the Year Ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	*6*	**136,534**	38,655
Cost of sales	*7*	**(40,880)**	(13,432)
Gross profit		**95,654**	25,223
Selling and distribution expenses	*7*	**(93,252)**	(21,126)
Administrative expenses	*7*	**(114,425)**	(117,972)
Research and development expenses	*7*	**(445,879)**	(103,365)
Other income	*9*	**9,727**	12,435
Other losses — net	*10*	**(50,626)**	(198,912)
Operating loss		**(598,801)**	(403,717)
Finance income	*11*	**24,771**	33,604
Finance costs	*11*	**(186)**	(23,017)
Finance income — net		**24,585**	10,587
Fair value change in financial instruments issued to investors	*26*	**—**	(1,675,526)
Loss before income tax		**(574,216)**	(2,068,656)
Income tax expense	*12*	**—**	—
Loss for the year and attributable to owners of the parent company		**(574,216)**	(2,068,656)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
— Fair value change relating to preferred shares due to own credit risk		**—**	—
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive loss for the year and attributable to owners of the parent company		**(574,216)**	(2,068,656)
Loss per share attributable to owners of the Company			
Basic and diluted loss per share *(in RMB per share)*	*13*	**(0.86)**	(4.43)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*14*	**25,014**	18,133
Property, plant and equipment	*15*	**151,205**	89,217
Investment properties	*16*	**7,549**	8,090
Intangible assets	*17*	**276,502**	213,720
Prepayments and other receivables	*18*	**52,613**	8,026
Financial assets at fair value through profit or loss	*19*	**224,424**	—
Total non-current assets		**737,307**	337,186
Current assets			
Inventories	*20*	**66,107**	25,285
Financial assets at fair value through profit or loss	*19*	**—**	3,262
Prepayments and other receivables	*18*	**64,142**	57,355
Cash and cash equivalents	*21*	**2,296,112**	2,458,161
Total current assets		**2,426,361**	2,544,063
Total assets		**3,163,668**	2,881,249
EQUITY AND LIABILITIES			
Equity attribute to owners of the Company			
Share capital and share premium	*22*	**6,339,597**	5,512,758
Treasury shares held in a trust	*23*	**(84,549)**	(23,126)
Other reserves	*24*	**69,139**	54,409
Accumulated losses		**(3,305,002)**	(2,730,786)
Total equity		**3,019,185**	2,813,255

Consolidated Balance Sheet

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	*14*	**4,082**	—
Deferred tax liabilities	*27*	**20,320**	20,320
Deferred income	*28*	**1,374**	3,284
Total non-current liabilities		**25,776**	23,604
Current liabilities			
Lease liabilities	*14*	**3,545**	9,129
Trade and other payables	*29*	**115,162**	34,552
Contract liabilities	*6*	**—**	709
Total current liabilities		**118,707**	44,390
Total liabilities		**144,483**	67,994
Total equity and liabilities		**3,163,668**	2,881,249

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

The consolidated financial statements on pages 129 to 206 were approved by the Board of Directors on 31 March 2022 and were signed on its behalf.

Yi ZHANG
Chairman, Chief Executive Officer, Executive Director

Hong YE
Board Secretary, Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2021

	Note	Share capital and share premium RMB'000	Other reserves RMB'000	Treasury shares held in a trust RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2020		79,563	35,298	—	(673,067)	(558,206)
Comprehensive loss:						
Loss for the year		—	—	—	(2,068,656)	(2,068,656)
Total comprehensive loss		—	—	—	(2,068,656)	(2,068,656)
Transactions with owners in their capacity as owners:						
Automatic conversion of preferred shares upon global offering	*26*	3,060,761	(10,937)	—	10,937	3,060,761
Exercise of share options	*22*	29,604	(5,084)	—	—	24,520
Shares issued upon global offering	*22*	2,032,011	—	—	—	2,032,011
Exercise of over-allotment option	*22*	310,913	—	—	—	310,913
Acquisition of shares under the RSU Scheme	*23*	—	—	(24,746)	—	(24,746)
Restricted share units granted	*23,25*	(94)	—	1,620	—	1,526
Share-based payments	*25*	—	35,132	—	—	35,132
Balance at 31 December 2020		5,512,758	54,409	(23,126)	(2,730,786)	2,813,255
Balance at 1 January 2021		**5,512,758**	**54,409**	**(23,126)**	**(2,730,786)**	**2,813,255**
Comprehensive loss:						
Loss for the year		**—**	**—**	**—**	**(574,216)**	**(574,216)**
Total comprehensive loss		**—**	**—**	**—**	**(574,216)**	**(574,216)**
Transactions with owners in their capacity as owners:						
Issuance of ordinary shares	*22*	**810,559**	**—**	**—**	**—**	**810,559**
Exercise of share options	*22*	**17,137**	**(13,764)**	**—**	**—**	**3,373**
Acquisition of shares under the RSU Scheme	*23*	**—**	**—**	**(64,720)**	**—**	**(64,720)**
Restricted share units granted	*23,25*	**(857)**	**(2,440)**	**3,297**	**—**	**—**
Share-based payments	*25*	**—**	**30,934**	**—**	**—**	**30,934**
Balance at 31 December 2021		**6,339,597**	**69,139**	**(84,549)**	**(3,305,002)**	**3,019,185**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	*30(a)*	**(480,987)**	(190,395)
Interest received		**44,805**	9,383
Interest paid	*11*	**(186)**	(88)
Net cash used in operating activities		**(436,368)**	(181,100)
Cash flows from investing activities			
Payments for property, plant and equipment		**(69,738)**	(25,254)
Payments for intangible assets	*17*	**(123,300)**	(696)
Payments for right-of-use assets		**(8,300)**	(1,990)
Payments for financial assets at fair value through profit or loss	*19*	**(259,616)**	(677,262)
Proceeds from settlements of financial assets at fair value through profit or loss	*19*	**35,507**	689,000
Interest income received from financial assets at fair value through profit or loss		**—**	3,698
Cash received relating to other investing activities		**680**	—
Proceeds from disposal of property, plant and equipment		**12**	20
Net cash used in from investing activities		**(424,755)**	(12,484)
Cash flows from financing activities			
Capital contribution from shareholders		**—**	4
Net proceeds from issue of ordinary shares		**810,559**	2,351,059
Proceeds from exercise of share options		**3,373**	24,520
Acquisition of shares under the RSU Scheme	*23*	**(64,720)**	(24,746)
Payments for listing expenses		**(4,074)**	(4,500)
Interest paid to borrowings from related parties	*33(b)*	**—**	(2,301)
Repayment of borrowings from related parties	*33(b)*	**—**	(691)
Principal elements of lease payments		**(3,159)**	(1,233)
Net cash generated from financing activities		**741,979**	2,342,112
Net (decrease)/increase in cash and cash equivalents		**(119,144)**	2,148,528
Cash and cash equivalents at beginning of the year		**2,458,161**	504,627
Exchange losses on cash and cash equivalents		**(42,905)**	(194,994)
Cash and cash equivalents at end of the year	*21*	**2,296,112**	2,458,161

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

1 GENERAL INFORMATION

Peijia Medical Limited 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 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**").

These consolidated financial statements are presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 31, 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021:

Amendments to IFRS 16	Covid–19–related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2

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

(b) New standards and interpretations not yet adopted

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

		Effective date
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 1	Classification of liabilities as current or non–current	January 1, 2022
Amendments to IAS 37	Onerous contracts — cost of fulfilling a contract	January 1, 2022
Amendments to IFRSs	Annual improvements to IFRS standards 2018–2020 cycle	January 1, 2022
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra–group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non–controlling interest ("**NCI**") in the acquiree on an acquisition–by–acquisition basis. Non–controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Acquisition–related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re–measured to fair value at the acquisition date; any gains or losses arising from such re–measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified is as equity not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries (cont'd)

2.2.1 Consolidation (cont'd)

(a) Business combinations (cont'd)

The excess of the consideration transferred, the amount of any non–controlling interest in the acquiree and the acquisition–date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non–controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non–controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non–controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re–measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision–maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**Functional Currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re–measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year–end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "Other losses — net" in the consolidated statements of comprehensive loss.

2.5 Property, plant and equipment

Property, plant and equipment, are stated at historical cost or acquisition cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight–line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	Years	Residual rate
— Buildings	20	5%
— Furniture	5	5%
— Electronic equipment	3	5%
— Machinery	10	5%
— Vehicles	5	5%
— Leasehold improvements	5–10	5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, plant and equipment (cont'd)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other losses — net" in the consolidated statements of comprehensive loss.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at historical cost or acquisition cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as interest expenses during the periods of construction and installation, minus the government grants received as a compensation to the interest expense spent. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and intangible assets and depreciated in accordance with the policy as stated above.

2.6 Investment properties

Investment properties comprise buildings, held for long–term rental yields or for capital appreciation or both and not occupied by the Group, and is measured initially at its cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight–line method to allocate their costs to their residual values over their estimated useful lives of 20 years, and amortisation of land use right is calculated using the straight–line method to allocate their costs to their residual values over their estimated useful lives of 50 years.

The investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An investment property's carrying amount is written down immediately to its recoverable amount if the investment property's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the profit and loss.

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 17. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash–generating units for the purpose of impairment testing. The allocation is made to those cash–generating units or groups of cash–generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Intangible assets (cont'd)

(b) Technologies

Technologies acquired in a business combination are recognised at fair value at the acquisition date. Technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight–line method to allocate the cost of technologies over their estimated useful lives of 15 years from the point at which the asset is ready for use. The Group determined the acquired technologies to have a useful life of 15 years based on periods that acquired technologies can generate economic benefits under current business needs.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight–line method over their estimated useful lives of 3 years. Costs associated with maintaining computer software programs are recognised as expense as incurred.

(d) Research and development expenditures

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved high end medical instruments) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the medical instruments so that it will be available for use or sale;
- management intends to complete the medical instruments, and use or sell it;
- the ability to use or sell the medical instruments;
- it can be demonstrated how the medical instruments will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the medical instruments; and
- the expenditure attributable to the medical instruments during its development phase can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non–financial assets

Goodwill and intangible assets not available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash–generating units). Non–financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each year.

2.9 Financial assets and liabilities

2.9.1 Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade–date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss.

2.9.2 Classification and subsequent measurement

Financial assets

The Group classifies its financial assets in the following measurement categories:

(i) amortised cost;

(ii) fair value through other comprehensive income; or

(iii) fair value through profit or loss

The classification requirements for debt instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.2 Classification and subsequent measurement (cont'd)

Debt instruments (cont'd)

A debt instrument shall be measured at amortised cost if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at financial assets at fair value through profit or loss.

The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is measured using the effective interest rate method.

A debt instrument shall be measured at fair value through other comprehensive income if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at fair value through profit or loss.

When the financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is measured using the effective interest rate method and recognised in profit or loss.

A debt instrument shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first year following the change.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.2 Classification and subsequent measurement (cont'd)

Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

In both the current and prior years, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives, and financial liabilities designated as fair value through profit or loss. The Group shall present a gain or loss on those financial liabilities designated as at fair value through profit or loss as follows: the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability shall be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

2.9.3 Derecognition

(a) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheets) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass–through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.3 Derecognition (cont'd)

(b) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability.

2.9.4 Impairment

The Group assesses on a forward–looking basis the ECL associated with its debt instrument assets carried at amortised cost, and at fair value through other comprehensive income, contract assets and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

The measurement of ECL reflects: An unbiased and probability–weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories including raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventories are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of prepayments and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non–current assets.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and banks, deposits held at call with financial institutions and other short–term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds. Preferred Shares are classified as financial liabilities based on the respective contract terms (see Note 2.16).

2.15 Trade and other payables

Trade and other payables mainly represent the obligations to pay for goods, services or construction that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the year.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares and convertible loans. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

Preferred Shares

From 2016 to 2019, the Company entered into a series of share purchase agreements with financial investors and issued Series A, Series B, Series A–1, Series C, Series C–1 and New Series C–1 preferred shares, respectively (collectively, "**Preferred Shares**").

Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering ("**IPO**") of the Company or agreed by at least two–thirds of the holders as detailed in Note 26.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the profit or loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

On 15 May 2020, all Preferred Shares were automatically converted into ordinary shares upon the IPO of the Company (Note 26).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non–cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the year in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Current and deferred income tax (cont'd)

(b) Deferred income tax (cont'd)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Pension, housing funds, medical insurances and other social insurances obligations

Employees of the Group are covered by various government–sponsored defined–contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post–retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined–contribution pension plans even if the staff leaves the Group.

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(b) Short–term obligations

Liabilities for wages and salaries, including non–monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee benefits (cont'd)

(c) Share–based compensation benefits of the Group

(i) Equity–settled share–based payment transaction

The Group operates stock options granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non–market performance vesting conditions;
- including the impact of any non–vesting conditions (for example, the requirement for employees to serve).

At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non–marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

(ii) Share–based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue recognition

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("**transaction price**").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is a description of the accounting policy for the principal revenue stream of the Group.

Revenue of the Group arose from sale of transcatheter valve therapeutic medical devices and neurointerventional procedural medical devices. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location where the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2.21 Interest income

Interest income is recognized on a time–proportion basis taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases as leasee

The Group leases properties and land use rights in the PRC as leasee. Rental contracts of properties are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Land use right is made for fixed periods of 42 to 50 years.

Leases are recognised as a right–of–use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right–of–use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight–line basis.

The consideration paid to lease the state–owned or collectively–owned land in the PRC are treated as prepayment for land use rights and included in right of use assets, which are stated at cost less accumulated amortization and impairment loss, if any. Land use rights are amortized over the lease period using straight–line method.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in–substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases as leasee (cont'd)

Right–of–use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received any initial direct costs; and
- restoration costs.

Payments associated with short–term leases and leases of low–value assets are recognized on a straight–line basis as an expense in the consolidated statement of comprehensive loss. Short–term leases are leases with a lease term of 12 months or less. Low–value assets comprise equipment and small items of office furniture.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group determine the lease term as the non–cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Where the grants relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset on straight–line basis or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Provisions (cont'd)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the year. The discount rate used to determine the present value is a pre–tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group. The Group currently does not use any derivative financial instruments to hedge certain risk exposure.

(a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' Functional Currency. Functional Currency of the Group's entities are RMB.

Certain bank balances and cash, other receivables, financial instruments issued to investors and trade and other payables are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in USD and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD and HKD for the group companies that have functional currency in RMB. As at 31 December 2021 and 31 December 2020, if the USD and HDK strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB67,581,391 lower/higher and RMB114,005,665 lower/higher, respectively.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are deposited at state–owned banks or reputable commercial banks which are high–credit–quality financial institutions. Management does not expect that there will be any significant losses from non–performance by these counterparties.

For other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group has applied simplified approach for the Group's trade receivables using a lifetime expected loss provision. As of 31 December 2021 and 31 December 2020, there was no remaining balance in respect of trade receivables. Thus no loss allowance provision for trade receivables was recognised.

Management has assessed that during the year, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12–month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The directors of the Company do not expect any losses from non–performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non–derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2021:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Trade and other payables *(Note 29)*	**85,284**	**—**	**—**	**—**	**85,284**
Lease liabilities	**3,545**	**3,238**	**1,309**	**—**	**8,092**
	88,829	**3,238**	**1,309**	**—**	**93,376**

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2020:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Trade and other payables *(Note 29)*	19,590	—	—	—	19,590
Lease liabilities	9,159	—	—	—	9,159
	28,749	—	—	—	28,749

Trade and other payables exclude accrued taxes other than income tax and staff salaries and welfare payables. Lease liabilities have taken the impact of interest into consideration.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and share premium, and other reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation

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

The Group applies IFRS 13 for financial instruments that are measured in the consolidated balance sheet at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

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.

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss				
— Unlisted investment *(Note 19)*	—	—	**224,424**	**224,424**

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation (cont'd)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss				
— Unlisted investment *(Note 19)*	—	—	3,262	3,262

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 for the year ended 31 December 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements for the year ended 31 December 2021.

The changes in level 3 instruments for the years ended 31 December 2021 and 2020 are presented in Note 19.

Valuation processes of the Group (Level 3)

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

As a 31 December 2021, the components of the level 3 instruments include equity investments in unlisted entities at fair value through profit or loss. These equity investments in unlisted entities mainly represent acquisitions of preferred shares of three third parties with purchase price of USD4,199,973 (approximately RMB27,233,000), USD22,999,920 (approximately RMB149,132,000) and USD8,000,004 (approximately RMB51,006,000) respectively.

As at 31 December 2020, the components of the level 3 instruments include interest in a convertible note issued by an unlisted investee. The principle amount of convertible note is USD500,000 (approximately RMB3,262,000), and the interest rate is 12% per annum. The investment as well as all further subscription of convertible notes during the year ended 31 December 2021 have been fully redeemed by 31 December 2021.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation (cont'd)

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

As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including equity allocation approach, discounted cash flows approach and binomial model approach, etc. Major assumptions used in the valuation include risk free rate, volatility, 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 fair value of the unlisted investment has been determined using valuation techniques such as discount cash flow method. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include estimated time of nexting financing date, etc. The fair value of the unlisted investment is significant to the Group.

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

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 years ended 31 December 2021 and 2020 would have been approximately RMB22,442,500 higher/lower and RMB326,200 higher/lower, respectively.

4 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also need to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill and acquired technologies

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit ("**CGU**") is determined based on value–in–use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering an eight–year period. Cash flows beyond the eight–year period are extrapolated using the estimated growth rates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

4 CRITICAL ACCOUNTING ESTIMATES (CONT'D)

(a) Estimated impairment of goodwill and acquired technologies (cont'd)

The Group is required to test intangible assets not available for use on an annual basis. Intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (I) timing of commercialisation, productivity and market size; (II) revenue compound growth rate; (III) costs and operating expenses; and (IV) the selection of discount rates to reflect the risks involved.

(b) Fair value of financial instruments

The Group has used the discount cash flow method for the valuation of the unlisted debt investments and the equity allocation model for the valuation of three unlisted equity investments to determine the fair value of these financial assets at the end of year as detailed in Note 19 to these financial statements. These valuations require the Group to make estimates about scenario probabilities, risk free rate, discount rate and forward exchange rate, and hence, they are subject to uncertainty. The Group classifies the fair value of these investments as Level 3. The fair values of the unlisted investments were RMB224,424,000 (2020: RMB3,262,000). Further details are included in Notes 19(i) and Notes 19(ii) to these financial statements.

The financial instruments issued by the Group including Preferred Shares and convertible loan which are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Group and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk–free interest rate and volatility are disclosed in Note 26. All Preferred Shares of the Company had been converted into ordinary shares of the Company upon its initial public offering on 15 May 2020.

(c) Recognition of share–based compensation expenses

As mentioned in Note 25, equity–settled share–based compensation plans were granted to the Group's employees. The Company has engaged an independent valuer to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the discount rate, risk–free interests rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the Group in applying the discounted cash flow method.

4 CRITICAL ACCOUNTING ESTIMATES (CONT'D)

(d) Estimated useful lives and residual values of property, plant and equipment and technologies

The Group's management determines the estimated useful lives, residual values and related depreciation and amortisation charges for the Group's property, plant and equipment and technologies with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to that of previously estimated, or it will write–off or write–down technically obsolete or non–strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortisation charges in future periods.

5 SEGMENT

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

The CODM assessed the performance of the operation segments mainly based on segment revenues, cost of 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.

5 SEGMENT (CONT'D)

The segment information provided to the Group's CODM for reportable segments for the relevant periods is as follows:

	Year ended December 31, 2021		
	Transcatheter Valve Therapeutic Business RMB'000	**Neurointerventional Business RMB'000**	**Total RMB'000**
Revenue	**41,941**	**94,593**	**136,534**
Cost of sales	**(7,221)**	**(33,659)**	**(40,880)**
Selling and distribution expenses	**(53,482)**	**(39,770)**	**(93,252)**
Administrative expenses	**(84,920)**	**(29,505)**	**(114,425)**
Research and development expenses	**(394,202)**	**(51,677)**	**(445,879)**
Segment loss	**(497,884)**	**(60,018)**	**(557,902)**

	Year ended December 31, 2020		
	Transcatheter Valve Therapeutic Business RMB'000	Neurointerventional Business RMB'000	Total RMB'000
Revenue	—	38,655	38,655
Cost of sales	—	(13,432)	(13,432)
Selling and distribution expenses	—	(21,126)	(21,126)
Administrative expenses	(87,883)	(30,089)	(117,972)
Research and development expenses	(57,291)	(46,074)	(103,365)
Segment loss	(145,174)	(72,066)	(217,240)

6 REVENUE

	Year ended December 31,	
	2021 RMB'000	2020 RMB'000
Revenue from sales of goods — at a point in time	**136,534**	38,655

6 REVENUE (Continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contract liabilities	—	709

Contract liabilities are recognised when payments are received before the transfer of goods. As of 31 December 2021 and 31 December 2020, there are no material unsatisfied performance obligations resulting from contracts.

Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020 are listed as below:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Customer A	**20,722**	—
Customer B	**16,384**	—
	37,106	—

7 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Change of work in process and finished goods	**(19,180)**	(3,807)
Employee benefits expenses	**171,277**	107,425
Listing expenses	**—**	25,942
Service expenses for research and development	**340,517**	22,154
Raw materials and consumables used		
— Research and development expenses	**33,731**	22,944
— Cost of sales	**26,878**	7,362
Professional service fees	**27,641**	9,969
Meeting expenses	**15,215**	6,143
Advertisement fee	**14,985**	5,365
Depreciation of property, plant and equipment	**14,170**	10,849
Utilities and office expenses	**12,314**	8,993
Entertainment expense	**10,391**	8,202
Travelling and transportation expenses	**10,283**	4,980
Amortisation of intangible assets	**9,698**	6,472
Auditor's remuneration		
— Audit service	**3,964**	3,558
— Non–audit service	**1,001**	1,558
Depreciation of right–of–use assets	**3,077**	1,229
Depreciation of investment properties	**541**	928
Others	**17,933**	5,629
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**694,436**	255,895

8 EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**114,025**	62,056
Social security costs and housing benefits (a)	**20,655**	4,295
Employee welfare	**5,663**	4,416
Share–based compensation expenses *(Note 25)*	**30,934**	36,658
	171,277	107,425

(a) The employees of the Group in the PRC are members of state–managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1 director (2020: two directors) for the year ended 31 December 2021. Their emoluments are reflected in the analysis presented below.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and bonuses	**5,404**	2,881
Discretionary bonuses	**348**	349
Social security costs and housing benefits	**340**	55
Share–based compensation expenses	**14,504**	16,747
	20,596	20,032

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(b) Five highest paid individuals (cont'd)

The emoluments to the remaining 4 individuals (2020: 3 individuals) for the years ended 31 December 2021 and 2020 are fell within the following bands:

	Year ended 31 December	
	2021	2020
Emolument bands		
HK$1,500,001–HK$2,000,000	**—**	1
HK$3,000,001–HK$3,500,000	**1**	—
HK$4,500,001–HK$5,000,000	**1**	—
HK$5,000,001–HK$5,500,000	**1**	—
HK$7,500,001–HK$8,000,000	**1**	—
HK$8,000,001–HK$8,500,000	**—**	1
HK$12,000,001–HK$12,500,000	**—**	1
	4	3

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(c) Benefits and interests of directors

The remuneration of each director and chief executive for the years ended 31 December 2021 and 2020 is set out below:

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
For the year ended 31 December 2021						
Chairman of the Board and Chief Executive Officer						
Yi ZHANG	—	1,403	—	694	42	2,139
Non-executive directors						
Zhiyun YU	—	—	—	—	—	—
Huacheng WEI (i)	82	—	—	—	—	82
Jifeng GUAN (ii)	—	—	—	—	—	—
Jun YANG (iii)	—	—	—	—	—	—
Fei CHEN	—	—	—	—	—	—
Stephen Newman OESTERLE (iv)	645	—	—	462	—	1,107
Robert Ralph PARKS (iv)	645	—	—	487	—	1,132
Wai Ming YIP (iv)	290	—	—	—	—	290
Executive directors						
Hong YE	—	528	—	2,442	55	3,025
Ping Ye ZHANG	—	145	—	—	32	177
	1,662	2,076	—	4,085	129	7,952

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(c) Benefits and interests of directors (cont'd)

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
For the year ended 31 December 2020						
Chairman of the Board and Chief Executive Officer						
Yi ZHANG	—	1,402	—	2,593	13	4,008
Non-executive directors						
Zhiyun YU	—	—	—	—	—	—
Fei CHEN	—	—	—	—	—	—
Jifeng GUAN (ii)	—	—	—	—	—	—
Bing SHANG (v)	—	—	—	—	—	—
Jun YANG (iii)	—	—	—	—	—	—
Stephen Newman OESTERLE (iv)	524	—	—	133	—	657
Robert Ralph PARKS (iv)	435	—	—	170	—	605
Wayne WU (iv)	197	—	—	—	—	197
Wai Ming YIP (iv)	197	—	—	—	—	197
Executive directors						
Hong YE	—	501	—	6,432	10	6,943
Ping Ye ZHANG	—	172	—	—	8	180
	1,353	2,075	—	9,328	31	12,787

(i) Mr. Huacheng WEI was appointed as a director since September 2021.

(ii) Mr. Jifeng GUAN resigned as a director in September 2019 and was reappointed as a director since October 2019.

(iii) Mr. Jun YANG was appointed as a director since August 2020.

(iv) Mr. Stephen Newman OESTERLE, Robert Ralph PARKS, Wayne WU and Wai Ming YIP were appointed as a director since May 2020. Wayne WU resigned as a director in June 2021.

(v) Mr. Bing SHANG was appointed as a director since September 2019 until January 2020 and was appointed as a non-executive director since January 2020. He resigned as a non-executive director in August 2020.

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(d) Directors' retirement benefits

None of the directors received or will receive any retirement benefits save as disclosed in table above for the year ended 31 December 2021 (2020: Nil).

(e) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2021 (2020: Nil).

(f) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services.

(g) Information about loans, quasi–loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi–loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors for the year ended 31 December 2021 (2020: Nil).

(h) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 33(d), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year ended 31 December 2021.

9 OTHER INCOME

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Rental income	**747**	762
Government grants	**8,300**	7,975
Gain from financial assets at fair value through profit or loss	**680**	—
Interest income on financial assets at fair value through profit or loss	**—**	3,698
	9,727	12,435

10 OTHER LOSSES — NET

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Foreign exchange losses — net	**(48,139)**	(198,312)
Losses on disposal of property, plant and equipment	**(218)**	(379)
Others	**(2,269)**	(221)
	(50,626)	(198,912)

11 FINANCE INCOME — NET

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Finance income:		
Bank interest income	**24,771**	33,604
Finance costs:		
Exchange losses on financial instruments issued to investors	**—**	(22,926)
Interest expense on lease liabilities	**(186)**	(88)
Interest expense on borrowings from a related party	**—**	(3)
	(186)	(23,017)
Finance income — net	**24,585**	10,587

12 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% or 8.25% as the Group has no estimated assessable profit.

12 INCOME TAX EXPENSE (CONT'D)

(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 year.

(d) A reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax is as follow:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(574,216)**	(2,068,656)
Tax calculated at statutory tax rates applicable to each group entity	**(63,468)**	(68,097)
Tax effect of:		
Income tax settlement differences	**8,014**	—
Expenses not deductible for tax purpose *(Note (i))*	**3,213**	2,680
Super deduction for research and development expenses	**(29,250)**	(13,464)
Unrecognised tax losses carried forward *(Note (ii))*	**81,491**	78,881
Income tax expense	**—**	—

(i) Expenses not deductible for tax purpose primarily include expenses not related to business activities, welfare and entertainment expenses exceeding the tax deduction limits under the Corporate Income Tax Law.

12 INCOME TAX EXPENSE (CONT'D)

(d) (cont'd)

(ii) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

Tax losses carried forward

	As at December 31, **2021** RMB'000	2020 RMB'000
2023	**2,402**	2,402
2024	**3,090**	3,090
2025	**4,363**	4,363
2026	**14,915**	14,915
2027	**37,126**	37,126
2028	**50,841**	50,841
2029	**122,350**	128,878
2030	**284,931**	315,524
2031	**325,967**	—
	845,985	557,139

The tax losses of the Company's PRC subsidiaries will expire within ten years for small and medium–sized high–tech enterprises.

13 LOSS PER SHARE

(a) Basic 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 for the years ended December 31, 2021 and 2020.

	Year ended December 31, **2021**	2020
Loss for the year and attributable to owners of the parent company *(RMB'000)*	**574,216**	2,068,656
Weighted average number of ordinary shares in issue *(thousand)*	**661,656**	466,994
Basic loss per share *(RMB)*	**0.86**	4.43

13 LOSS PER SHARE (CONT'D)

(b) Diluted loss per share

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 year ended December 31, 2021, the Company had one category of potential ordinary shares: the stock options granted to employees. As the Group incurred losses for the years ended December 31, 2021 and 2020, 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 years ended December 31, 2021 and 2020 is the same as basic loss per share of the respective years.

14 RIGHT–OF–USE ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Right–of–use assets		
— Land use rights (a)	**16,928**	17,145
— Buildings (b)	**8,086**	988
	25,014	18,133

14 RIGHT–OF–USE ASSETS (CONT'D)

(a) Land use rights

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

	Land use rights RMB'000
At 1 January 2020	
Cost	4,390
Accumulated amortisation	(78)
Net book value	4,312
Year ended 31 December 2020	
Opening net book value	4,312
Additions	9,990
Transferred in from investment properties *(Note 16)*	2,978
Amortisation charge *(Note 7)*	(135)
Closing net book value	17,145
At 31 December 2020	
Cost	17,856
Accumulated amortisation	(711)
Net book value	17,145
Year ended 31 December 2021	
Opening net book value	17,145
Additions	300
Amortisation charge *(Note 7)*	(517)
Closing net book value	16,928
At 31 December 2021	
Cost	18,156
Accumulated amortisation	(1,228)
Net book value	16,928

14 RIGHT–OF–USE ASSETS (CONT'D)

(a) Land use rights (cont'd)

(ii) Lease liabilities recognised in the consolidated balance sheet

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities		
— current	**—**	8,000

(iii) Amortisation of land use rights has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Administrative expenses *(Note 7)*	**517**	135

14 RIGHT–OF–USE ASSETS (CONT'D)

(b) Buildings

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

	Buildings RMB'000
At 1 January 2020	
Cost	5,506
Accumulated depreciation	(3,424)
Net book value	2,082
Year ended 31 December 2020	
Opening net book value	2,082
Depreciation charge *(Note 7)*	(1,094)
Closing net book value	988
At 31 December 2020	
Cost	4,366
Accumulated depreciation	(3,378)
Net book value	988
Year ended 31 December 2021	
Opening net book value	988
Additions	9,658
Depreciation charge *(Note 7)*	(2,560)
Closing net book value	8,086
At 31 December 2021	
Cost	12,243
Accumulated depreciation	(4,157)
Net book value	8,086

14 RIGHT–OF–USE ASSETS (CONT'D)

(b) Buildings (cont'd)

(ii) Lease liabilities recognised in the consolidated balance sheet

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities		
— current	**3,545**	1,129
— non–current	**4,082**	—
	7,627	1,129

(iii) Amounts recognised in the consolidated statements of comprehensive loss

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right–of–use assets *(Note 7)*	**2,560**	1,094
Interest expense *(Note 11)*	**186**	88

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture RMB'000	Electronic equipment RMB'000	Machinery RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2020								
Cost	39,769	2,305	6,234	16,487	300	1,313	15,882	82,290
Accumulated depreciation	(1,847)	(682)	(2,442)	(1,855)	(113)	—	(5,110)	(12,049)
Net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241
Year ended 31 December 2020								
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	—	—	336	—	(3,428)	1,883	—
Transferred in from investment properties *(Note 16)*	10,464	—	—	—	—	—	—	10,464
Transfer to intangible assets *(Note 17)*	—	—	—	—	—	(188)	—	(188)
Additions	—	252	3,693	10,324	2,183	3,357	139	19,948
Disposals	—	(4)	(14)	(381)	—	—	—	(399)
Depreciation charge *(Note 7)*	(2,717)	(549)	(2,251)	(2,122)	(252)	—	(2,958)	(10,849)
Closing net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217
At 31 December 2020								
Cost	53,528	2,513	9,832	26,656	2,483	1,054	17,904	113,970
Accumulated depreciation	(6,650)	(1,191)	(4,612)	(3,867)	(365)	—	(8,068)	(24,753)
Net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings RMB'000	Furniture RMB'000	Electronic equipment RMB'000	Machinery RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2021								
Cost	53,528	2,513	9,832	26,656	2,483	1,054	17,904	113,970
Accumulated depreciation	(6,650)	(1,191)	(4,612)	(3,867)	(365)	—	(8,068)	(24,753)
Net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217
Year ended 31 December 2021								
Opening net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217
Transferred in from construction in progress	—	—	—	—	—	(11,419)	11,419	—
Transfer to intangible assets *(Note 17)*	—	—	—	—	—	(186)	—	(186)
Additions	—	2,228	6,620	26,827	—	39,588	1,740	77,003
Disposals	—	(17)	(337)	(296)	—	(428)	—	(1,078)
Depreciation charge *(Note 7)*	(3,101)	(554)	(2,953)	(3,320)	(454)	—	(3,788)	(14,170)
Disposals	—	13	294	112	—	—	—	419
Closing net book value	43,777	2,992	8,844	46,112	1,664	28,609	19,207	151,205
At 31 December 2021								
Cost	53,528	4,724	16,115	53,187	2,483	28,609	31,063	189,709
Accumulated depreciation	(9,751)	(1,732)	(7,271)	(7,075)	(819)	—	(11,856)	(38,504)
Net book value	43,777	2,992	8,844	46,112	1,664	28,609	19,207	151,205

(a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	**2,955**	808
Selling and distribution expenses	**262**	29
Administrative expenses	**5,892**	4,919
Research and development expenses	**5,061**	5,093
Total *(Note 7)*	**14,170**	10,849

16 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
At 1 January 2020			
Cost	20,955	4,107	25,062
Accumulated depreciation and amortisation	(2,132)	(470)	(2,602)
Net book value	18,823	3,637	22,460
Year ended 31 December 2020			
Opening net book value	18,823	3,637	22,460
Transferred out to property, plant and equipment *(Note 15)*	(10,464)	—	(10,464)
Transferred out to right-of-use assets *(Note 14)*	—	(2,978)	(2,978)
Depreciation and amortisation charge *(Note 7)*	(873)	(55)	(928)
Closing net book value	7,486	604	8,090
At 31 December 2020			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(919)	(27)	(946)
Net book value	7,486	604	8,090
Year ended 31 December 2021			
Opening net book value	**7,486**	**604**	**8,090**
Depreciation and amortisation charge *(Note 7)*	**(525)**	**(16)**	**(541)**
Closing net book value	**6,961**	**588**	**7,549**
At 31 December 2021			
Cost	**8,405**	**631**	**9,036**
Accumulated depreciation and amortisation	**(1,444)**	**(43)**	**(1,487)**
Net book value	**6,961**	**588**	**7,549**

16 INVESTMENT PROPERTIES (CONT'D)

(i) As at 31 December 2021 and 31 December 2020, the fair values of the investment properties of the Group were RMB8,190,000 and RMB8,347,000 respectively, determined by an independent professional valuation firm.

Depreciation and amortisation have been charged to "administrative expenses" amounted to RMB541,000 for the year ended 31 December 2021 and RMB928,000 for the year ended 31 December 2020 respectively.

(ii) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**582**	582
Between 1 and 2 years	**582**	582
Between 2 and 3 years	**—**	582
	1,164	1,746

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Technologies RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2020				
Cost	51,658	170,740	460	222,858
Accumulated amortisation	—	(3,390)	(160)	(3,550)
Net book value	51,658	167,350	300	219,308
Year ended 31 December 2020				
Opening net book value	51,658	167,350	300	219,308
Transferred in from construction in progress *(Note 15)*	—	—	188	188
Additions	—	—	696	696
Amortisation charge *(Note 7)*	—	(6,077)	(395)	(6,472)
Closing net book value	51,658	161,273	789	213,720
At 31 December 2020				
Cost	51,658	170,740	1,344	223,742
Accumulated amortisation	—	(9,467)	(555)	(10,022)
Net book value	51,658	161,273	789	213,720
Year ended 31 December 2021				
Opening net book value	51,658	161,273	789	213,720
Transferred in from construction in progress *(Note 15)*	—	—	186	186
Additions (b)	—	70,133	2,161	72,294
Amortisation charge *(Note 7)*	—	(8,545)	(1,153)	(9,698)
Closing net book value	51,658	222,861	1,983	276,502
At 31 December 2021				
Cost	51,658	240,873	3,691	296,222
Accumulated amortisation	—	(18,012)	(1,708)	(19,720)
Net book value	51,658	222,861	1,983	276,502

17 INTANGIBLE ASSETS (CONT'D)

(a) Amortisation of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	**4,519**	—
Administrative expenses	**5,179**	6,472
Total *(Note 7)*	**9,698**	6,472

For the year ended 31 December 2021, the Company acquired a intellectual property under research and development of USD11,000,000 (approximately RMB70,133,000) from a third party.

(b) Goodwill

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Acquisition of Achieva Group	**51,658**	51,658

Impairment review on the goodwill of the Group has been conducted by an independent qualified valuer as at 31 December 2021. For the purpose of impairment review, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering an seven-year period, which includes a period of 1 to 3 years for further development of currently ongoing projects, and a period of 4 to 6 years with production and sales of the future products of these projects. Cash flows beyond the seven-year period are extrapolated using the estimated terminal growth rates stated below.

The key parameters used for value-in-use calculations are as follows:

	Gross margin	Growth rate of the first seven years	Terminal growth rate	Pre-tax discount rate
As at 31 December 2021	**65.54%~70.87%**	**6.55%~52.82%**	**2.5%**	**23.61%**
As at 31 December 2020	61.37%-67.81%	9.85%-109.15%	3%	22.49%

17 INTANGIBLE ASSETS (CONT'D)

(b) Goodwill (cont'd)

The growth rate for the first 7 years and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development. The terminal growth rate used does not exceed the industry growth forecast for the market in which the Group operates. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was RMB221,094,894 as at 31 December 2021 (2020: RMB129,595,676). The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

The Group performs the sensitivity analysis based on the assumptions that revenue amount or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue amount decreases by 10%	**145,964**	56,262
Terminal value decreases by 10%	**188,709**	104,234
Discount rate increases by 5%	**178,370**	90,737

(c) Technologies

Technologies acquired in a business combination are recognised at fair value at the acquisition date, which includes technologies in use and technologies under research and development.

As at 31 December 2021, the balance of technologies under research and development were RMB112,693,000 (2020: RMB42,560,000). Technologies under research and development is not available for use and is tested for impairment on an annual basis. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Fair value was estimated using the discounted cash flow approach. For the discounted cash flow, the estimated revenue was based on the management's expected timing of the product candidates' commercialization, productivity and sales volume. The management estimated the product candidates' sales volume based on market conditions and the state of technology development. The management then adjusted the estimated revenue by applying a percentage of costs and operating expenses to the revenue, which was based on the current operating margin levels of comparable companies, with adjustments made based on the management's industry experience as well as the research and development plans. Finally, the management estimated the discount rate based on the uncertain success rate of commercialization for the applicable product candidates.

17 INTANGIBLE ASSETS (CONT'D)

(c) Technologies (cont'd)

The key assumptions used as at 31 December 2021 are as follows.

Technology A

	Gross margin	Growth rate	Percentage of costs and operating expenses	Post-tax discount rate
As at 31 December 2021	**58.0%~63.9%**	**–45.5%~120.8%**	**62.7%~84.5%**	**22.0%**
As at 31 December 2020	50.8%-68.0%	–36.5%-1,551.2%	60.1%-913.4%	22.0%

Based on the result of impairment assessment, the recoverable amount of technologies under research and development is estimated to exceed the carrying amount as at 31 December 2021 by RMB16,610,000 (2020: RMB15,640,000). Considering there was still sufficient headroom based on the assessment, the Directors and management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the technologies under research and development to exceed its recoverable amount.

The recoverable amount of technologies under research and development would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant, and the Directors and management believe that the key assumptions would not likely to change as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Gross margin	**–13.44%**	–10.89%
Revenue amount	**–23.62%**	–17.96%
Percentage of costs and operating expenses	**13.66%**	11.91%
Post-tax discount rate	**28.54%**	19.20%

17 INTANGIBLE ASSETS (CONT'D)

(c) Technologies (cont'd)

Technology B

	Gross margin	Growth rate	Percentage of costs and operating expenses	Post-tax discount rate
As at 31 December 2021	**64.0%~78.0%**	**−49.0%~414.2%**	**51%~123%**	**29%**

Based on the result of impairment assessment, the recoverable amount of technologies under research and development is estimated to exceed the carrying amount as at 31 December 2021 by RMB16,791,401 (2020: RMB Nil). Considering there was still sufficient headroom based on the assessment, the Directors and management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the technologies under research and development to exceed its recoverable amount.

The recoverable amount of technologies under research and development would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant, and the Directors and management believe that the key assumptions would not likely to change as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Gross margin	**−4.37%**	0
Revenue amount	**−15.17%**	0
Percentage of costs and operating expenses	**4.00%**	0
Post-tax discount rate	**6.58%**	0

18 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Other receivables from third parties	**3,639**	118
Prepayments for:		
— intellectual property under research and development (a)	**51,006**	—
— equipment not received	**1,607**	8,026
— listing expenses	**4,074**	300
— inventories	**19,860**	10,294
— others	**6,875**	4,018
Value-added tax recoverable	**14,550**	10,676
Interest receivables	**5,475**	25,509
Deposits	**1,926**	2,143
Others	**7,743**	4,297
	116,755	65,381
Less: non-current portion	**(52,613)**	(8,026)
Current portion	**64,142**	57,355

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Unlisted equity investment (i)	**224,424**	—
Unlisted debt investment (ii)	**—**	3,262
	224,424	3,262

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Opening balance	**—**	—
Additions	**227,371**	—
Exchange loss on financial assets	**(2,947)**	—
Closing balance	**224,424**	—

For the year ended 31 December 2021, the Company acquired preferred shares of three unlisted investees with purchase price of USD4,199,973 (approximately RMB27,233,000), USD22,999,920 (approximately RMB149,132,000) and USD8,000,004 (approximately RMB51,006,000) respectively. As at 31 December 2021, the shareholding owned by the Company over these three entities are 14%, 50% and 3% respectively. As the Group has preferential rights compared with the ordinary shareholders, which significantly differentiate the risks and rewards undertaken, these investments are accounted as financial assets at fair value through profit or loss.

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Opening balance	**3,262**	—
Additions	**32,245**	3,262
Redemption	**(35,507)**	—
Closing balance	**—**	3,262

As at 31 December 2020, the debt investment in unlisted entity mainly represent interest in a convertible note issued by an unlisted investee. The principle amount of convertible note is USD500,000 (approximately RMB3,262,000), and the interest rate is 12% per annum. The investment as well as all further subscription of convertible notes during the year ended 31 December 2021 have been fully redeemed by 31 December 2021.

20 INVENTORIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials	**40,821**	19,179
Finished goods	**18,873**	4,223
Work in progress	**6,413**	1,883
	66,107	25,285

21 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash in bank	**2,296,112**	2,458,161

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents are denominated in:		
— USD	**566,431**	1,723,493
— HKD	**611,193**	531,327
— RMB	**1,118,488**	203,341
	2,296,112	2,458,161

22 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at 1 January 2020	11,453,212	8	79,555	79,563
Exercise of share options (i)	532,715	—	29,604	29,604
Automatic conversion of Preferred Shares upon global offering (ii)	217,812,460	155	3,060,606	3,060,761
Shares issued pursuant to Capitalisation Issue (iii)	227,732,613	162	(162)	—
Shares issued upon global offering (iv)	152,511,000	108	2,031,903	2,032,011
Exercise of over-allotment option (v)	22,876,000	16	310,897	310,913
Restricted share units granted under the trust	—	—	(94)	(94)
As at 31 December 2020	632,918,000	449	5,512,309	5,512,758
As at 1 January 2021	632,918,000	449	5,512,309	5,512,758
Issuance of ordinary shares (vi)	33,800,000	22	810,537	810,559
Exercise of share options (vii)	4,616,904	3	17,134	17,137
Restricted share units granted under the trust	—	—	(857)	(857)
As at 31 December 2021	671,334,904	474	6,339,123	6,339,597

(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 261,636, 48,579 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 15 May 2020. The principal amount of these Preferred Shares and the cumulative changes in fair value are capitalised as share capital and share premium accordingly.

(iii) On 15 May 2020, pursuant to the resolution passed by the shareholders on 28 April 2020, 434,654,450 shares were allotted and issued without payment and as fully paid shares to existing shareholders after the conversion of the Preferred Shares and prior to the completion of the initial public offering (the "**Capitalisation Issue**").

(iv) On 15 May 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 7 June 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.

22 SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

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

The proceeds from the placing will be used to fund potential product licensing and possible merger and acquisition opportunities in the area of mitral valve replacement and repair treatment and other areas including tricuspid valve replacement and repair treatment; ongoing technology transfer, product development, and research and development, across the Group; and for other general corporate purposes where appropriate. The placing was completed and proceeds of HK$971,170,878 (approximately RMB810,537,000) were received in January 2021.

(vii) For the year ended 31 December 2021, certain employees exercised stock options granted to them in 2017 and 2019, and 4,616,904 Shares were issued to them, respectively.

23 TREASURY SHARES HELD IN A TRUST

	Number of treasury shares	**Amount RMB'000**
As at 1 January 2021	**(1,077,469)**	**(23,126)**
Acquisition of shares under restricted share units plan (i)	**(3,881,000)**	**(64,720)**
Restricted share units granted under the trust (ii)	**317,923**	**3,297**
At 31 December 2021	**(4,640,546)**	**(84,549)**

	Number of treasury shares	Amount RMB'000
As at 1 January 2020	—	—
Acquisition of shares under restricted share units plan (i)	(1,140,000)	(24,746)
Restricted share units granted under the trust (ii)	62,531	1,620
At 31 December 2020	(1,077,469)	(23,126)

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

23 TREASURY SHARES HELD IN A TRUST (CONT'D)

(i) (cont'd)

During the year ended 31 December 2021, the Nominee made on-market purchases of 3,881,000 shares according to the Company's instruction. The shares held in the trust are accounted for as treasury shares of the Company.

(ii) During the year ended 31 December 2021, 317,923 restricted share units were granted to selected persons.

24 OTHER RESERVES

	Share-based compensation reserve RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2020	24,612	10,686	35,298
Share-based compensation expenses	35,132	—	35,132
Exercise of options	(5,084)	—	(5,084)
Transfer of gains in fair value of Preferred Shares attribute to retained earnings	—	(10,937)	(10,937)
As at 31 December 2020	54,660	(251)	54,409
As at 1 January 2021	54,660	(251)	54,409
Share-based compensation expenses	30,934	—	30,934
Restricted share units granted	(2,440)	—	(2,440)
Exercise of options	(13,764)	—	(13,764)
As at 31 December 2021	69,390	(251)	69,139

25 SHARE-BASED PAYMENTS

(a) Stock options

(i) Stock options granted to employees in 2017

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

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

25 SHARE-BASED PAYMENTS (CONT'D)

(a) Stock options (cont'd)

(ii) Stock options granted to employees in 2019

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

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

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

(iii) Stock options granted to employees in 2021

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

The exercise price of granted options is HKD15.97 per ordinary share. The vesting term of the stock options includes different vesting schedule, which varies from one year to six years with different performance conditions respectively. All options shall expire in ten years from the grant dates.

(iv) The financial impact of stock options is as follows:
Movements in the number of stock options are as follows:

	Year Ended 31 December	
	2021	2020
At the beginning of year	**46,893,480**	2,900,989
Exercised before Capitalisation Issue	—	(532,715)
Forfeited before Capitalisation Issue	—	(4,600)
Capitalisation Issue	—	44,909,806
Granted after Capitalisation Issue	**7,801,386**	—
Exercised after Capitalisation Issue	**(4,616,904)**	—
Forfeited after Capitalisation Issue	**(69,000)**	(380,000)
At the end of year	**50,008,962**	46,893,480

As at 31 December 2021, 25,494,407 outstanding options were exercisable (2020: 20,017,683).

25 SHARE-BASED PAYMENTS (CONT'D)

(a) Stock options (cont'd)

(iv) (cont'd)

For the year ended 31 December 2021, certain employees exercised stock options granted to them in 2017 and 2019, and 4,616,904 Shares were issued to them, respectively.

In March 2020, Yi ZHANG, Hong YE, and Kongrong PAN exercised stock options granted to them in 2017 and 2019, and 261,636, 48,579 and 222,500 Shares were issued to them, respectively.

No options expired during the year ended 31 December 2021 (2020: nil).

The total expense recognised in the consolidated statements of comprehensive loss for the above stock options granted are RMB18,752,899 for the year ended 31 December 2021 (2020: RMB35,586,519).

(v) The fair value of the stock options granted in 2021 have been valued by an independent qualified valuer using Binomial valuation model as at the grant date. Key assumptions are set as below:

Risk-free interest rate	1.499%
Volatility	39.38%
Dividend yield	0.00%

The directors estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the life of stock option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the stock option. Dividend yield is based on the directors' estimation at the grant date.

(b) Restricted share units

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

As at 31 December 2021, the restricted share units granted to directors, a consultant of the Group and Employees are as follows:

Restricted share units granted to	Number of granted	Grant date	Vesting period
Directors	73,805	Grant quarterly	3 years
Consultant	104,591	Grant quarterly	—
Employees	139,527	Various dates in 2021	—

25 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units (cont'd)

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

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

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

The total expense recognise in the consolidated statement of profit or loss for the year ended 31 December 2021 for the restricted share units granted is RMB12,181,394 (2020: RMB1,072,000).

The following table summarised the Group's restricted share units and movement for the years ended 31 December 2021 and 2020:

	Year Ended 31 December	
	2021	2020
At the beginning of year	**55,751**	—
Granted during the year	**317,923**	62,531
Vested during the year	**(204,059)**	(6,780)
At the end of year	**169,615**	55,751

As at 31 December 2021, 169,615 restricted share units remained unvested.

25 SHARE-BASED PAYMENTS (CONT'D)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Stock options		
Research and development expenses	**9,024**	17,117
Administrative expenses	**8,651**	16,618
Selling and distribution expenses	**717**	1,540
Cost of sales	**361**	311
	18,753	35,586
Restricted share units		
Administrative expenses	**2,646**	303
Selling and distribution expenses	**929**	—
Research and development expenses	**8,606**	769
	12,181	1,072
Total	**30,934**	36,658

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Preferred Shares	**—**	—

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(a) The key terms of these financial instruments

Series A preferred shares

The Company issued 1,700,000 shares of Series A preferred shares at cash consideration of USD8,500,000 (approximately RMB55,223,000) in March 2016. In June 2016, the Company further issued 300,000 shares of Series A preferred shares at cash consideration of USD1,500,000 (approximately RMB9,949,000).

Series B preferred shares

The Company issued 1,527,110 shares of Series B preferred shares at cash consideration of USD19,873,962 (approximately RMB136,173,973) in August 2018.

Series A-1 preferred shares

In March 2019, pursuant to the Share Swap Acquisition (Note 35), the Company issued 2,145,238 shares of Series A-1 preferred shares, as well as ordinary shares and stock options in exchange of the assets and liabilities of Achieva Group (Note 35).

Series C preferred shares

In September 2019, the Company issued 1,367,443 shares of Series C preferred shares at cash consideration of USD25,000,000 (approximately RMB176,801,000).

Series C-1 preferred shares

In October 2019, the Company issued 1,024,326 Series C-1 preferred shares to Hillhouse at cash consideration of USD19,651,816.87 (approximately RMB139,113,264). Simultaneous with the subscription of the Series C-1, Hillhouse purchased 903,589 ordinary shares, 57,034 Series A-1 preferred shares and 100,000 Series A preferred shares from the existing shareholders, or holders of Preferred Shares, respectively, the aforementioned shares were then re-designated as Series C-1 preferred shares.

New Series C-1 preferred shares

In addition, the Company further issued 1,321,242 shares of new Series C-1 preferred shares at cash consideration of USD25,348,183 (approximately RMB179,130,595) in late October 2019. Simultaneous with the subscription of the new Series C-1, a total number of 601,675 ordinary shares was transferred between certain existing shareholders. The purchasing unit price was the same as that of Series C preferred shares. These 601,675 ordinary shares were then re-designated as Series C preferred shares.

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(a) The key terms of these financial instruments (cont'd)

Terms of Preferred Shares

(i) Dividends rights

The holders of Preferred Shares shall be entitled to receive dividends, out of any funds legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares. No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until all dividends have been paid in full on the Preferred Shares (on an as-converted basis).

(ii) Conversion feature

(1) Optional conversion

Any Preferred Share may, at the option of the holder thereof, be converted at any time into fully-paid ordinary shares based on the then-effective applicable conversion price. The conversion price shall initially equal the original issue price of each of the series of Preferred Shares, and each shall be adjusted from time to time as provided in below situation.

The initial conversion ratio for each series of the Preferred Shares to ordinary shares shall be 1:1. No adjustment in the applicable conversion price shall be made in respect of the issuance of additional ordinary shares unless the consideration for any additional ordinary share issued or deemed to be issued by the Company is less than the applicable conversion price in effect on the date of and immediately prior to such issue. In the event that the Company shall issue additional ordinary shares without consideration or for a consideration per share received by the Company (net of any selling concessions, discounts or commissions) that is less than the applicable conversion price in effect on the date of and immediately prior to such issue, then and in such event, the applicable conversion price shall be reduced, concurrently with such issue, to the consideration per share for which the new securities are issued.

(2) Automatic conversion

Without any action being required by the holder of such share and whether or not the certificates representing such share are surrendered to the Company or its transfer agent, each Preferred Share shall automatically be converted, based on the then-effective applicable conversion price, into ordinary shares upon the closing of a qualified IPO, or upon the written approval of the holders of at least two-thirds (2/3) of the Series A preferred shares then outstanding to convert all Series A preferred shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series A-1 preferred shares then outstanding to convert all Series A-1 preferred shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series B preferred shares then outstanding to convert all Series B preferred shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series C preferred shares then outstanding to convert all Series C preferred shares into ordinary shares.

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(a) The key terms of these financial instruments (cont'd)

Terms of Preferred Shares (cont'd)

(iii) Liquidation preferences

Upon any liquidation, dissolution or winding up of the Company and/or any of the subsidiaries of the Company ("**Group Company**"), either voluntary or involuntary (each a "**Liquidation Event**"), distributions to the members of the Company shall be made in the following manner: first to holders of Series C preferred shares, second to Series B preferred shares, third to Series A-1 preferred shares and fourth to Series A preferred shares.

After distribution or payment in full of the amount distributable or payable on the Preferred Shares pursuant to the order agreed in the above paragraph, the remaining assets of the Company available for distribution to holders of Junior Shares shall be distributed ratably among the holders of outstanding Junior Shares.

If any holder of Preferred Shares fails to receive the amounts set forth in above paragraph in full for whatever reason, each holder of ordinary shares (excluding the ordinary shares converted from the Preferred Shares) shall severally and jointly transfer all of the assets or cash it received from the Company in such Liquidation Event or Deemed Liquidation Event until all the amount set forth in above paragraph have been fully paid to such holder of Preferred Shares.

The aforementioned series of Preferred Shares are recognised as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

(iv) Special repurchase right

One subscriber of Series A preferred shares agreed with the Company regarding a special repurchase right, whereas management shareholders were entitled to buy back up to 50 percent of the preferred shares from this subscriber with a fixed simple interest rate per annum at the end of the first or the third anniversary after the issuance through the companies held by those management shareholders ("**Repurchase Right**"). The Repurchase Right was redeemed at the first anniversary in 2017. The Repurchase Right was valued at the date of issuance and was then amortised through the estimated life to other reserves.

(v) Cornerstone subscription right

One Subscriber of Series C — 1 preferred shares, Hillhouse agreed with the Company regarding a cornerstone subscription right, whereas Hillhouse shall have the right to and shall undertake to, as a cornerstone investor, purchase or direct its Affiliate to purchase, at such per share price equal to the per share price offered by the Company in its initial public offering.

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(b) The movements of Preferred Shares for the years ended 31 December 2020 are set out below:

	Preferred Shares RMB'000
At 1 January 2020	1,362,309
Fair value losses	1,675,526
Foreign exchange losses *(Note 11)*	22,926
Automatic conversion to ordinary shares upon the global offering *(Note 22 (ii))*	(3,060,761)
At 31 December 2020	—

All the Preferred Shares were automatically converted to ordinary shares upon the global offering on 15 May 2020. The difference between the fair value of the Preferred Shares as at 31 December 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.

27 DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and deferred tax liabilities for the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balanced within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses RMB'000
As at 1 January 2020	24,346
Charge to consolidated statements of comprehensive loss	(1,736)
As at 31 December 2020	22,610
As at 1 January 2021	22,610
Charge to consolidated statements of comprehensive loss	(2,330)
As at 31 December 2021	20,280

27 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax liabilities

	Property, plant and equipment acquired in business combination RMB'000	Investment property acquired in business combination RMB'000	Land use rights acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
As at 1 January 2020	1,651	709	468	41,838	44,666
Credit to consolidated statements of comprehensive loss	(159)	(47)	(11)	(1,519)	(1,736)
As at 31 December 2020	1,492	662	457	40,319	42,930
As at 1 January 2021	1,492	662	457	40,319	42,930
Credit to consolidated statements of comprehensive loss	(135)	(47)	(11)	(2,137)	(2,330)
As at 31 December 2021	1,357	615	446	38,182	40,600

	As at 31 December 2021 RMB'000	2020 RMB'000
Deferred tax liabilities		
— to be recovered within 12 months	**2,673**	1,736
— to be recovered more than 12 months	**37,927**	41,194
	40,600	42,930

28 DEFERRED INCOME

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants –		
Asset-related grants (a)	**1,250**	1,281
Cost-related grants (b)	**124**	2,003
	1,374	3,284

(a) The asset-related grants are subsidies received from the government for the purpose of compensation for purchase of the Group's land use rights. The estimated useful life of the land use rights is 50 years and the aforementioned grants are amortised based on the remaining useful life of the land.

(b) The cost-related grants are subsidies received from the government as support on expenses relating to certain projects. When the required criteria set by the government for such grants are met, the portion of the qualified funds is recognised as "other income" and the remaining balance is recorded as deferred income.

29 TRADE AND OTHER PAYABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables — third parties	**54,168**	8,125
Other payables — third parties	**31,116**	11,465
Staff salaries and welfare payables	**24,490**	11,324
Accrued taxes other than income tax	**5,388**	3,638
	115,162	34,552
Less: non-current portion	**—**	—
Current portion	**115,162**	34,552

The aging analysis of trade payables at the respective balance sheet dates is as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year	**54,003**	8,120
Between 1 year and 2 years	**160**	5
Between 2 year and 5 years	**5**	—
	54,168	8,125

30 CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to cash used in operations

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss for the year before income tax	**(574,216)**	(2,068,656)
Adjustments for:		
— Depreciation of property, plant and equipment and investment properties *(Notes 7)*	**14,711**	11,777
— Amortisation/depreciation of intangible assets and right-of-use assets *(Note 7)*	**12,775**	7,701
— Losses on disposal of property, plant and equipment *(Note 10)*	**218**	379
— Share-based compensation expenses *(Note 25)*	**30,934**	36,658
— Fair value change on financial instruments issued to investors *(Note 26)*	**—**	1,675,526
— Gain from financial assets at fair value through profit or loss	**(680)**	(3,698)
— Finance (income)/costs – net	**(21,639)**	14,921
— Net exchange differences	**42,905**	194,994
	(494,992)	(130,398)
Changes in working capital:		
— Increase in inventories	**(40,822)**	(14,122)
— Increase in prepayments and other receivables	**(22,619)**	(35,145)
— Increase/(Decrease) in trade and other payables	**79,356**	(10,423)
— Decrease in deferred income	**(1,910)**	(307)
	(14,005)	(59,997)
Cash used in operations	**(480,987)**	(190,395)

(b) Non-cash investing and financing activities

During the year ended 31 December 2020, all Preferred Shares were converted into ordinary shares upon the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. For details, please refer to Note 26. This transaction did not affect the Group's cash flows.

30 CASH USED IN OPERATIONS (CONT'D)

(c) Changes in liabilities from financing activities

	Short-term Liabilities	Long-term Liabilities		
	Lease Liabilities RMB'000	Lease Liabilities RMB'000	Borrowings from a related party RMB'000	Financial instruments issued to investors RMB'000
At 1 January 2020	1,233	1,129	691	1,362,309
Increase of right of use assets *(Note 14)*	9,990	—	—	—
Cash flows	(3,223)	—	(691)	—
Impact of changes in foreign exchange rate	—	—	—	22,926
Other non-cash movements	1,129	(1,129)	—	(3,060,761)
Changes in fair value	—	—	—	1,675,526
At 31 December 2020	9,129	—	—	—

	Short-term Liabilities	**Long-term Liabilities**		
	Lease Liabilities RMB'000	**Lease Liabilities RMB'000**	**Borrowings from a related party RMB'000**	**Financial instruments issued to investors RMB'000**
At 1 January 2021	**9,129**	**—**	**—**	**—**
Increase of right of use assets *(Note 14)*	**2,486**	**7,472**	**—**	**—**
Cash flows	**(11,460)**	**—**	**—**	**—**
Impact of changes in foreign exchange rate	**—**	**—**	**—**	**—**
Other non-cash movements	**3,390**	**(3,390)**	**—**	**—**
Changes in fair value	**—**	**—**	**—**	**—**
At 31 December 2021	**3,545**	**4,082**	**—**	**—**

31 COMMITMENTS

Capital commitments

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Property, plant and equipment	**181,471**	7,496

32 BALANCE SHEET OF THE COMPANY

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Intangible assets	**70,133**	—
Investments in subsidiaries	**3,147,793**	2,762,665
Total non-current assets	**3,217,926**	2,762,665
Current assets		
Financial assets at fair value through profit or loss	—	3,262
Prepayments and other receivables	**11,861**	5,744
Cash and cash equivalents	**643,688**	561,950
Total current assets	**655,549**	570,956
Total assets	**3,873,475**	3,333,621
EQUITY AND LIABILITIES		
Equity attribute to owners of the Company		
Share capital and share premium	**6,339,597**	5,512,758
Other reserves	**69,390**	54,660
Treasury shares held in the trusts	**(84,549)**	(23,126)
Accumulated losses	**(2,549,262)**	(2,258,512)
Total equity	**3,775,176**	3,285,780
Liabilities		
Current liabilities		
Trade and other payables	**98,299**	47,841
Total liabilities	**98,299**	47,841
Total equity and liabilities	**3,873,475**	3,333,621

The balance sheet of the Company was approved by the Board of Directors on 31 March 2022 and were signed on its behalf.

Yi ZHANG
Chairman, Chief Executive Officer, Executive Director

Hong YE
Board Secretary, Executive Director

32 BALANCE SHEET OF THE COMPANY (CONT'D)

(a) Reserve movement of the Company

	Note	Share capital and share premium RMB'000	Other reserves RMB'000	Treasury shares held in a trust RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2020		79,563	35,549	—	(495,863)	(380,751)
Comprehensive loss:						
Loss for the year		—	—	—	(1,773,586)	(1,773,586)
Total comprehensive loss		—	—	—	(1,773,586)	(1,773,586)
Transactions with owners in their capacity as owners:						
Automatic conversion of Preferred Shares upon global offering	22	3,060,761	(10,937)	—	10,937	3,060,761
Exercise of share options	22	29,604	(5,084)	—	—	24,520
Shares issued upon global offering	22	2,032,011	—	—	—	2,032,011
Exercise of over-allotment option	22	310,913	—	—	—	310,913
Acquisition of shares under restricted share units plan	23	—	—	(24,746)	—	(24,746)
Restricted share units granted under the trust	23,25	(94)	—	1,620	—	1,526
Share-based payments	25	—	35,132	—	—	35,132
Balance at 31 December 2020		5,512,758	54,660	(23,126)	(2,258,512)	3,285,780
Balance at 1 January 2021		5,512,758	54,660	(23,126)	(2,258,512)	3,285,780
Comprehensive loss:						
Loss for the year		—	—	—	(290,750)	(290,750)
Total comprehensive loss		—	—	—	(290,750)	(290,750)
Transactions with owners in their capacity as owners:						
Issuance of ordinary shares	22	810,559	—	—	—	810,559
Exercise of share options	22	17,137	(13,764)	—	—	3,373
Acquisition of shares under the RSU Scheme	23	—	—	(64,720)	—	(64,720)
Restricted share units granted	23,25	(857)	(2,440)	3,297	—	—
Share-based payments	25	—	30,934	—	—	30,934
Balance at 31 December 2021		6,339,597	69,390	(84,549)	(2,549,262)	3,775,176

33 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 years ended 31 December 2021 and 2020 respectively, and balances arising from related party transactions as at 31 December 2021 and 2020 respectively.

(a) Name and relationship with related parties

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

(b) Transactions with related party

(i) Repayment of related party's loan

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Hong YE	—	691

(ii) Repayment of interest on loan from a related party

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Hong YE	—	2,301

(iii) Interest expense

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Hong YE	—	3

(c) Key management compensation

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**12,583**	10,026
Housing fund, medical insurance and other social insurance	**714**	310
Share-based compensation expenses	**9,138**	25,484
	22,435	35,820

34 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended 31 December 2021 (2020: Nil).

35 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 December 2021 and 2020 are set out below:

Company name	Country/place and date of incorporation/ establishment	Issued and paid up capital or registered capital	Effective interests held by the Group % 31 December 2021	31 December 2020	Direct or Indirect	Principle activities	Legal form	Place of operation
Marvel Finder Limited	HK, 25 August 2017	HKD10,000	**100%**	100%	Direct	Holding	Wholly owed foreign enterprise	HK
Peijia Suzhou	PRC, 4 March 2013	RMB2,300,000,000	**100%**	100%	Indirect	Research and development of transcatheter valve therapeutic devices	Wholly owed foreign enterprise	PRC
Peijia Shanghai	PRC, 24 February 2012	RMB15,500,000	**100%**	100%	Indirect	Research and development, manufacturing and sales of transcatheter valve therapeutic devices	Wholly owed domestic enterprise	PRC
Achieva Medical	Cayman Islands, 2 November 2005	USD33,227,887	**100%**	100%	Direct	Holding	Wholly owed foreign enterprise	Cayman Islands
Achieva Medical HK Limited	HK, 25 March 2009	HKD1	**100%**	100%	Indirect	Holding	Wholly owed foreign enterprise	HK
Achieva Medical (Shanghai) Co., Ltd	PRC, 21 March 2006	USD58,680,000	**100%**	100%	Indirect	Research and development, manufacturing and sales of neurointerventional procedural medical devices	Wholly owed foreign enterprise	PRC
Achieva Medical (Suzhou) Co., Ltd.	PRC, 29 November 2016	RMB121,000,000	**100%**	100%	Indirect	Research and development, manufacturing and sales of neurointerventional procedural medical devices	Wholly owed domestic enterprise	PRC
Jiangxi Zhisheng Medical Equipment Co., Ltd.	PRC, 3 April 2018	RMB5,000,000	**100%**	100%	Indirect	Trading	Wholly owed domestic enterprise	PRC
Peijia Medical Holding Limited	Cayman Islands, 20 April 2021	USD4,200,000	**100%**	100%	Indirect	Holding	Wholly owed domestic enterprise	Cayman Islands
Peijia Medical US Limited	US, 26 May 2021	USD23,000,000	**100%**	100%	Indirect	Holding	Wholly owed domestic enterprise	US

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years (note 1) is set out below:

	For the year ended December 31,			
	2021	2020	2019	2018
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Operating Results				
Revenue	**136,534**	38,655	18,699	—
Gross profit	**95,654**	25,223	12,013	—
Operating loss	**(598,801)**	(403,717)	(226,923)	(70,222)
Loss before income tax	**(574,216)**	(2,068,656)	(531,977)	(82,876)
Loss for the year and attributable to owners of the parent company	**(574,216)**	(2,068,656)	(531,977)	(82,625)
Total comprehensive loss for the year and attributable to owners of the parent company	**(574,216)**	(2,068,656)	(516,121)	(78,006)
Loss per share				
Basic and diluted loss per share (in RMB per share)	**(0.86)**	(4.43)	(45.28)	(9.05)

	As at December 31,			
	2021	2020	2019	2018
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Financial Position				
Non-current assets	**737,307**	337,186	321,858	33,368
Current assets	**2,426,361**	2,544,063	557,626	140,996
Total assets	**3,163,668**	2,881,249	879,484	174,364
Non-current liabilities	**25,776**	23,604	1,387,503	224,174
Current liabilities	**118,707**	44,390	50,187	44,527
Total liabilities	**144,483**	67,994	1,437,690	268,701
Total equity	**3,019,185**	2,813,255	(558,206)	(94,337)

Note 1: The Shares of the company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on May 15, 2020.

DEFINITIONS

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

"a research jointly published by Academician Runlin Gao and Professor Zengwu Wang et al."	a research paper named as "Current status and etiology of valvular heart disease in China: a population-based survey" published by Academician Runlin Gao and Professor Zengwu Wang et al. from Fuwai Hospital through BMC Cardiovasc Disord in 2021
"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
"AR"	aortic regurgitation
"AS"	aortic stenosis
"Audit Committee"	the audit committee of the Board
"BD"	business development
"Board of Directors" or "Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, Hong Kong, Macau and Taiwan
"CODM"	chief operating decision-maker
"Company" or "our Company"	Peijia Medical Limited (沛嘉醫療有限公司), an exempt limited liability company incorporated under the laws of the Cayman Islands on May 30, 2012
"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 annual report, refers to TaurusOne®

"DCS"	delivery catheter system, an integral delivery catheter with a tip, a sheath tube, a catheter and a handle system used to deliver and release the PAV to the target position
"Director(s)"	the director(s) of the Company
"Dr. Zhang"	Dr. Yi Zhang, one of our Founders, and our chairman, Chief Executive Officer, an executive Director of our Company and our substantial shareholder upon Listing
"feasibility clinical trial"	a clinical trial of a medical device product designed to preliminarily demonstrate the safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure)
"FIM"	First-in-man, a stage of clinical trial
"Frost & Sullivan"	a research & consulting firm which specialized in producing industry research reports
"Fuwai Hospital"	Fuwai Hospital Chinese Academy of Medical Sciences
"Global Offering"	has the meaning as ascribed to it under the Prospectus
"Group," "our Group," "our," "we," or "us"	our Company and all of its subsidiaries (including but not limited to Achieva), or any one of them as the context may require or, where the context refers to any time prior to its incorporation or the Share Swap, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"ICAD"	intracranial atherosclerotic disease
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of our Company under the Listing Rules
"JenaValve"	JenaValve Technology, Inc., a US-based medical device company
"KOL(s)"	Key Opinion Leader(s), renowned physicians that are able to influence their peers' medical practice
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Date"	the date, Friday, May 15, 2020, on which the Shares were listed and dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"LVOT"	Left ventricular outflow tract
"mechanical thrombectomy"	a type of minimally-invasive therapy in which blood clot is removed from arteries using imaging techniques guiding medical devices through patients' arteries to the blood clot
"mitral valve"	the valve that lets blood flow from one chamber of the heart, the left atrium, to another called the left ventricle
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"MR"	mitral regurgitation
"MS"	mitral stenosis
"Neurointerventional Business"	the business of the Group in research and development of neurointerventional procedural medical devices
"neurointerventional procedural medical devices"	medical devices for treatment of neurovascular diseases using interventional endovascular technique
"neurovascular diseases"	also known as cerebrovascular diseases, including any abnormality of the blood vessels within the brain and spine or abnormality with supplying blood to such areas
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), formerly known as the China Food and Drug Administration or the CFDA
"Nomination Committee"	the nomination committee of the Board
"Over-allotment Option"	has the meaning as ascribed to it under the Prospectus
"PAV"	prosthetic aortic valve, the artificial valve of our TAVR Products
"Peijia Shanghai"	Peijia Medical Technology (Shanghai) Co., Ltd. (沛嘉醫療科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on February 24, 2012, being an indirect wholly-owned subsidiary of our Company

"Peijia Suzhou"	Peijia Medical Technology (Suzhou) Co., Ltd. (沛嘉醫療科技(蘇州)有限公司), a limited liability company incorporated under the laws of PRC on March 4, 2013, being an indirect wholly-owned subsidiary of our Company
"Placee(s)"	any individuals, corporate, institutional or other investor(s) procured by the Placing Agent or their respective agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
"Placing"	the placing of 33,800,000 Placing Shares pursuant to the terms of the Placing Agreement
"Placing Agreement"	the conditional placing agreement entered into between the Company and Morgan Stanley & Co. International plc dated January 22, 2021 in relation to the Placing
"Preferred Shares"	has the meaning as ascribed to it under the Prospectus
"Prospectus"	the prospectus of the Company dated May 5, 2020, in relation to the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit award scheme of the Company conditionally approved and adopted by our Shareholders on April 28, 2020, the principal terms of which are set out in Prospectus
"R&D"	research and development
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on April 28, 2020, a summary of the principal terms of which is set forth in the paragraph headed "Appendix IV — Statutory and General Information — D. Share Incentive Schemes" in the Prospectus
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"sq.m."	square meter, a unit of area
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"TAVR"	transcatheter aortic valve replacement, a catheter-based technique to implant a new aortic valve in an interventional procedure that does not involve open-chest surgery
"TEER"	transcatheter edge-to-edge repair
"TMVR"	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery
"TOP/KA hospitals"	hospitals in China which complete at least 100 (TOP) or 50 (KA) TAVR operations each year
"transcatheter valve therapeutic medical devices"	medical devices for the treatment of valvular heart diseases using cardiovascular interventional technique by implanting a prosthetic valve through an artery
"tricuspid valve"	the valve on the right dorsal side of the mammalian heart, between the right atrium and the right ventricle, the function of which is to prevent back flow of blood from the right ventricle into the right atriums
"TSMVR"	transseptal mitral value replacement
"TTVR"	transcatheter tricuspid valve replacement, a catheterbased technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"valvular heart diseases"	the failure or dysfunction of one or more of the four heart valves, where the valves become too narrow and hardened to open fully, or are unable to close completely
"valvuloplasty"	a procedure using balloons to repair a heart valve with a narrowed opening and to improve blood flow through the valve
"%"	per cent