PEIJIA
沛嘉医疗
PEIJIA MEDICAL

沛嘉醫療有限公司
Peijia Medical Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9996

2022
Annual Report

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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, Transcatheter Mitral Valve and Transcatheter Tricuspid Valve Replacement and Repair product candidates at different stage of development. For our Neurointerventional Business, we have fourteen commercialized products and various 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 (Note 1)
Ms. Hing Ling CHAU (Note 2)

AUTHORIZED REPRESENTATIVES

Ms. Hong YE
Ms. Pui Chun Hannah SUEN (Note 1)
Ms. Hing Ling CHAU (Note 2)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

Notes:

1. Ms. Pui Chun Hannah SUEN has been resigned as company secretary and authorized representative with effect from June 17, 2022.
2. Ms. Hing Ling CHAU has been appointed as company secretary and authorized representative with effect from June 17, 2022.

LEGAL ADVISER

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

COMPLIANCE ADVISER

Maxa Capital Limited

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

9996

COMPANY'S WEBSITE

www.peijiamedical.com

LISTING DATE

May 15, 2020

PRINCIPAL BANKS

Bank of China
Suzhou Industrial Park Branch
8 Suzhou Avenue West
Suzhou Industrial Park
Suzhou City, Jiangsu Province
PRC

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

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

CHAIRMAN'S STATEMENT

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

Dear Shareholders,

Throughout 2022, the healthcare sector in China experienced significant challenges that were deeply felt by every practitioner in the industry. Despite a complex and volatile macroeconomic environment, the employees of Peijia Medical showed incredible resilience by achieving impressive results in R&D, manufacturing and commercialization, and by delivering on the performance guidance the Company had provided at the beginning of last year.

TRANSCATHETER VALVE THERAPEUTIC BUSINESS

Peijia is the third company in the Chinese market to offer transcatheter aortic valve replacement product, yet we still captured unprecedented market share of approximately 14% in 2022, our first full year of commercialization. We placed our products in 195 new hospitals, bringing our total penetration to nearly 300 hospitals. Despite stiff competition and a challenging market environment, our highly professional and exceptionally efficient sales team was able to produce significant growth for the Company. In terms of R&D, we have been investing in the development of our broadest pipeline of valve disease therapies and are pleased that certain core products are gradually entering human trials. In the past year, we successfully launched the multi-center registration clinical trials of the HighLife® Trans-septal Mitral Valve Replacement (TSMVR) system and the GeminiOne® Mitral Valve Transcatheter Edge-to-Edge Repair (TEER) system, and completed the first FIM clinical implantation of the tricuspid valve replacement (TTVR) product, MonarQ™, in Copenhagen, Denmark. Meanwhile, as of the date of the annual report, we have successfully completed the technology transfer of the Trilogy™ Heart Valve System, the world's first CE-approved transfemoral product with dual indications for aortic regurgitation and stenosis, and will soon launch the registration clinical trial in China.

NEUROINTERVENTIONAL BUSINESS

We are pleased to have achieved 51.7% revenue growth in Peijia's Neurointerventional Business despite a challenging market and policy environment. We continued to expand our ischemic portfolio while deepening our presence in the hemorrhagic market. In 2022, the registration applications of our Fastunnel® Delivery Balloon Dilatation Catheter, Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter and Fluxcap® Balloon Guide Catheter were approved by the National Medical Products Administration of the PRC (NMPA). With the commercialization of these four products, we have built a complete pipeline covering all major strokes and cerebrovascular diseases. Additionally, our product and procedure innovations through medical-engineering cooperation (e.g. the "zero exchange" technology of Fastunnel® and BASIS technology which is based on Syphonet®) have established a unique brand identity that is highly recognized by physicians, further driving sustainable growth in our Neurointerventional Business.

2022 marks the third year of Peijia Medical's listing on the Hong Kong Stock Exchange and since our initial listing, the Company has achieved several key milestones in our growth story. Revenue has grown rapidly, from RMB23.9 million in 2019 to RMB250.8 million in 2022; five transcatheter valve therapeutic products and eight neurointerventional products were commercialized since 2019; and our team has expanded from approximately 300 employees at the end of 2019 to 927 employees at the end of 2022. All of these achievements are directly linked to the support we have received from the capital markets and our committed shareholders. Peijia's management team will continue to utilize all available resources to accelerate the company's growth and fulfill the original intention and spirit of the Stock Exchange to allow pre-revenue biotech companies to list under Chapter 18A.

In 2023, our new headquarters in Suzhou Industrial Park will be completed and will open for operation as the company embarks on substantial initiatives in R&D, manufacturing, commercialization and globalization. Looking ahead, Peijia Medical will continue to focus on R&D and strive to meet the large unmet needs of patients in China with innovative, safe and effective products. Additionally, we will further enhance our competitive advantages, gain a larger market share, and ultimately deliver even more shareholder value. In the future, we plan to leverage our innovative technology and independent patents to launch a globalization strategy and develop a differentiated path for each core product that has the potential to compete on a global stage. We hope that through the persistent efforts of all Peijia employees and a renewed commitment to investments in research and development, Peijia Medical will become a global medical device company.

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, 2022 and 2021:

	For the year ended December 31, 2022 (RMB'000)	2021 (RMB'000)	changes (RMB'000)	%
Operating Results				
Revenue	**250,833**	136,534	114,299	83.7%
Gross profit	**176,201**	95,654	80,547	84.2%
Operating loss	**(442,548)**	(598,801)	156,253	(26.1%)
Loss before income tax	**(398,235)**	(574,216)	175,981	(30.6%)
Loss for the year and attributable to owners of the parent company	**(407,809)**	(574,216)	166,407	(29.0%)
Total comprehensive loss for the year and attributable to owners of the parent company	**(407,809)**	(574,216)	166,407	(29.0%)
Research and development expenses	**(373,127)**	(445,879)	72,752	(16.3%)
Including: One-time BD expenses*	**(226,111)**	(314,575)	88,464	(28.1%)
Loss per share				
Basic and diluted loss per share (RMB)	**(0.61)**	(0.86)	0.25	(29.1%)

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

	As at December 31, 2022 (RMB'000)	2021 (RMB'000)	changes (RMB'000)	%
Financial Position				
Non-current assets	**1,309,026**	737,307	571,719	77.5%
Cash and cash equivalents	**1,669,665**	2,296,112	(626,447)	(27.3%)
Other current assets	**337,783**	130,249	207,534	159.3%
Total assets	**3,316,474**	3,163,668	152,806	4.8%
Non-current liabilities	**100,836**	25,776	75,060	291.2%
Current liabilities	**578,023**	118,707	459,316	386.9%
Total liabilities	**678,859**	144,483	534,376	369.9%
Total equity/(deficit)	**2,637,615**	3,019,185	(381,570)	(12.6%)

BUSINESS HIGHLIGHTS

1. **THE TRANSCATHETER VALVE THERAPEUTIC BUSINESS HAS EXPERIENCED MEANINGFUL ACCELERATION AS A RESULT OF OUTSTANDING PRODUCT PERFORMANCE AND PROFESSIONAL MARKET EDUCATION AND PROMOTION. WE HAVE SEEN AN INCREASE IN ADOPTION RATE IN NEW HOSPITALS AND UTILIZATION RATE IN ADOPTED HOSPITALS OF OUR PRODUCTS THROUGHOUT THE YEAR.**

   We have consistently met our guidance in 2022 and have made significant progress with product adoption in hospitals. As of December 31, 2022, our products have been placed in 290 hospitals, representing an increase of 195 hospitals as compared to the year end of December 31, 2021.

   Although the overall market has been affected by the COVID-19 pandemic, the sales and implantation of our TaurusOne® and TaurusElite® products have made steady progress, repeatedly setting new monthly highs in implantation volume. For the Reporting Period, the revenue of the Transcatheter Valve Therapeutic Business increased by 155.9% as compared to the same period of 2021, and the total implantation volume for the year is around four times of 2021.

   The Transcatheter Valve Therapeutic Business has progressed rapidly since its commercial launch, as a result of our cross functional teams comprised of marketing, sales and medical professionals. The well rounded support includes academic promotion, collaboration on new technologies, patient identification, physician training, preoperative, intraoperative and postoperative clinical support and diligent sales service. The product adoption by new hospitals and the utilization rate in the adopted hospitals, especially in core hospitals, continued rising. The rapid advancement of commercialization has laid a solid cash foundation for the long-term development of the Company.

2. **WITH THE SUCCESSIVE LAUNCH OF FOUR ISCHEMIC PRODUCTS IN OUR NEUROINTERVENTIONAL BUSINESS IN 2022, THE ISCHEMIC PRODUCT PORTFOLIO IS WELL ESTABLISHED FOR MARKET ADOPTION. THE CONTINUOUS DEVELOPMENT OF THE ISCHEMIC PRODUCT LINE, COUPLED WITH THE FIRST MOVER ADVANTAGE OF OUR HEMORRHAGIC PRODUCT LINE, ENABLE US TO FURTHER DIVERSIFY THE REVENUE COMPOSITION OF THE NEUROINTERVENTIONAL BUSINESS.**

   During the Reporting Period, the registration applications of four of our products have been approved by the NMPA, namely, Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter, Fastunnel® Delivery Balloon Dilatation Catheter and Fluxcap® Balloon Guide Catheter. The product portfolio of our ischemic product line has been preliminarily established, with all major devices readily in place.

   The newly approved Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter and Fluxcap® Balloon Guide Catheter, together with the existing products including Tethys® Intermediate Catheter and Presgo® Microcatheter, form a complete solution for AIS patients. The unique "zero exchange" technology of Fastunnel® Delivery Balloon Dilatation Catheter is poised to disrupt the standard of care in ICAD treatment. Together with SacSpeed® Balloon Dilatation Catheter, we aim to provide better treatment solutions to more patients with ICAD.

In 2022, we continued increasing sales and capturing market share in the sizable hemorrhagic market. As a result of our continued efforts in product upgrades and long-established sales relationships, the revenue generated from the Neurointerventional Business for the Reporting Period increased by 51.7% as compared to the same period of 2021. Our revenue from hemorrhagic products, ischemic products and vascular access products accounted for 39.4%, 27.6% and 32.9% of the revenue from the Neurointerventional Business, respectively. With increasing sales from hemorrhagic products and upcoming commercialization of recently approved ischemic products, the revenue composition of our Neurointerventional Business will further diversify. This will not only create stability for the Company in this market, but also enhance the attractiveness and synergy of our product portfolio among physicians and distributors.

3. PIONEERING IN THE NEXT-GENERATION TECHNOLOGIES OF TRANSCATHETER VALVE THERAPIES, WE HAVE DEVELOPED A COMPETITIVE AND COMPREHENSIVE PIPELINE WITH INNOVATIVE TECHNOLOGIES TO MEET LARGE UNMET NEEDS IN THE MARKET. MAJOR PRODUCT CANDIDATES OF THE TRANSCATHETER VALVE THERAPEUTIC BUSINESS ARE PROGRESSED TO HUMAN TRIAL STAGE. THE NEUROINTERVENTIONAL BUSINESS FOCUSES ON INNOVATIVE PRODUCTS SUITABLE FOR CHINESE PATIENTS AND PHYSICIANS, THROUGH THE COOPERATION BETWEEN MEDICAL AND ENGINEERING PROFESSIONALS.

We have developed a strong product pipeline in the Transcatheter Valve Therapeutic Business with a wide range of innovative product candidates through external acquisitions and internal development. During the Reporting Period, we facilitated the technology transfer of Trilogy™ Heart Valve System, successfully launched the registration clinical trial of HighLife® TSMVR system and GeminiOne® TEER system and completed the first human implant of MonarQ™ TTVR system in Denmark.

1) As of the date of this report, Trilogy™ Heart Valve System of JenaValve Technology Inc. ("**JenaValve**") is the first and the only transfemoral aortic valve replacement device of its kind to receive CE Mark approval for the treatment of symptomatic severe AR or symptomatic severe AS. We entered into a series of agreements with JenaValve in December 2021, for an exclusive license regarding Trilogy™ Heart Valve System in the Greater China region. The transaction will enable us to have the most comprehensive TAVR pipeline covering major aortic valve diseases, as compared to other players in China. As of the date of this report, the technology transfer of the product has been completed. We plan to launch the registration clinical trial in 2023. Since the product has obtained CE Mark, we are preparing the implantation of Trilogy™ in Hong Kong and Macau or the rest of the Greater Bay Area within the Greater China region.

2) HighLife® TSMVR system is a leading product candidate in the field of mitral valve replacement in terms of product design and clinical progress in the world. HighLife® TSMVR system adopted the unique "Valve-in-Ring" concept, allowing the system to self-center and self-align. We entered into an exclusive license agreement with HighLife SAS ("**HighLife**") in 2020 and completed the technology transfer in 2021. We completed the first patient enrollment of HighLife® multi-center registration clinical trial successfully in November 2022.

3) 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 locking and unlocking during the procedure, as well as multi-angular detachment that copes with a wider range of anatomy. We completed the first patient enrollment of GeminiOne® multi-center registration clinical trial successfully in November 2022.

4) MonarQ™ TTVR system developed by inQB8 Medical Technologies, LLC ("**inQB8**") is one of the most important product candidates for the Company, being an innovative option for treating TR. The Company entered into a strategic partnership with inQB8 and agreed to acquire the MonarQ TTVR technology, which inQB8 continues to develop on the Company's behalf. The Company owns the global right of the MonarQ TTVR technology and the product developed on the basis of it. We completed the first patient implant of the FIM clinical trial in Denmark in November 2022.

The registration applications of four ischemic products in our Neurointerventional Business were approved by the NMPA during the Reporting period, which enables us to provide one-stop treatment solutions for ICAD and AIS patients:

1) Fastunnel® Delivery Balloon Dilatation Catheter is the first medical device in China which can realize balloon dilatation and stent delivery in one device. The innovative design can reduce the number of device exchanges as required in a traditional ICAD procedure, shorten procedure time and improve the safety of the procedure.

2) Syphonet® Stent Retriever is an internally developed product based on clinical feedback. The product has various specifications, all compatible with 0.017-inch microcatheter. The stent is designed with optimized radial force to maintain the integrity of the lumen, even in tortuous vessels, ensuring a smooth procedure. The product's unique design features a capture basket at the distal end, which can effectively prevent the thrombus fragments from dislodging into the blood stream, thereby improving the removal of the thrombus. Radiopaque wires in the stent and a radiopaque marker on the distal end allow for visualization of the entire retriever, enabling better visual guidance for physicians. The development of Syphonet® Stent Retriever also leads to the development of BASIS (Balloon AngioplaSty with the distal protection of Stent retriever) technology. This innovative technology, with Syphonet® Stent Retriever as the core and the combination of balloon dilatation catheter and intermediate catheter, provides a safe and effective treatment option for patients with ICAS-LVO type of stroke.

3) Tethys AS® Aspiration Catheter is indicated for thrombus aspiration, featuring large lumen, increased deliverability and high compressive strength. The 0.071-inch large lumen of Tethys AS® largely increases the aspiration force, which can significantly shorten the procedure time. It features a 20cm soft segment at the distal end, which better conforms to the vessels and largely enhances its deliverability to the distal vessels. The device utilizes a double-layer design with outer braids and inner coils, which enables high compressive strength and helps maintain lumen integrity.

4) Fluxcap® Balloon Guide Catheter is an optimized product that was developed based on clinical feedback. Featuring 0.087-inch large lumen, the catheter is compatible with all 6F intermediate catheters or aspiration catheters on the market, as well as 8F introducer sheaths. The product addresses the challenge of poor compatibility of balloon guide catheters on the market and can significantly reduce the occurrence of vascular injury.

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

Main accomplishments include:

1) Expansion of production capacity and improvement of productivity to support business growth;

2) Introduction and verification of additional key raw material suppliers to enhance the supply chain security;

3) Optimization of the in-house manufacturing process of self-produced raw materials, focusing on mass production and product yield. In this way, we can ensure the stability of our raw material supply chain while keeping overall cost in check;

4) Automation and optimization of our manufacturing process. We have lowered our production cost with improved operating efficiency, increased product yield and reduced waste; and

5) Continuous investment in personnel training, including mentoring programs, to shorten the learning curve of employees.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

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

Products and Pipeline

During the Reporting Period, we obtained registration approvals from the NMPA for four neurointerventional products, namely, Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter, Fastunnel® Delivery Balloon Dilatation Catheter (formerly named as Neway Balloon Microcatheter) and Fluxcap® Balloon Guide Catheter.

As of the date of this report, for our Transcatheter Valve Therapeutic Business, we had five registered products and nine product candidates at various development stages. For our Neurointerventional Business, we had fourteen registered products and seven product candidates at various development stages. The following chart summarizes the development status of our product portfolio as of December 31, 2022:

I. BUSINESS REVIEW (CONT'D)

		Products / Product Candidate	Pre-Clinical / Clinical / Registration / Commercialization
Transcatheter Valve Therapeutic	TAVR(r) *(AS)*	TaurusOne® TAVR System	NMPA Approval
		TaurusElite® Retrievable TAVR System	NMPA Approval
		TaurusNXT® "Non-glutaraldehyde Crosslinking" Dry-tissue TAVR System	Multi-center Registration Clinical Trial
		TaurusWave® Lithotripsy Valvuloplasty System	FIM Clinical Trial
		TaurusApex® Polymer Leaflets TAVR System	Animal Studies
	TAVR *(AR)*	TaurusTrio™ TAVR System *(Licensed-in Trilogy™ TAVR System)*	Technology Transfer
		Trilogy™ TAVR System *(Licensed-in)*	Implantation Preparation (HK & Macau or the rest of the Greater Bay Area within the Greater China region); CE Mark
	TMVR(r)	HighLife® TSMVR System *(Licensed-in)*	Multi-center Registration Clinical Trial
		Sutra TMV Coaptation Augmentation System	Animal Studies
		GeminiOne® TEER System	Multi-center Registration Clinical Trial
	TTVR(r)	MonarQ™ TTVR System *(Global IP)*	FIM Clinical Trial
		GeminiOne® TEER System	Preparing for FIM Clinical Trial
	Platform Technologies	*Non-glutaraldehyde Crosslinked* Dry-tissue Technology (Utilized in TaurusNXT®)	Multi-center Registration Clinical Trial
		Lithotripsy Valvuloplasty Technology (Utilized in TaurusWave®)	FIM Clinical Trial
		Polymeric Trileaflet (Utilized in TaurusApex®)	Animal Studies
	Procedural Accessories	TaurusAtlas® Transfemoral Balloon Catheter ▲	NMPA Approval
		TaurusNavi® Introducer Sheath ▲	NMPA Approval
		TaurusExplora® Pre-shaped Guidewire ▲	NMPA Approval
Neurointerventional	Hemorrhagic	Jasper® Detachable Coil	NMPA Approval, CE Mark, Registered in Brazil, Indonesia, and Ecuador
		Presgo® Detachable Coil	NMPA Approval; CE Mark; Registered in Brazil
		Jasper® SS Detachable Coil	NMPA Approval
		Detachable Coil (Thermal Detachment)	Submitted Application for NMPA Registration Approval
		Intracranial Adjunctive Stent	Design Stage
		Delivery Occlusion Balloon Catheter	Initiation
	Ischemic *(AIS)*	Fluxcap® Balloon Guide Catheter ▲	NMPA Approval
		Tethys AS® Aspiration Catheter	NMPA Approval
		Aspiration Catheter (Larger Lumen)	Design Stage
		Syphonet® Stent Retriever	NMPA Approval
	Ischemic *(ICAD)*	Fastunnel® Delivery Balloon Dilatation Catheter ▲	NMPA Approval
		SacSpeed® Balloon Dilatation Catheter	NMPA Approval
		NeuroStellar® Intracranial Stent	Registration Clinical Trial
	Vascular Access & Other	Presgo® Microcatheter ▲	NMPA Approval; Registered in Brazil
		Microcatheter (Next Generation) ▲	Design Stage
		Presgo® Micro Guidewire ▲	NMPA Approval; CE Mark; Registered in Brazil
		Micro Guidewire (Next Generation) ▲	Submitted Application for NMPA Registration Approval
		Heralder® Guide Catheter ▲	NMPA Approval
		Heralder® DA Distal Access Guide Catheter ▲	NMPA Approval
		Tethys® Intermediate Catheter ▲	NMPA Approval
		Jasper® Power Supply	NMPA Approval

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

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, 2022, our revenue generated from the sales of transcatheter valve therapeutic products amounted to RMB107.3 million, representing an increase of 155.9% from RMB41.9 million recorded during the year ended December 31, 2021.

TAV Replacement and Repair Products and Product Candidates

TaurusOne® — First-Generation TAVR System

TaurusOne® is our internally developed first-generation TAVR product, and is designed to treat severe calcific aortic stenosis using catheter-based approach. The product consists of a PAV, a delivery catheter system and a loading system. The PAV includes bovine pericardial leaflets, a nitinol frame, and a sealing skirt to prevent paravalvular leakage. Compared to porcine pericardial leaflets, bovine pericardial leaflets are generally more durable and perform better in terms of hemodynamic profile. The clinical trial of TaurusOne® was the first ever TAVR product registration clinical trial completed entirely by Chinese physicians. It is also the first domestic TAVR product whose clinical results were published in the top quartile research journal. We received the NMPA approval for the registration application of TaurusOne® in April 2021 and commercialized the product in May 2021.

TaurusElite® — Second-Generation Retrievable TAVR System

TaurusElite® is our internally developed second-generation retrievable TAVR product. TaurusElite® has a valve design similar to that of TaurusOne® but features a key upgrade to its delivery catheter system — allowing physicians to retrieve and reposition the PAV during placement, addressing one of the key challenges. This also improves the success rate of TAVR procedures and the long-term benefits to patients, which will ultimately promote wider clinical adoption. Furthermore, the design consists of inner and outer tubes that further enhance the pushability and flexibility of the delivery catheter system, and effectively deal with the challenges posed by the complex anatomy of the aortic arch and horizontal aorta. The TaurusElite® delivery catheter system is also available in an inline sheath model to meet the diverse needs of doctors and treat patients with complicated vascular anatomy.

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

In addition to the products mentioned above, we also received the NMPA approvals for the registration application of a number of procedural accessories in 2021, including TaurusAtlas® Transfemoral Balloon Catheter, TaurusNavi® Introducer Sheath and TaurusExplora® Pre-shaped Guidewire. These are important accessories to help physicians perform the TAVR procedures using Taurus-series products.

I. BUSINESS REVIEW (CONT'D)

TAV Replacement and Repair Products and Product Candidates (cont'd)

TaurusElite® — Second-Generation Retrievable TAVR System (cont'd)

We have successfully achieved commercial implantation of our TAVR products in 290 hospitals as of December 31, 2022, benefiting from the increasing number of experienced physicians and hospitals, the positive user experience of our products, and our dedicated marketing and sales capabilities for TAVR products. For the Reporting Period, the sales from TaurusElite® comprised the majority of our sales in the Transcatheter Valve Therapeutic Business.

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

TaurusNXT® is our internally developed third-generation TAVR system, and has significantly different tissue and structure from TaurusOne® and TaurusElite®. TaurusNXT® incorporates our patented non-glutaraldehyde bio-tissue crosslinking technology that removes the main source of valve calcification, the primary cause of prosthetic valve degeneration. The technology is expected to greatly enhance the durability and biocompatibility of the PAV. Additionally, compared to the traditional dry tissue technology using glycerin, TaurusNXT® utilizes an ultra-low temperature vacuum freeze-drying technology to maintain the physical integrity of the valve tissue while allowing the PAV to be pre-loaded onto the delivery catheter system. The delivery catheter system of TaurusNXT® is both retrievable and steerable, making it much easier for physicians to guide the PAV to its target position, thereby further improving the safety of the procedure. The first patient implant of TaurusNXT® was completed in September 2021. As of the date of this report, we are carrying out the multi-center registration clinical trial for TaurusNXT®.

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

TaurusApex® — Polymeric Trileaflet TAVR System

TaurusApex® is our internally developed fourth-generation TAVR system featuring the polymeric trileaflet instead of biological tissue. By replacing bio-materials with high strength, stable and soft polymer materials, we are able to further improve durability and biocompatibility of the prosthetic valves. The leaflets of TaurusApex® adopt the multi-layer bionic composite braided structure which better mimics the features and hemodynamic performance of human's native valves. Polymeric trileaflet excels biological tissue in durability, tear resistance and wear resistance. As of the date of this report, we are conducting animal studies and associated long-term follow-up evaluation on TaurusApex®, with promising results.

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

TaurusWave® — Lithotripsy Valvuloplasty System

Our TaurusWave® Lithotripsy Valvuloplasty system applies shockwave technology to remodel calcification on the valves. After the treatment, the mobility of the native valve is improved, leading to better hemodynamic performance. The system can be used as a stand-alone 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. As of the date of this report, we are proceeding with FIM clinical trial for this product.

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

I. BUSINESS REVIEW (CONT'D)

TAV Replacement and Repair Products and Product Candidates (cont'd)

TaurusTrio™ TAVR System — Licensed-in Trilogy™ TAVR Product for AR Indication

We entered into a collaboration and license agreement, a service agreement and a stock purchase agreement with JenaValve, a U.S.-based medical device company, in December 2021. Pursuant to these agreements, JenaValve has granted us an exclusive license for Trilogy™ Heart Valve System in the treatment of symptomatic severe AR or symptomatic severe AS. We are entitled to develop, manufacture, and commercialize the product in the Greater China region, and JenaValve agreed to provide services, allowing us to leverage the value of the product within the region. For further details, please refer to our announcement dated January 14, 2022.

As of the date of this report, JenaValve Trilogy™ system is the only commercial transfemoral TAVR system (CE Mark) with both AR and AS indications globally. The system's proprietary locator can not only anchor without calcification but also ensure valve commissure alignment. Its design, which includes supra-annular prosthesis and large-open cells, also benefits long-term hemodynamic and future percutaneous coronary intervention (PCI). Its valve inflow end is designed with 24 high-density mesh holes to provide annular compliance and sealing.

As of the date of this report, the technology transfer has been completed. We are preparing the roll out of Trilogy™ in Hong Kong and Macau or the rest of the Greater Bay Area within the Greater China region and the registration clinical trials in the mainland China.

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

TMV Replacement and Repair Product Candidates

HighLife® — Licensed-in TSMVR Product

In December 2020, 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 MR. 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 Inc, a TAVR company 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 self-center and self-align. This system separates the valve from its anchoring ring and delivers the two components through the femoral artery and femoral vein, respectively, through a simple three-step procedure. The 2-component design designed for mitral valve anatomy helps to mitigate the risk of paravalvular leakage and effectively reduces catheter size. The procedure can be successfully completed using teleproctoring support. The learning curve is relatively short, evidenced by significant reduction of procedure time by the same physician.

As of the date of this report, the multi-center registration clinical trial of the product is underway, with the first patient enrollment having been successfully completed in November 2022.

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

I. BUSINESS REVIEW (CONT'D)

TMV Replacement and Repair Product Candidates (cont'd)

GeminiOne® — TEER System

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

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

As of the date of this report, the multi-center registration clinical trial of the product to treat moderate to severe or severe degenerative MR is underway, with the first patient enrollment having been successfully completed in November 2022.

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

Sutra Hemi Valve — TMV Coaptation Augmentation System

In April 2021, we entered into a stock purchase agreement with Sutra Medical Inc. ("**Sutra**"), a U.S.-based medical device company that designs and develops transcatheter solutions to treat valvular heart diseases. Sutra's key product candidate, Sutra Hemi Valve, is a transcatheter mitral valve therapeutic device that adopts a hybrid approach between valve replacement and repair technology. The device is designed to treat MR using a coaptation augmentation technology that targets only the posterior mitral valve leaflet. As of the date of this report, Sutra Hemi Valve is in the animal studies stage.

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

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, a U.S.-based medical technology incubator, in May 2021, to explore innovative solutions for treating structural heart diseases. The transaction includes our acquisition of a TTVR technology, namely MonarQ™, from inQB8, and for which inQB8 will continue to develop the device in partnership with us.

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

I. BUSINESS REVIEW (CONT'D)

TMV Replacement and Repair Product Candidates (cont'd)

MonarQ™ — Acquired TTVR Product (cont'd)

As of the date of this report, the FIM clinical trial of the product is underway, with the first patient implant having been successfully completed in November 2022.

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

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

Platform Technologies

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

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

Lithotripsy Valvuloplasty Technology, currently utilized in the TaurusWave® system, is a non-implant solution to treat AS by remodeling the severe calcification. We are currently carrying out an 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, 2022, our revenue generated from the sales of neurointerventional products amounted to RMB143.5 million, representing an increase of 51.7% from approximately RMB94.6 million recorded during the year ended December 31, 2021.

Hemorrhagic Products and Product Candidates

For the year ended December 31, 2022, we generated a total revenue of RMB56.5 million from hemorrhagic products, representing an increase of 10.2% from approximately RMB51.3 million for the year ended December 31, 2021 and accounting for 39.4% of the total revenue of the Neurointerventional Business.

Detachable Coils: we have three registered detachable coil products with different detachment methods, namely, Jasper® Detachable Coil, Presgo® Detachable Coil and Jasper® SS Detachable Coils. We received the NMPA approval for the registration application of Jasper® SS Detachable Coil, our latest generation detachable coil, in June 2021. The detachment process of Jasper® SS Detachable Coil is the same as that of the previous generation, Jasper® Detachable Coil, whereas Jasper® SS Detachable Coil is much softer in order to address specific clinical needs during the fill and finish processes of a cerebral aneurysm endovascular coiling procedure.

We are also in the process of developing a coil product that can be thermally detached. The coil is designed for framing, filling and finishing. It is a significant addition to our existing product offering of embolization coils, providing an alternative detachment method to physicians. As of the date of this report, the registration application of this coil is pending for approval by the NMPA.

I. BUSINESS REVIEW (CONT'D)

Hemorrhagic Products and Product Candidates (cont'd)

Intracranial Adjunctive Stent: Intracranial Adjunctive Stent is indicated for use with neurovascular embolization coils in the endovascular treatment of intracranial aneurysms. Stent-assisted coil embolization allows endovascular treatment of complex shaped and wide necked intracranial aneurysms. As of the date of this report, the product is in the design stage.

Delivery Occlusion Balloon Catheter: Balloon-assisted coil embolization is a technique involving the intra-procedural remodeling of the aneurysm neck, through the inflation of balloon. By ensuring the framing stability and even distribution of the coils, packing density can be largely improved with proper remodeling of the aneurysm neck, thus reducing the chances of endovascular stent implantation. In addition, if the aneurysm neck requires permanent support after the coil embolization procedure, the endovascular stent can be delivered directly through the inner lumen of the catheter. The catheter provides an alternative treatment solution to physicians while simplifying the procedure.

Ischemic Products and Product Candidates

For the year ended December 31, 2022, we generated a total revenue of RMB39.5 million from ischemic products, representing an increase of 103.1% from approximately RMB19.5 million for the year ended December 31, 2021 and accounting for 27.6% of the total revenue of the Neurointerventional Business.

Products Designed for Treating AIS

Syphonet® Stent Retriever (formerly named as Shenyi® in English): Syphonet® Stent Retriever is a significant product designed for removing thrombus in intracranial vessels in a mechanical thrombectomy procedure for patients with AIS. The product's unique design features a capture basket at the distal end, which can effectively prevent the thrombus debris from dislodging into the blood stream, thereby improving the removal of the thrombus. Additionally, the stent is designed with an optimized radial force to maintain the integrity of the lumen, even in tortuous vessels. Radiopaque wires in the stent and a radiopaque marker on the distal end allow for visualization of the entire retriever, providing physicians with better visual guidance. The Syphonet® Stent Retriever has various specifications, all compatible with 0.017-inch microcatheter. The compatibility will improve the success rate of deployment and reduce procedure time. We received the NMPA approval for the registration application of Syphonet® Stent Retriever in February 2022. As of the date of this report, we have initiated and are continuing facilitating the commercialization of this product.

I. BUSINESS REVIEW (CONT'D)

Ischemic Products and Product Candidates (cont'd)

Products Designed for Treating AIS (cont'd)

Tethys AS® Aspiration Catheter: our Tethys AS® Aspiration Catheter is specially designed for direct aspiration in mechanical thrombectomy. The 0.071-inch large lumen of the product largely increases the aspiration force, which can significantly shorten procedure time. It features a 20cm soft segment at the distal end, which conforms to the tortuous vessels and largely enhances its deliverability to the distal vessels. The optimized design of the transitional structure improves the trackability of the catheter, allowing the device to be delivered to the target vessel more easily. The entire device adopts a double-layer design with outer braids and inner coils, which allows high compressive strength and helps maintain lumen integrity. We received the NMPA approval for the registration application of Tethys AS® Aspiration Catheter in May 2022. As of the date of this report, we have initiated and are continuing facilitating the commercialization of this product.

Fluxcap® Balloon Guide Catheter: Fluxcap® Balloon Guide Catheter has 0.087-inch large lumen and is compatible with 6F intermediate catheters or aspiration catheters. The reinforced layer with transition zones leads to a balance of proximal support and distal flexibility, offering a stable passage for intracranial devices. The 0.75mm non-radiopaque segment at the tip can reduce the blind spots of the physicians and thus, improving the safety of the procedure. The compliant balloon, at its tip, can block proximal flow and effectively prevent the thrombus from dislodging into the distal vessels. We received the NMPA approval for the registration application of Fluxcap® Balloon Guide Catheter in June 2022. As of the date of this report, we have initiated and are continuing facilitating the commercialization of this product.

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

Aspiration Catheter (Larger Lumen): Aspiration Catheter (Larger Lumen) is a product candidate for treating AIS, which is in the design stage. The product features large lumen to improve aspiration capacity and efficiency, with 8F outer diameter and 0.097-inch inner diameter.

Products Designed for Treating ICAD

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

Fastunnel® Delivery Balloon Dilatation Catheter (formerly named as Neway Balloon Microcatheter): Fastunnel® Delivery Balloon Dilatation Catheter is designed for treating ICAD. As the first medical device in China which combines balloon dilatation and stent delivery in one device, its unique "zero exchange" technology redefines ICAD treatment. The product utilizes an integrated design combining the features of both balloon dilatation catheter and microcatheter, which can reduce the number of device exchanges and improve the safety of the procedure. The balloon uses Pebax® semi-compliant materials to achieve steady shape and safe expansion. Meanwhile, the stainless steel structure reinforces the entire device, and thus improves the trackability of the catheter and the deliverability of the intracranial stent system. In addition, the 150cm delivery system is compatible with intermediate catheters length of 135cm and below. We received the NMPA approval for the registration application of Fastunnel® Delivery Balloon Dilatation Catheter in May 2022. As of the date of this report, we have initiated and are continuing facilitating the commercialization of this product.

I. BUSINESS REVIEW (CONT'D)

Ischemic Products and Product Candidates (cont'd)

Products Designed for Treating ICAD (cont'd)

NeuroStella® Intracranial Stent: NeuroStella® Intracranial Stent is designed for treating ICAD. The product is compatible with 0.017-inch microcatheter and is designed with optimized radial force which enables better stent apposition. As of the date of this report, the product is under registration clinical trial stage.

Vascular Access Products and Product Candidates

For the year ended December 31, 2022, we generated a total revenue of RMB47.2 million from vascular access products, representing an increase of 100.4% from approximately RMB23.5 million for the year ended December 31, 2021 and accounting for 32.9% of the total revenue in the Neurointerventional Business.

Tethys® Intermediate Catheter: we received the NMPA approval for the registration application of Tethys® Intermediate Catheter in October 2020. Our Tethys® Intermediate Catheter assists the delivery of diagnostic devices and/or treatment devices to the neurovascular and peripheral vascular system. It is applicable in various procedures, including aneurysm embolization, mechanical thrombectomy and ICAD procedures. The catheter provides strong support and stability for the operation of microcatheters, embolization coils, stent retrievers, and balloon dilatation catheters in distal blood vessels.

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

Other registered vascular access products include Presgo® Microcatheter, Presgo® Micro Guidewire and Heralder® Guide Catheter.

Additional vascular access product candidates include the Micro Guidewire (Next Generation) and the Microcatheter (Next Generation). As of the date of this report, the registration application of the Micro Guidewire (Next Generation) is pending for approval by the NMPA, and the Microcatheter (Next Generation) is in the design stage. The Micro Guidewire (Next Generation) is a newly designed micro guidewire that can be more easily handled by physicians, achieving 1:1 torque ratio. The Microcatheter (Next Generation) utilizes more advanced cutting techniques for better support and pushability, applicable in endovascular procedures for both hemorrhagic and ischemic stokes.

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

Research and Development

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

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

I. BUSINESS REVIEW (CONT'D)

Research and Development (cont'd)

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

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

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

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

Dr. Saibal KAR joined the Company as a consultant in September 2021. He is a world-leading doctor well-known for his research and achievements in the field of structural heart therapies, particularly in mitral repair space. Dr. Saibal KAR also serves as an external consultant for various multinational medical device companies such as Medtronic plc, Boston Scientific Corporation, and Abbott Vascular Inc. He has worked as a principal investigator in several multi-center studies and randomized studies for MitraClip™. Dr. Saibal KAR is currently advising on the R&D of our mitral edge-to-edge therapies.

Dr. Khung Keong YEO joined the Company as a consultant in April 2022. He is the deputy Chief Executive Officer (data science and innovation) and a senior consultant with the Department of Cardiology at the National Heart Center Singapore (NHCS). Dr. YEO currently leads Asia's first MitraClip™ program at NHCS. He is advising the R&D of our mitral and tricuspid edge-to-edge repair therapies.

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

As of December 31, 2022, we had an in-house team of 133 employees dedicated to the research and development of our transcatheter valve therapeutic products and neurointerventional products.

I. BUSINESS REVIEW (CONT'D)

Intellectual Property

As of December 31, 2022, we had a robust intellectual property portfolio, consisting of a total of 101 granted and valid patents and 126 patents under application. Specifically, there are 63 granted and valid patents and 105 patents under application for our Transcatheter Valve Therapeutic Business, and 38 granted and valid patents and 21 patents under application for our Neurointerventional Business.

Manufacturing

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

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

In our Transcatheter Valve Therapeutic Business, we had five registered products as of December 31, 2022. All of them, namely, TaurusOne®, TaurusElite®, our first and second generation TAVR products, TaurusAtlas® Transfemoral Balloon Catheter, TaurusNavi® Introducer Sheath and TaurusExplora® Pre-shaped Guidewire, are manufactured in our Suzhou facility. Our Suzhou facility is also equipped with multiple production lines dedicated to TaurusNXT®, TaurusWave®, HighLife® and other production lines for transcatheter valve therapeutic product candidates.

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

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

We have continuously expanded our production capacity to meet growing market demand. Our new headquarter in Suzhou Industrial Park with a total planned construction area of around 77,600 sq.m. is under construction. Phase I will be ready for production in 2023.

Commercialization

As of December 31, 2022, we had a sales and marketing team of 262 employees, with 185 employees focusing on the sales and marketing of our transcatheter valve therapeutic products and 77 employees focusing on the sales and marketing of neurointerventional products.

I. BUSINESS REVIEW (CONT'D)

Commercialization (cont'd)

For our Transcatheter Valve Therapeutic Business, through well-planned internal training system and rigorous staff development plan, we have built a professional sales and marketing team with leading expertise in academic education and marketing. Our team is comprised of:

- product specialists, who collaborate with the R&D team to align product roadmaps with the lifecycle of our product portfolio to address unmet clinical needs;
- marketing specialists, who promote brand awareness and make connections with KOLs/hospitals, emphasizing on the optimization and iteration of product candidates;
- professional education specialists, who promote brand awareness and make connections with KOLs/hospitals emphasizing on market education;
- clinical support specialists, who provide seamless technical support and intensive involvement to ensure the best patient outcomes; and
- frontline sales, who stay connected with physicians and hospitals to complete sales processes.

In addition to the sales and marketing staff as mentioned above, we also have a team of medical specialists. They are licensed physicians with extensive clinical experience and can provide full medical support for patient evaluation, procedure planning and other clinical needs.

To increase our academic influence in the industry, we have participated in domestic and international academic conferences, as well as branded academic promotion activities organized by relevant associations in the cardiovascular field. We work closely with domestic and foreign experts and scholars, to promote the adoption of TAVR technology and increase regional implantation volume. At the same time, we have created a series of Peijia branded academic programs through Yijia Institute, a professional education platform, and other digital academic media outlets. We use these academic programs to educate physicians about the Taurus-series products and increase product adoption by new and emerging hospitals:

- Yijia Institute is Peijia Medical's professional clinical education and training center that includes both online and offline channels. Yijia Institute was established to facilitate the adoption of TAVR technology through procedure demonstration, academic thematic discussion, case analysis, patient diagnosis and screening and etc.;
- Yijia Institute is equipped with training classrooms, laboratories, operation rooms facilities. The institute can provide professional trainings, imaging trainings, live-streaming of procedures, and other activities. The institute also offers online programs include Round Table Discussions, Cloud Classrooms, Imaging Interpretation Competitions and others to help more physicians to learn and communicate online;
- In June 2022, we launched the WeChat official and video accounts for Yijia Institute. As a professional education platform, the accounts provide educational resources and the latest industry information in transcatheter valve interventions. By combining resources from both theory and practice, the platform benefits the experts and physicians during their use of TAVR technologies. Yijia Institute promotes the digital dissemination of professional education and industry information in transcatheter valve interventions in China, facilitating the further development of the therapy.

I. BUSINESS REVIEW (CONT'D)

Commercialization (cont'd)

Since the launch of these programs, more than 450 experts and physicians have participated in our activities as guest speakers, with more than 50,000 attendees. Through these programs, we have forged long-term ties with leading experts and scholars.

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

As of December 31, 2022, we had TAVR implantations in 290 hospitals, well ahead of schedule. We will continue to strengthen our research cooperation with TOP/KA hospitals and size up the sales team for more coverage and adoption of our TAVR products.

For our Neurointerventional Business, our experienced marketing team has tailored marketing strategies to maximize product visibility and penetration, based on the commercialization stage and design characteristics of each product. We work closely with KOLs and physicians in the industry. In addition to actively participating in academic and industry conferences on neurointerventional therapies, we live-streamed neoruinterventional procedures conducted by physicians from top hospitals, which effectively enhanced our product reputation and brand awareness.

In addition, we have a sales team with strong product knowledge and clinical resources. Our sales team has established extensive relationships with industry experts, physicians and hospitals, and maintained long-term cooperation with experienced distributors. Most of our products are sold directly to hospitals through distributors. We believe that through a single-tier distribution system, we can leverage our distributors' local networks and expertise to reach a wider range of end customers. In return, we can better adapt to changes in end-user demand and be more responsive to clinical feedback. The single-tier distribution system can also enable predictable inventory-levels, reduce channel costs and lower product return rate as compared to multi-tier distribution system.

As of December 31, 2022, we had 205 distributors, covering around 2,000 hospitals in 31 provinces nationwide. We will continue to build our sales team and distributor coverage to serve 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 successive Delta variant and Omicron variant cases in 2021. Despite of the social restrictions imposed, our revenue for the Reporting Period increased by 83.7% to RMB250.8 million from RMB136.5 million for the year ended December 31, 2021. The adverse impact on our product sales, financial condition and results of procedures were limited due to our prompt and proactive actions.

I. BUSINESS REVIEW (CONT'D)

Future Outlook

In the future, we will uphold our corporate vision and continue our commitment to the development and commercialization of interventional solutions for structural heart and neurovascular diseases in China and globally. For our Transcatheter Valve Therapeutic Business, our sales and marketing team will focus on the commercialization of our registered TAVR products, including TaurusOne® and TaurusElite®. In addition, we will continue to actively launch clinical trials for our pre-clinical stage product candidate including TaurusTrio™, TaurusApex® etc., and facilitate the progress of those that are currently in the clinical stage, including TaurusNXT®, HighLife®, GeminiOne® and MonarQ™.

For our Neurointerventional Business, we intend to maintain the sales growth momentum through further penetration of our existing products. We will continue to facilitate the commercialization of the new products approved by the NMPA during the Reporting Period, including Syphonet® Stent Retriever, Tethys AS® Aspiration Catheter, Fastunnel® Delivery Balloon Dilatation Catheter and Fluxcap® Balloon Guide Catheter.

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

II. FINANCIAL REVIEW

Revenue

For the year ended December 31, 2022, our Group's revenue was RMB250.8 million, representing an increase of 83.7% as compared to RMB136.5 million for the year ended December 31, 2021. Revenue from Neurointerventional Business and Transcatheter Valve Therapeutic Business were RMB143.5 million and RMB107.3 million, representing an increase of 51.7% and 155.9% as compared to RMB94.6 million and RMB41.9 million for the year ended December 31, 2021, respectively.

The increase in revenue was primarily attributable to: (i) commercialization of the second generation retrievable TAVR product TaurusElite®, of which the revenue increased by RMB57.7 million; (ii) increase in sales volume of Tethys® Intermediate Catheter, of which the revenue increased by RMB22.7 million; and (iii) increase in sales volume of Jasper® SS Detachable Coil, of which the revenue increased by RMB19.5 million.

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

	Year ended December 31,			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Hemorrhagic	**56,521**	**39.4**	51,293	54.2
Ischemic	**39,541**	**27.6**	19,465	20.6
Vascular Access	**47,173**	**32.9**	23,539	24.9
others	**287**	**0.1**	296	0.3
Total	**143,522**	**100.0**	94,593	100.0

Cost of Sales

For the year ended December 31, 2022, our Group's cost of sales was RMB74.6 million, representing an increase of 82.6% as compared to RMB40.9 million for the year ended December 31, 2021. The increase was primarily attributable to the increase in the material costs, labor costs and overheads as a result of the increased sales volume of the Transcatheter Valve Therapeutic Business and Neurointerventional Business.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, our Group's gross profit increased by 84.2%, from RMB95.7 million for the year ended December 31, 2021 to RMB176.2 million for the year ended December 31, 2022, in line with the increase in sales revenue. Gross profit margin is calculated as gross profit divided by revenue and multiplying the result by 100%. Our Group's gross profit margin was 70.2% for the year ended December 31, 2022, as compared to 70.1% for the year ended December 31, 2021.

II. FINANCIAL REVIEW (CONT'D)

Selling and Distribution Expenses

Selling and distribution expenses increased by 159.1% from RMB93.3 million for the year ended December 31, 2021 to RMB241.6 million for the year ended December 31, 2022. Such increase was primarily attributable to (i) promotion for new products; (ii) development for multi-sales channels; (iii) increase in the headcount of sales team to expand the market in Mainland China.

Administrative Expenses

Administrative expenses increased by 7.9% from RMB114.4 million for the year ended December 31, 2021 to RMB123.4 million for the year ended December 31, 2022. The increase was primarily attributable to increase in staff costs.

Research and Development Expenses

Research and development expenses decreased by 16.3% from RMB445.9 million for the year ended December 31, 2021 to RMB373.1 million for the year ended December 31, 2022. Such decrease was primarily attributable to the service expenses paid for the research and development of TSMVR products.

For the year ended December 31, 2022, R&D investment used in Transcatheter Valve Therapeutic Business and Neurointerventional Business amounted to RMB320.6 million and RMB52.5 million, respectively. The following table sets forth the components of research and development expenses for the periods indicated:

	Year ended December 31,			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Service expenses for research and development	**249,859**	**67.0**	340,517	76.4
Employee benefits expenses	**69,649**	**18.7**	60,117	13.5
Raw materials and consumables used	**42,892**	**11.5**	33,731	7.7
Depreciation and amortization	**6,358**	**1.7**	5,253	1.2
Other	**4,369**	**1.1**	6,261	1.3
Total	**373,127**	**100.0**	445,879	100.0

Other Gains/(Losses) — net

Other gains/(losses) — net increased from a net other losses of RMB50.6 million for the year ended December 31, 2021 to a net other gains of RMB106.7 million for the year ended December 31, 2022. The increase was mainly due to the foreign exchange gains.

Finance Income

Finance income increased from RMB24.8 million for the year ended December 31, 2021 to RMB46.6 million for the year ended December 31, 2022. The increase was mainly due to the bank interest income.

II. FINANCIAL REVIEW (CONT'D)

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As at December 31, 2022, the gearing ratio of our Group increased to 25.7% from 4.8% as of December 31, 2021. The increase was primarily attributable to the outstanding milestone payable for certain business development project.

Net Current Assets

As of December 31, 2022, our Group's net current assets were RMB1,429.4 million, as compared with RMB2,307.7 million as of December 31, 2021.

Borrowings

As of December 31, 2022, our Group's total borrowings amounted to RMB126.8 million, consisting of a long-term borrowing of RMB70.8 million which bore an interest rate of 3.8%–3.85% and a short-term borrowing of RMB56.0 million which bore an interest rate of 3.58%. The purpose of the long-term borrowing was for financing the construction of the new headquarter, while the purpose of the short-term borrowing was for purchasing raw materials, paying staff salaries and commencing service outsourcing.

Capital Management

The primary goal of our Group's capital management is to maintain our Group's stability and growth, safeguard its normal operations and maximize Shareholders' value. Our Group reviews and manages its capital structure on a regular basis. Timely adjustments are made in light of changes in operating and market conditions.

Liquidity and Financial Resources

As of December 31, 2022, our Group's total cash, cash equivalents and term deposits amounted to approximately RMB1,839.7 million, representing a decrease of 19.9% as compared to RMB2,296.1 million as of December 31, 2021. Our Group continues to maintain a strong financial position and is confident that it has sufficient funds to meet its daily business operation requirements.

We rely on capital contributions by our Shareholders as the major sources of liquidity. We also generate cash from our sales of existing commercialized products. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing 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, and improving cost control and operating efficiency.

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

Capital Expenditure

For the Reporting Period, our Group's total capital expenditure amounted to approximately RMB202.3 million, which was mainly used in (i) the construction of new headquarter; (ii) equipment procurement; and (iii) technologies.

Significant Investment

Our Group maintained a healthy financial position throughout the Reporting Period. To better develop a competitive and comprehensive pipeline to meet larger unmet market needs, we have engaged in investing in three unlisted equity investments and an unlisted fund investment.

As at December 31, 2022, the balance of non-current financial assets at FVTPL amounted toRMB245.2 million, representing three unlisted equity investments. And the balance of current financial assets at FVTPL amounted to RMB71.6 million, representing the unlisted fund investment.

II. FINANCIAL REVIEW (CONT'D)

Significant Investment (cont'd)

Investment in unlisted equity investments

The unlisted equity investments represented preferred shares of three unlisted entities owned by our Group, the movements of which during the Reporting Period are shown under Note 21 to the consolidated financial statements.

inQB8

inQB8 is a medical device incubator company headquartered in Massachusetts, USA, exploring and developing new solutions for major cardiovascular diseases, including structural heart disease, type A aortic dissection, HFpEF and HFmrEF. As at December 31, 2022, the fair value of the equity interests held by our Group in inQB8 amounted to RMB160.2 million.

InQB8 incubates and proceeds various start-up projects through prototype design, bench testing, and preclinical testing, allowing these early concepts to develop within inQB8 until the project is acquired or grown into an independent cardiovascular company.

At present, inQB8 is in strategic cooperation with our group to develop an innovative product for treating TR, MonarQ™ TTVR system. They have completed first patient implant of the FIM clinical trial in Denmark in November 2022.

Sutra

Sutra is a Delaware company, exploring and developing solutions for treating transcatheter heart disease. As at December 31, 2022, the fair value of the equity interests held by our Group in Sutra amounted to RMB29.3 million.

Sutra's founding team has extensive academic and industry experience. Sutra's key product candidate, Sutra Hemi Valve, is a transcatheter mitral valve therapeutic device that adopts a hybrid approach between valve replacement and repair technology. The device is designed to treat MR using a coaptation augmentation technology that targets only the posterior mitral valve leaflet. Currently, Sutra Hemi Valve is in the animal studies stage.

JenaValve

JenaValve, founded in 2006, focuses on the treatment of AR and AS and aims to develop an innovative transcatheter aortic valve. The company is headquartered in Irvine, California, USA and has manufacturing and assembly bases in Irvine, California, USA and Leeds, UK. As at December 31, 2022, the fair value of the equity interests held by our Group in JenaValve amounted to RMB55.7 million.

The transcardiac TAVI and transcatheter TAVI developed by JenaValve received CE mark approval in 2011 and 2013 for the treatment of AS and AR respectively. Its newly developed Trilogy™ Heart Valve System is the first and the only transfemoral aortic valve replacement device of its kind as of the date of this report to receive CE Mark approval for the treatment of symptomatic severe AR or symptomatic severe AS.

As of the date of this report, the technology transfer has been completed. We are preparing the roll out of Trilogy™ in Hong Kong and Macau or the rest of the Greater Bay Area within the Greater China region and the registration clinical trials in the mainland China.

II. FINANCIAL REVIEW (CONT'D)

Significant Investment (cont'd)

Investment in the fund investment

As at 31 December 2022, the unlisted fund investment represented interest in a private fund issued by a registered fund company, the movements of which during the Reporting Period are shown under Note 21 to the consolidated financial statements. As at December 31, 2022, the fair value of the fund investment amounted to RMB71.6 million.

LFM Oversea Investment Fund SPC — LFM Oversea SP

LFM Oversea Investment Fund SPC (the "**Fund**") is an exempted company incorporated with limited liability under the laws of the Cayman Islands on 5 July, 2018. The Fund is registered as a "segregated portfolio company" with the Registrar of Companies of the Cayman Islands. Shares are offered for sale to investors in LFM Oversea SP, a segregated portfolio of the Fund (the "**Sub-Fund**").

The Sub-Fund is not a separate legal entity. Despite references to the Sub-Fund carrying out certain activities and entering into certain transactions, the Fund is the legal entity doing so for the account of the Sub-Fund. There are no mortgages or charges registered against the Fund as at December 31, 2022.

Contingent Liabilities

As of December 31, 2022, our Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

For the year ended December 31, 2022, our Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Charge on Assets

As of December 31, 2022, a land use right and a building under construction of our Group with carrying amounts of RMB9.6 million and RMB161.5 million respectively have been mortgaged for a long-term bank borrowing.

Foreign Exchange Exposure

Our Group has transactional currency exposures. Certain cash and cash equivalents as well as financial assets at fair value through profit or loss are dominated in foreign currencies and are exposed to foreign currency risk. Our 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Net proceeds from the Global Offering and the Listing on the Listing Date, and the full exercise of the Over-allotment Option, after deduction of the underwriting fees and commissions and expenses of the Company in connection with the Global Offering was approximately HK$2,587.98 million. The Group would apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the Prospectus.

The use of net proceeds from the Global Offering during the period from the Listing Date up to December 31, 2022 and the expected timeline of the unutilized amount as at December 31, 2022 are set out as follows:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK$ million	Unutilized amount as at January 1, 2022 HK$ million	Utilized amount during the year ended December 31, 2022 HK$ million	Unutilized amount as at December 31, 2022 HK$ million	Expected timeline for unutilized amount
Development and commercialization of our Core Product and other major product candidates	65	1,682.18	1,498.85	338.54	1,160.31	Yr2025
Ongoing pre-clinical studies and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our other product candidates in our pipeline	10	258.80	53.66	53.66	0	
Strengthen our research and development capabilities to enrich our product pipeline	8	207.04	167.47	40.07	127.4	Yr2024
Expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities	10	258.80	100.83	100.83	0	
Working capital and other general corporate purposes	7	181.16	53.08	53.08	0	
Total	100	2,587.98	1,873.89	586.18	1,287.71	

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

As at December 31, 2022, net proceeds from the Global Offering not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

USE OF PROCEEDS FROM THE PLACING

On January 22, 2021, the Company entered into the Placing Agreement with Morgan Stanley & Co. International plc, pursuant to which the Company appointed Morgan Stanley & Co. International plc as its placing agent to procure no less than six Placees who are Independent Third Parties to subscribe up to 33,800,000 Placing Shares at the placing price of HK$29.38 per Placing Share in accordance with the terms and conditions of the Placing Agreement. The net placing price per Placing Share after deducting related fees and expenses was approximately HK$28.74 per Share. The Placing Shares had a market value of approximately HK$1,012.31 million based on the closing price of HK$29.95 per Share as of January 21, 2021 and an aggregate nominal value of US$3,380.

The Placing Shares represented approximately 5.3% of the existing issued share capital of the Company as of the Placing Agreement date, and approximately 5.1% of the enlarged issued share capital of the Company immediately following the completion of the Placing.

The Placing was completed on January 29, 2021. An aggregate of 33,800,000 Placing Shares have been successfully placed to no less than six Placees. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placees and their respective ultimate beneficial owners are professional, institutional, or other investors who are Independent Third Parties. The net proceeds from the Placing were approximately HK$971.48 million, of which the intended use was set out in the announcement of the Company dated January 22, 2021. The Placing was being undertaken to strengthen the Group's financial position and for the long term funding of its business, expansion and growth plan. The use of net proceeds from the Placing during the period from the Listing Date up to December 31, 2022 and the expected timeline of the unutilized amount as at December 31, 2022 are set out as follows:

Business objective as stated in the announcement of the Company dated January 22, 2021	Percentage to total amount %	Net proceeds HK$ million	Unutilized amount as at January 1, 2022 HK$ million	Utilized amount during the year ended December 31, 2022 HK$ million	Unutilized amount as at December 31, 2022 HK$ million	Expected timeline for unutilized amount
To fund potential product licensing and possible merger and acquisition opportunities in the area of mitral valve replacement and repair treatment, including a collaboration and license agreement for transeptal mitral valve replacement with HighLife SAS dated December 18, 2020 (for further details, please refer to the voluntary announcement of the Company, published on December 21, 2020)	30	291.44	38.52	13.21	25.31	Yr2025
To fund potential product licensing and possible merger and acquisition opportunities in other areas including tricuspid valve replacement and repair treatment	40	388.59	118.64	0	118.64	Yr2023
To fund ongoing technology transfer, product development, and research and development, across the Group	25	242.87	155.53	0	155.53	Yr2023
For other general corporate purposes	5	48.58	48.58	0	48.58	Yr2023
Total	100	971.48	361.27	13.21	348.06	

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

As of December 31, 2022, 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, 2022, our Group had 927 employees, all of whom were based in China. Our Group's total employee benefits for the Reporting Period were approximately RMB262.0 million, consisted of (i) wages, salaries and bonuses, (ii) social security costs and housing benefits, (iii) employee welfare and (iv) share-based compensation expenses.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant position. We invest in continuing education programs for our management staff and other employees to improve their relevant skills and knowledge. We provide our employees with regular feedback as well as internal and external training in various areas, such as product training, 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, 2022.

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 54, 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 (the company was deregistered in February 2023)	Director	May 2019 to February 2023
	Legal Representative	March 2021 to February 2023
Peijia Medical Holding Limited	Director	April 2021 to present
Peijia Medical US Limited	Director	May 2021 to present
Peijia Haining	Director	March 2022 to present
	Legal Representative	March 2022 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 dilatation 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 55, 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 (the company was deregistered in February 2023)	Director	January 2018 to February 2023

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. 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 51, 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 (the company was deregistered in February 2023)	Director	December 2019 to February 2023
Peijia HK	Director	May 2022 to present
Frontline Navigator Limited	Director	October 2022 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. ZHANG, and the sister-in-law of Dr. ZHANG.

DIRECTORS (CONT'D)

Non-executive Directors

Dr. Zhiyun YU (喻志雲) ("Dr. YU"), aged 44, 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 (the company was deregistered in February 2023)	Director	May 2019 to February 2023

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.

DIRECTORS (CONT'D)

Non-executive Directors (cont'd)

Mr. Jifeng GUAN (關繼峰) ("Mr. GUAN"), aged 53, 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 43, 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 (the company was deregistered in February 2023)	Director	August 2019 to February 2023

Mr. CHEN has over 12 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 42, 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 72, 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 and the CBC Group. Since January 2023, he has served as a strategic advisor to the JP Morgan Life Sciences Capital Fund. 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 to present on Paragon 28, Inc., an orthopedic company in Colorado, United States, listed on the NYSE (stock code: FNA). From January 2020 to present he has served on the advisory board of privately held CeramTec, one of the largest producers in the world of ceramic industrial and medical products. 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 (stock code: 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 57, 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). From 2013 to 2022, Mr. YIP served as an independent non-executive Director at Ploy Culture Group Corporation Limited, a company engaged in auction of art works and management of theaters and cinemas, and listed on the Stock Exchange (stock code: 3636). 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
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 five 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 63, 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 43, 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 64, 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 48, 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 51, 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 49, served as the Vice President of Business Development of our Company since 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)

Hongpeng WANG (王鴻鵬), aged 43, is the Vice President 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 40, is the Vice President of Sales of our Company and joined the Company in 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.

Chen WANG (王晨), aged 48, 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. Hing Ling CHAU (周慶齡), was appointed as the company secretary of our Company on June 17, 2022. Ms. Chau is currently an Executive Director of corporate services of Vistra Corporate Services (HK) Limited. She has over twenty years of experience in the corporate services industry. She is currently the company secretary/joint company secretary of certain listed companies.

Ms. CHAU obtained a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of The Hong Kong Chartered Governance Institute and a fellow member of The Chartered Governance Institute in United Kingdom since May 2013.

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, 2022 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. Wai Ming YIP
Mr. Huacheng WEI

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 36 to 49 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 17a to the consolidated financial statements. An analysis of the Group's revenue and net results for the year ended December 31, 2022 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, 2022, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

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, 2022 are set out in Note 35 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, 2022, 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, 2022, the revenue amounts from the Group's five largest customers accounted for 53.8% (2021: 36.8%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 23.6% (2021: 15.2%) 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, 2022, purchases from the Group's five largest suppliers accounted for approximately 25.6% (2021: 22.5%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2022 accounted for approximately 12.1% (2021: 8.5%) 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, 2022, 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

- 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 five financial years, as extracted from the audited consolidated financial statements, is set out on page 239 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 17a 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, 2022 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, 2022 and details of the Shares issued during the year ended December 31, 2022 are set out in Note 24 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, 2022, the Group made charitable donations of approximately RMB1,395,000 (2021: approximately RMB285,950).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2022 (2020: Nil).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022 (2021: Nil).

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2022 are set out on pages 152 to 238 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2022.

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, 2022. 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, 2022 are set out in the consolidated statement of changes in equity and Note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

During the year ended December 31, 2022, 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, 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 29 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 AND LETTERS OF APPOINTMENT

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 three years commencing from the Listing Date. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT (CONT'D)

Each of the other non-executive Directors, has signed a letter of appointment with the Company. The initial term of their service is for a term of three years commencing from the Listing Date or the date of the letter of appointment (if applicable). The appointments are subject to the provisions of retirement by rotation of Directors under the Articles of Association.

Each of the independent non-executive Directors, has signed a letter of appointment with the Company. The initial term of their service is for a term of three years commencing from the Listing Date or the date of the letter of appointment (if applicable). 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 19 and Note 35 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, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2022, 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, 2022 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, 2022, 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	1.46%
	Trustee (4)	33,233,560	4.91%
	Interest of controlled corporation (5)	90,685,640	13.39%
	Interest held jointly with other persons (6)	20,379,299	3.01%
	Interest of spouse (7)	1,021,500	0.15%
Mrs. Ping Ye ZHANG	Beneficial owner	1,021,500	0.15%
	Trustee (4)	33,233,560	4.91%
	Interest held jointly with other persons (6)	111,064,939	16.40%
	Interest of spouse (7)	9,890,440	1.46%
Ms. Hong YE	Beneficial owner (8)	20,379,299	3.01%
	Interest of controlled corporation (5)	90,794,640	13.40%
	Interest held jointly with other persons (6)	44,145,500	6.52%
Mr. Fei CHEN	Interest of controlled corporation (9)	19,952,740	2.95%
Dr. Stephen Newman OESTERLE	Beneficial owner (10)	153,325	0.02%
Mr. Robert Ralph PARKS	Beneficial owner (11)	156,160	0.02%

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 677,414,028 ordinary shares of the Company in issue as at December 31, 2022.

(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 33,233,560 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 426,000 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 20,379,299 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, 2022, a total of 153,325 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, 2022, a total of 156,160 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, 2022, 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, 2022, 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	2.32%
	Interest held jointly with other persons [5]	139,496,879	20.59%
Hanlindale Trust [3]	Beneficial owner	17,094,000	2.52%
	Interest held jointly with other persons [5]	138,116,439	20.39%
XinYue International Limited [4]	Beneficial owner	90,685,640	13.39%
	Interest held jointly with other persons [5]	64,524,799	9.53%
LAV Aero Limited	Beneficial owner	42,428,460	6.26%
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation [6]	42,428,460	6.26%
LAV GP IV, L.P.	Interest of controlled corporation [6]	42,428,460	6.26%
LAV Corporate IV GP, Ltd.	Interest of controlled corporation [6]	42,428,460	6.26%
Mr. Yi SHI	Interest of controlled corporation [6]	46,845,460	6.92%
HH SUM-XXIV Holdings Limited	Beneficial owner	41,698,980	6.16%
Hillhouse Capital Management, Ltd.	Investment manager [7]	41,698,980	6.16%
Hillhouse Fund IV, L.P.	Interest of controlled corporation [7]	41,698,980	6.16%
Matrix Partners China IV, L.P.	Beneficial owner	36,050,780	5.32%
Matrix China Management IV, L.P.	Interest of controlled corporation [8]	39,655,440	5.86%
Matrix China IV GP GP, Ltd.	Interest of controlled corporation [8]	39,655,440	5.86%
FIL Limited	Interest of controlled corporation [10]	59,677,000	8.81%
Pandanus Partners L.P.	Interest of controlled corporation [10]	59,677,000	8.81%
Pandanus Associates Inc.	Interest of controlled corporation [10]	59,677,000	8.81%
Brown Brothers Harriman & Co.	Agent	33,821,000	4.99%
		33,821,000(P)	4.99%(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 677,414,028 ordinary shares of the Company in issue as at December 31, 2022.

(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, 2022, 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) The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

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

(iii) If the grantee's ceases to be an eligible participant of the Share Option Plan as a result of termination of his relationship with the Group for any reason other than those referred to in (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.

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

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

(b) Establishment of Employee Trust

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants

No option or award under the Share Option Plan has been granted after the Listing Date. As of December 31, 2022, outstanding options to subscribe for an aggregate of 35,228,661 Shares have been granted to a total of 130 eligible participants by the Company under the Share Option Plan. The total number of Shares available for issue under the Share Option Plan as of the date of this annual report is 35,228,661, which represents 5.20% of the issued Shares as of the date of this annual report. The Share Option Plan will expire on December 26, 2029, and the remaining life of the Share Option Plan is approximately 6.8 years as at the date of this annual report.

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

		Number of Shares under outstanding options granted						
Grantee	Position/Relationship	As at January 1, 2022	Granted during the year	Exercised during the year	Lapsed during the year	As at December 31, 2022	Weighted average closing price of Shares immediately before the options were exercised (HK$)	Note(s)
Directors								
Dr. Yi ZHANG	Executive Director; Chairman; Chief Executive Officer	4,657,720	0	0	0	4,657,720	—	1, 2, 3, 4, 5
Hong YE	Executive Director; Board Secretary	5,690,339	0	0	0	5,690,339	—	6, 7, 8, 16
Chief Management								
Leo TSAI	Chief Financial Officer	7,944,340	0	0	0	7,944,340	—	7, 9, 10
Kongrong Karl PAN	Chief Operating Officer	2,225,000	0	0	0	2,225,000	—	11
Jian Fong TAN	Chief Technology Officer	9,626,820	0	5,159,280	0	4,467,540	11.48	7, 12
Other Grantees								
Other option holders including former and current employees and consultants of the Group	Not applicable	12,824,350	0	919,844	1,660,784	10,243,722	6.68	13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26
		42,968,569	0	6,079,124	1,660,784	35,228,661		

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes:

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

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

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

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

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

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

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

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

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

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

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

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

17. For 47 eligible participants, with vesting commencement dates falling on either the December 31 of 2019, 2020, 2021, 2022, or 2023 and in accordance with a vesting schedule for each of the eligible participants, the Shares subject to the corresponding options will be vested at annual intervals, but in any case not later than the fourth anniversary of the vesting commencement date, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, and exercisable at an exercise price of, where applicable, US$0.03 (equivalent to approximately HK$0.23), or US$0.39 (equivalent to approximately HK$3.04), respectively.

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

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

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

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

24. For 11 eligible participants, with vesting commencement date on December 31, 2021 and in accordance with their respective vesting schedules, the Shares subject to the corresponding options will be vested in equal proportions at annual intervals, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, but in any event not later than the fourth anniversary of the vesting commencement date, and are exercisable at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

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

26. For 13 eligible participants, with vesting commencement date on December 27, 2019 and exercisable when a qualified IPO is achieved (which this Offering qualifies for), at an exercise price of US$0.73 (equivalent to approximately HK$5.69).

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

Please refer to Note 27 to the consolidated financial statements for further details.

As of December 31, 2022, no other options have been granted or agreed to be granted by our Company under the Share Option Plan.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme

The Company has conditionally approved and adopted an RSU scheme on April 28, 2020. The principal terms of which are set out in the section headed "D. Share Incentive Schemes — 2. RSU Scheme" in Appendix IV to the Prospectus.

(a) Term

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

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

(b) Purpose

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

(c) Who may join

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

(i) the employees or officers (including executive, non-executive and independent non-executive Directors);

(ii) any person or entity that provides research, development, consultancy and other technical or operational or administrative support to the Group; and

(iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its Subsidiaries.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (CONT'D)

(d) Awards

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

(e) Grant and Acceptance of Awards

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

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

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

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

(f) Vesting

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

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (CONT'D)

(g) Restriction on Grant of Awards

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

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

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

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (CONT'D)

(h) General and Maximum Limit

The maximum number of Shares which may be granted under the RSU Scheme is 6,100,420, representing approximately 0.90% of the number of issued Shares capital of the Company as of December 31, 2022. All of the Shares were held by Trident Trust Company (HK) Limited, a trust established for the administration of the RSU Scheme. No new Shares may be allotted pursuant to the RSU Scheme.

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

In 2022, the summary of the Awards granted to Directors and service providers under the RSU Scheme as of December 31, 2022 are as follows:

						Number of RSUs				
Participant	Date of grant	Number of RSU granted	Vesting period	Closing price of Shares immediately before the date of grant (HK$)	Value of award as at the date of grant[7]	As of January 1, 2022	Vested during the Reporting Period	Cancelled or Lapsed during the Reporting Period[4]	Granted but not vested balance as at December 31, 2022	Weighted average closing price of Shares immediately before the RSUs were vested (HK$)
Directors										
Robert Ralph PARKS	October 30, 2020	2,835	(1)	24.65	US$12,842	1,134	567	—	567	7.34
	September 30, 2020	7,056	(1)	26.85	US$25,000	2,822	1,411	—	1,411	
	December 31, 2020	6,871	(1)	28.35	US$25,000	2,748	1,374	—	1,374	
	March 31, 2021	7,828	(1)	24.7	US$25,000	4,697	1,565	—	3,132	
	June 30, 2021	5,359	(1)	35.9	US$25,000	3,215	1,071	—	2,144	
	September 30, 2021	9,129	(1)	20.05	US$25,000	5,478	1,826	—	3,652	
	December 31, 2021	14,586	(1)	12.54	US$25,000	8,751	2,917	—	5,834	
	April 1, 2022	25,709	(1)	7.1	US$25,000	25,709	10,283	—	15,426	
	June 30, 2022	25,012	(1)	7.69	US$25,000	25,012	10,006	—	15,006	
	September 30, 2022	31,755	(1)	5.85	US$25,000	31,755	12,702	—	19,053	
	December 31, 2022	20,020	(1)	9.56	US$25,000	20,020	8,008	—	12,012	
Stephen Newman OESTERLE	September 30, 2020	7,056	(1)	26.85	US$25,000	2,822	1,411	—	1,411	7.34
	June 30, 2020	2,835	(3)	35.8	US$12,842	—	—	—	—	
	December 31, 2020	6,871	(1)	28.35	US$25,000	2,748	1,374	—	1,374	
	March 31, 2021	7,828	(1)	24.7	US$25,000	4,697	1,565	—	3,132	
	June 30, 2021	5,359	(1)	35.9	US$25,000	3,215	1,071	—	2,144	
	September 30, 2021	9,129	(1)	20.05	US$25,000	5,478	1,826	—	3,652	
	December 31, 2021	14,589	(1)	12.54	US$25,000	8,751	2,917	—	5,834	
	April 1, 2022	25,709	(1)	7.1	US$25,000	25,709	10,283	—	15,426	
	June 30, 2022	25,012	(1)	7.69	US$25,000	25,012	10,006	—	15,006	
	September 30, 2022	31,755	(1)	5.85	US$25,000	31,755	12,702	—	19,053	
	December 31, 2022	20,020	(1)	9.56	US$25,000	20,020	8,008	—	12,012	

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (CONT'D)

(h) General and Maximum Limit (CONT'D)

Participant	Date of grant	Number of RSU granted	Vesting period	Closing price of Shares immediately before the date of grant (HK$)	Value of award as at the date of grant[7]	Number of RSUs: As of January 1, 2022	Number of RSUs: Vested during the Reporting Period	Number of RSUs: Cancelled or Lapsed during the Reporting Period[4]	Number of RSUs: Granted but not vested balance as at December 31, 2022	Weighted average closing price of Shares immediately before the RSUs were vested (HK$)
Service Providers[5][8]										
	June 1, 2020	10,844	[2]	25.35	US$37,500	—	—	—	—	7.25
	September 1, 2020	10,693	[2]	25.8	US$37,500	—	—	—	—	
	December 1, 2020	14,067	[2]	20.6	US$37,500	—	—	—	—	
	March 1, 2021	11,766	[2]	23.8	US$37,500	—	—	—	—	
	June 1, 2021	10,034	[2]	28.95	US$37,500	—	—	—	—	
	September 1, 2021	12,802	[2]	22.85	US$37,500	—	—	—	—	
	October 14, 2021	50,000	[2]	20.6	US$131,213	—	—	—	—	
	December 1, 2021	16,228	[2]	16.78	US$37,500	—	—	—	—	
	March 1, 2022	22,593	[2]	12.3	US$37,500	—	22,593	—	—	
	May 31, 2022	43,283	[2]	6.48	US$37,500	—	43,283	—	—	
	August 31, 2022	46,721	[2]	6.25	US$37,500	—	46,721	—	—	
	December 1, 2022	49,186	[2]	7.73	US$50,000	—	49,186	—	—	
	September 21, 2020	60,133[9]	[10]	28.6	RMB1,500,000	140,520[6]	55,205	—	105,391[6]	

Notes:

1. RSUs were granted on a quarterly basis on March 31, June 30, September 30 and December 31 unless otherwise agreed. 40% of the RSUs granted shall vest immediately upon granting, 20%, 20% and 20% of the RSUs granted shall vest on the first, second and third anniversary of the respective grant dates. The RSUs are granted with the purchase price of zero.

2. The Award vests immediately upon grant. The RSUs are granted with the purchase price of zero.

3. The Award vests immediately upon grant.

4. No RSUs granted to Directors or service providers were cancelled or lapsed during the Reporting Period.

5. One of the service providers is a consultant, who is a former employee of Peijia Medical. He had resigned from Peijia Medical on December 31, 2021 and became a consultant of Peijia Medical immediately upon his resignation. Pursuant to a contract entered into on January 1, 2022 between the Company, Suzhou Peijia, and the consultant, the RSUs held by the consultant continue to remain valid.

6. Number of RSUs under the award as of January 1, 2022 and December 31, 2022 are indicative only, and are based on the exchange rate of HK$1:RMB0.89327 and the closing price of the Shares on December 31, 2022, being HK$9.56 per Shares. The number of RSUs eventually received by the participant may be greater or smaller than the indicated amount, as the number of RSUs to be vested is determined at each vesting date.

7. Awards granted to Directors and service providers were granted with reference to a fixed monetary value. Therefore, no valuation on the fair value of the award as of the date of grant was made on the RSUs granted.

8. No service providers were granted RSUs in any 12-month period exceeding 0.1% of the issued Shares.

9. The award was granted at an absolute monetary value of RMB1,500,000. Number of RSUs under the award is indicative only, and is based on the exchange rate of HK$1:RMB0.87219 and the closing price of the Shares on September 21, 2020, being HK$28.6 per Shares. The number of RSUs eventually received by the participant may be greater or smaller than the indicated amount, as the number of RSUs to be vested is determined at each vesting date.

10. The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of the grant date respectively.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (CONT'D)

(h) General and Maximum Limit

The summary of the Awards granted to employees (excluding Directors) under the RSU Scheme as of December 31, 2022 are as follows:

Date of grant	Monetary value of the Award[1] (RMB)	Vesting Period	Closing price of Shares immediately before the date of grant (HK$)	Indicative number of RSUs under the unvested Award as of January 1, 2022[4]	Monetary value of the unvested Award as of January 1, 2022 (RMB)	Number of RSUs vested during the Reporting Period[17]	Number of RSUs lapsed during the Reporting Period[3]	Indicative number of RSUs under the unvested Award as of December 31, 2022[4]	Monetary value of the unvested Award as of December 31, 2022 (RMB)
Employees (excluding Directors)[5]									
October 12, 2020	2,000,000	[7]	28	199,071	1,700,000	54,857	—	163,941	1,400,000
December 21, 2020	7,000,000	[8]	24.4	714,314	6,100,000	150,772	—	585,503	5,000,000
April 1, 2022	3,000,000	[13]	7.1	351,302	3,000,000	64,616	—	281,042	2,400,000
October 28, 2021	200,000	[9]	18.66	11,710	100,000	17,213	—	—	—
March 1, 2021	5,000,000	[6]	23.8	585,503	5,000,000	96,271	—	468,403	4,000,000
April 1, 2021	1,050,000	[10]	24.75	122,956	1,050,000	60,796	—	81,970	700,000
April 1, 2021	500,000	[11]	24.75	58,550	500,000	86,851	—	—	—
August 9, 2021	1,750,000	[6]	29.35	204,926	1,750,000	69,193	135,763[14]	—	—
March 1, 2021	350,000	[18]	23.8	40,985	350,000	—	—	40,985	350,000
November 4, 2021	750,000	[16]	17.28	87,826	750,000	—	—	87,826	750,000
November 4, 2021	426,023[15]	[12]	17.28	49,888	426,023	10,849	—	39,910	340,818
November 4, 2021	1,789,296[15]	[12]	17.28	209,528	1,789,296	45,564	—	167,622	1,431,438
November 4, 2021	1,278,069[15]	[12]	17.28	149,663	1,278,069	32,546	—	119,730	1,022,455
Including: top five highest paid employees[5]									
December 21, 2020	7,000,000	[8]	24.4	714,314	6,100,000	150,772	—	585,503	5,000,000
April 1, 2022	3,000,000	[13]	7.1	351,302	3,000,000	64,616	—	281,042	2,400,000
April 1, 2021	500,000	[11]	24.75	58,550	500,000	86,851	—	—	—

Notes:

1. Awards granted to employees (other than directors) were in an absolute monetary amount as at the date of grant. The number of RSUs to be vested is determined at each vesting date. Therefore, no valuation on the fair value of the award as of the date of grant was made on the RSU granted.

2. The RSUs were granted with the purchase price of zero.

3. No RSUs were cancelled during the Reporting Period.

4. The number of RSUs under the award as of January 1, 2022 and December 31, 2022 are indicative only, and are based on the exchange rate of HK$1:RMB0.89327 and the closing price of the Shares on December 31, 2022, being HK$9.56 per Shares. The number of RSUs eventually received by the participant may be greater or smaller than the indicated amount, as the number of RSUs to be vested is determined at each vesting date.

5. The weighted average closing price of Shares immediately before the RSUs were vested during the Reporting Period for employees (excluding Directors) was HK$8.49. The weighted average closing price of Shares immediately before the RSUs were vested during the Reporting Period for the top five highest paid employees is HK$8.38.

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (CONT'D)

(h) General and Maximum Limit (CONT'D)

6. The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of the grant date respectively.

7. The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 15% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first and second anniversary of the grant date respectively; RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on the third and fourth anniversary of the grant date respectively; RSUs worth 30% of the monetary value of the Award (calculated at each vesting date) shall be vested on the fifth anniversary of the grant date.

8. The Award has a vesting term of 5 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 12.9% of the monetary value of the Award (calculated at vesting date) shall be vested on the first anniversary of the grant date; RSUs worth 15.7% of the monetary value of the Award (calculated at vesting date) shall be vested on the second anniversary of the grant date; RSUs worth 19.3% of the monetary value of the Award (calculated at vesting date) shall be vested on the third anniversary of the grant date; RSUs worth 23.6% of the monetary value of the Award (calculated at vesting date) shall be vested on the fourth anniversary of the grant date; RSUs worth 28.5% of the monetary value of the Award (calculated at vesting date) shall be vested on the fifth anniversary of the grant date.

9. The Award has a vesting term of 2 years from the grant date. The Award shall be vested according to the vesting schedule: RSUs worth 50% of the monetary value of the Award (calculated at each vesting date) shall be vested on the grant date and first anniversary of the grant date respectively.

10. The Award has a vesting term of 3 years from the grant date. The RSUs shall be vested according to the vesting schedule: RSU worth one-third of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second and third anniversary of the grant date respectively.

11. The Award vests immediately upon grant.

12. The Award has a vesting term of 5 years from January 1, 2021. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2022; RSUs worth 50% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2024; RSUs worth 30% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2025.

13. The Award has a vesting term of 5 years from December 21, 2021. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of December 21, 2021 respectively.

14. All unvested RSUs under the Award granted on August 9, 2021 lapsed during the Reporting Period. Number of RSUs under the Award granted on August 9, 2021 is indicative only, and is based on the difference between the indicative number of RSUs for the Award as of January 1, 2022, and the actual vested number of RSUs during the Reporting Period.

15. The remuneration under the relevant employee contracts were denominated in Hong Kong dollars. The monetary value of the award was based on the exchange rate on November 4, 2021 of HK$1:RMB0.82155.

16. The Award has a vesting term of 5 years from January 1, 2022. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2023; RSUs worth 50% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2025; RSUs worth 30% of the monetary value of the Award (calculated at the vesting date) shall be vested on December 31, 2026.

17. At the sole discretion of the Board, the Grantees may obtain either Shares or an equivalent value in cash, with reference to the market value of the Shares on or about the vesting date.

18. The Award has a vesting term of 5 years from March 1, 2022. The Award shall be vested according to the vesting schedule: RSUs worth 20% of the monetary value of the Award (calculated at each vesting date) shall be vested on each of the first, second, third, fourth and fifth anniversary of March 1, 2022 respectively.

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

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (CONT'D)

(h) General and Maximum Limit (CONT'D)

Please refer to Note 25 and 27 to the consolidated financial statements for further details.

3. Share Option Scheme

The Company has conditionally approved and adopted a Share Option Scheme on April 28, 2020.

A summary of the principal terms of which are set out in the section headed "D. Share Incentive Schemes – 3. Share Option Scheme" in Appendix IV to the Prospectus.

(a) Term

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

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

(b) Purpose

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

(c) Who may join

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(c) Who may join (cont'd)

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

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

(d) Maximum number of Shares

(i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 61,004,200 (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option, which represents approximately 9.01% of issued shares as at the date of this report.

(ii) Without prejudice to paragraph (iii) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.03C(2) of the Listing Rules.

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

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

(iii) Without prejudice to paragraph (ii) above, the Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (ii) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.03C(3) of the Listing Rules.

(e) Maximum entitlement of each participant

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

(f) Grant of options to connected persons

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

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

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

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

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any Business Day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant. The amount payable per Share on subscription or acceptance of the underlying options under the Share Option Scheme is HK$1.00, and the period within which payments must be made is five business days from the date on which the letter containing the offer to the underlying options under the Share Option Scheme is delivered to the eligible participant.

Please refer to Note 27 to the consolidated financial statements for further details.

The summary of the options granted under the Share Option Scheme that were still outstanding as of December 31, 2022 are as follows:

Grantee	Position/ Relationship	Date of Grant	Vesting Period	Exercise Period	Exercise Price[5] (HK$)	As of January 1, 2022	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As of December 31, 2022
214 Employees	Other employee participants	2021/12/7	2021/1/1–2025/12/31	2021/12/7–2031/12/6	15.97	2,873,273	0	0	0	768,709	2,104,564
		2021/12/7	2021/7/1–2026/6/30	2021/12/7–2031/12/6	15.97	432,525	0	0	0	120,000	312,525
		2021/12/7	2022/1/1–2024/12/31	2021/12/7–2031/12/6	15.97	100,000	0	0	0	0	100,000
		2021/12/7	2022/1/1–2026/12/31	2021/12/7–2031/12/6	15.97	4,395,588	0	0	0	810,233	3,585,355
						7,801,386	0	0	0	1,698,942	6,102,444

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

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

Notes:

(1) There were 249 employees at the beginning of the period. During the Reporting Period, a total of 1,698,942 share options lapsed due to 35 employees resigning from the Group.

(2) The closing price per Shares immediately on the date of grant was HK$15.26.

(3) Performance targets: the Grantees must (i) achieve Grade B or above in their respective performance appraisals; and (ii) remain as employees of the Company when the relevant Share Options are vested.

(4) The fair value of the share options granted on December 7, 2021 was approximately HK$53,117,000. The accounting standard and policy adopted to estimate the fair value of the awards at the date of grant per Share is set out in note 27 of the Notes to Financial Statements.

(5) The exercise price of the options was the average of the closing prices of the Shares as stated in the daily quotations sheet by the Stock Exchange for the five business days immediately preceding the date of grant.

As of December 31, 2022, assuming that all outstanding options to subscribe for aggregate of 6,102,444 Shares are exercised, the remaining total number of Shares available for issue under the Share Option Scheme is 54,901,756 Shares, representing approximately 8.10% of the issued share capital of the Company as at the date of this annual report.

As of January 1, 2022, the number of options available for grant under the scheme mandate was 53,202,814. 54,901,756 options were available for grant under the scheme mandate as of December 31, 2022.

As no options or award may be granted under the Share Option Plan after the Listing Date, and no options were granted during the Reporting Period under the Share Option Scheme, the calculation under Rule 17.07(3) is 0.

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

Except as disclosed above, a total of 309,485 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, 2022, 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, 2022 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, 2022.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As of December 31, 2022, the trustee of the RSU Scheme has purchased an aggregate of 5,859,000 Shares (representing approximately 0.8649% 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 25 and 27 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, 2022.

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, 2022 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.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The 2023 annual general meeting of the Company (the "**AGM**") will be held on May 25, 2023. Notice of the 2023 AGM and all other relevant documents will be published and despatched to Shareholders in due course.

The register of members of the Company will be closed from May 22, 2023 to May 25, 2023, both days inclusive and during which period no Share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on May 19, 2023.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 83 to 101 of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Save for those disclosed in this report, 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, 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2022.

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. ZHANG is the chairman of the Board and Chief Executive Officer of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Dr. ZHANG is in charge of overall management, business, strategic development and scientific research and development of the Group. The Board considers that vesting the roles of the chairman of the Board and the Chief Executive Officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises three Executive Directors (including Dr. ZHANG), four non-executive Directors and four independent non-executive Directors, and therefore has a strong independent element in its composition.

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, 2022.

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

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its Purpose, Vision, Mission.

During 2022, the Company continued to strengthen its cultural framework by focusing on the following:

- Vision: To be a respected global high-tech medical enterprise focusing on patients and holding to its original spirit.
- 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.
- Values: Devotion for Life, Stick to Innovation

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognizing circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis, any convicted cases will be reported to the Audit Committee.

Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Audit Committee.

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, 2022. 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, 2022.

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. Wai Ming YIP
Mr. Huacheng WEI

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 36 to 49 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 company secretary 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, 2022. 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 C.5.1 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, 2022 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, 2022 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. Wai Ming YIP	4/4	2/2	Not Applicable	1/1
Mr. Huacheng WEI	4/4	2/2	1/1	1/1

GENERAL MEETING

During the year ended December 31, 2022, a general meeting was held. All Directors attended the general meeting.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. The functions of independent non-executive Directors include bringing an impartial view and judgement on issues of the Company's strategies, performance and control; and scrutinizing the Company's performance and monitoring performance reporting.

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 three years with effect from the Listing Date.

Each of the non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date or the date of the letter of appointment (if applicable).

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the Listing Date or the date of the letter of appointment (if applicable).

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, 2022, the Audit Committee convened two meetings. The attendance record of the Directors at meetings of the Audit Committee is set out in the table on page 87.

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, 2022 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.

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; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time; and (iv) reviewing and/or approving matters relating to Share Incentive Schemes.

BOARD COMMITTEES (CONT'D)

Remuneration Committee (cont'd)

During the year ended December 31, 2022, one Remuneration Committee meeting was held. The attendance record of the Directors at meetings of the Remuneration Committee is set out in the table on page 87.

During the Reporting Period, the Remuneration Committee reviewed the remuneration packages of our Directors and senior management, reviewed and approved matters relating to Share Incentive Schemes, and made recommendations on employee benefit arrangements.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2022 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, 2022 is set out below:

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

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. ZHANG and one non-executive Director bring Mr. Fei CHEN. The Nomination Committee is chaired by Dr. ZHANG.

The primary duties of the Nomination Committee include, without limitation, (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) 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; (iii) assessing the independence of independent non-executive Directors; and (iv) 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, 2022, one Nomination Committee meeting was held. The attendance record of the Directors at meetings of the Nomination Committee is set out in the table on page 87.

BOARD COMMITTEES (CONT'D)

Board Diversity Policy

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.

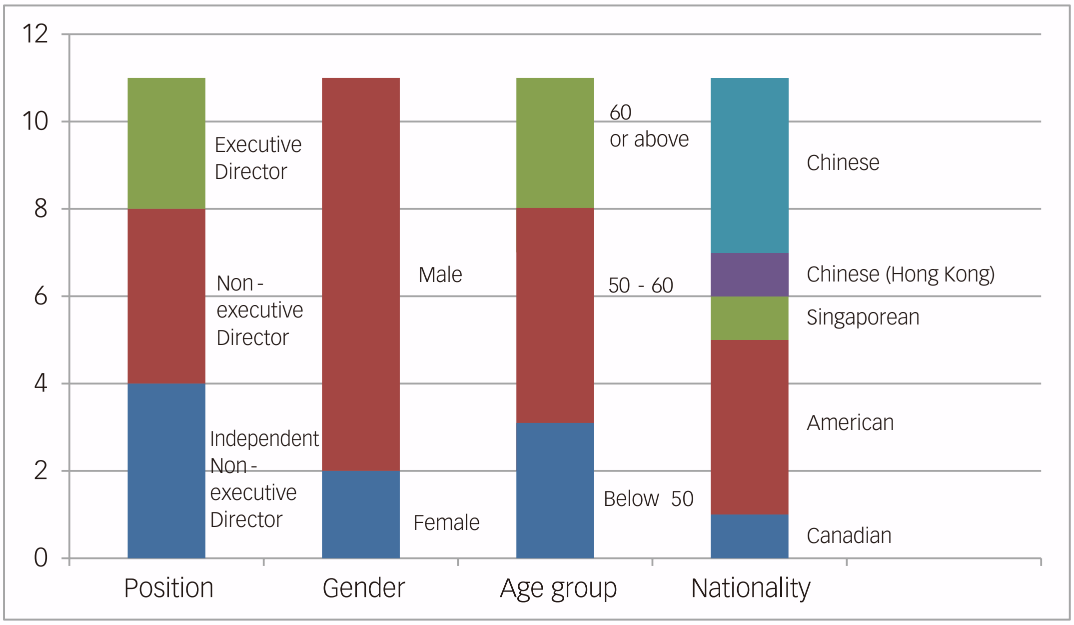
The Nomination Committee is responsible for reviewing the diversity of the Board, and it will continue to monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee reviews the implementation of the Board Diversity, 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. The Board Diversity Policy is well implemented as evidenced by the fact that there are currently two female and nine male Directors ranging from 42 years old to 78 years old with experience from different industries and sectors. Our Directors have a balanced mix of 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.

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 36 to 49 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.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of December 31, 2022:

	Female	Male
Board	18.2% [2]	81.8% [9]
Senior Management	40.0% [4]	60.0% [6]
Other employees	62.5% [573]	37.5% [344]

BOARD COMMITTEES (CONT'D)

Gender Diversity (cont'd)

The Company had targeted to achieve and had achieved at least 18% (2) of female Directors, 40% (4) of female senior management and 63% (573) of female employees of the Group and considers that the above current gender diversity is satisfactory. The Company will continue to maintain gender diversity on the Board and the Nomination Committee will proactively consider the increase in the proportion of female members when selecting and making recommendations on suitable candidates for Board membership. Through the Board Diversity Policy of the Company and the annual assessment by Nomination Committee on the Board structure, the Company could develop a pipeline of potential successors to the Board to achieve gender diversity. Based on business development and operational needs, the Company will take into full consideration of the following factors when recruiting its employees, including skills, age and gender diversity, and will strive to achieve a balanced proportion of our employee in skills, age and gender.

Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views and input are available to the Board. The current composition of the Board, comprising more than one third of the independent non-executive Directors and the majority members of the Audit Committee are independent non-executive Directors, exceeds the independence requirements under the Listing Rules. The Remuneration Committee and Audit Committee are all chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment on an annual basis.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

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.

BOARD COMMITTEES (CONT'D)

Dividend Policy (cont'd)

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.

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 (i) develop and review the Company's corporate governance policies and practices and make recommendations to the Board; (ii) review and monitor the training and continuous professional development of the Directors and senior management of the Group; (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) develop, review and monitor the code conduct and compliance manual (if any) applicable to employees and Directors; and (v) 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, 2022 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. 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. Wai Ming YIP and Mr. Huacheng WEI), 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.

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 PricewaterhouseCoopers, the external auditors of the Company, in respect of audit services and non-audit services for the year ended December 31, 2022 are set out in the table below:

Services rendered for the Company	Fees paid or payable RMB'000
Audit services:	4,121
Non-audit services (including tax and other advisory services):	930
Total	5,051

Note: The total amount of Auditor's Remuneration as disclosed in note 7 to the consolidated financial statements is RMB5,051,000 which comprises non-audit services provided by external auditors in the total amount of RMB930,000.

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:

- 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.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)

The Board and its Audit Committee review the reports 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, 2022, 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

Directors have access to the services of the company secretary to ensure that the board procedures are followed. The current company secretary of the Company is Ms. Hing Ling CHAU. Ms. Pui Chun Hannah SUEN has resigned as company secretary and authorized representative with effect from June 17, 2022, and Ms. Hing Ling CHAU has been appointed as company secretary and authorized representative with effect from June 17, 2022.

Ms. Hing Ling CHAU has the necessary qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Chau is currently an executive director of corporate services of Vistra Corporate Services (HK) Limited. She has over twenty years of experience in the corporate services industry. She is currently the company secretary/joint company secretary of certain listed companies.

In compliance with Rule 3.29 of the Listing Rules, Ms. Hing Ling CHAU has undertaken 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. Hing Ling CHAU 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.

SHAREHOLDERS' RIGHTS (CONT'D)

(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 at www.peijiamedical.com.

(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. Based on the abovementioned measures, the Company considers that its communication with its Shareholders during the Reporting Period was effective and adequate.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from June 10, 2022, 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 2022 Environmental, Social and Governance Report ("**ESG report**") of Peijia Medical Limited and its subsidiaries ("**Peijia Medical**", "**the Group**" or "**We**"). This report comprehensively explains our policies, measures and performance regarding all environmental, social, and governance (ESG) issues in 2022.

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 "**Structure Division**") and "Neurointerventional Business" (hereinafter referred to as "**Neuro Division**"). Key performance indicators (KPIs) in environmental aspects cover the offices and factories of the Group in Suzhou and Shanghai in consistent with the ones in the 2021 ESG report.

Unless otherwise stated, this report covers the period from January 1, 2022 to December 31, 2022.

Reporting principles

This report is prepared in compliance with the ESG Reporting Guide *(《環境、社會及管治報告指引》)* 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: This 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 2021 ESG report.

1. ESG MANAGEMENT

1.1 Board statement

The Board of Directors of the Group ("**the Board**") is the highest decision-making body of the ESG management of the Group, fully implementing ESG governance, reviewing the accomplishment of ESG objectives and the effectiveness of ESG risk management and internal control systems. Specific information on governance structure can be found in the "ESG governance" 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 the progress of ESG work and the ESG reports.

1.2 ESG concept

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 have been committed to maximizing values for customers, employees, shareholders as well as society.

For patients: to deliver cutting-edge medical technologies and products to places where they are most in need

For medical staff: to achieve great success in lives by synergizing as many resources as possible.

For the nation: using our best endeavors on promoting wellness in China.

Fully realizing the importance of sustainability, Peijia Medical has incorporated ESG concept into corporate strategy as the guidance of daily operation. We proactively communicate with key stakeholders and make every effort to alleviate the suffering of patients, promote their health, and create value for communities and the whole society.

1.3 ESG governance

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

The Board, as the highest decision-making body of the ESG management of the Group, 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 towards ESG objectives regularly.

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

1. ESG MANAGEMENT (CONT'D)

1.4 Stakeholder engagement

We maintain close communication with stakeholders, including governments and regulators, shareholders and investors, employees, doctors and patients, suppliers and distributors, peers and industrial associations, communities and the public as well as the media through diverse channels to understand their expectations and requirements in a timely manner, which serves as an important reference for better ESG management and sustainability.

Stakeholders	Expectations and requirements	Communication mechanisms
Government and regulators	• Support for the local economy • Compliance with laws and regulations • Tax payment • Product safety and efficacy	• Active participation in government's projects • Operation compliance • Participation in government's meetings • Registration communication • Adverse event reporting
Shareholders and investors	• Corporate governance • Risk management • Continuous and stable business growth • Return of investment • Information disclosure	• General meeting of shareholders • Roadshow • Investor meetings and communications • Website of HKEx • Website of the Group
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 • "Lunch with senior management" • Seminar for new joiners
Doctors and patients	• Privacy protection • High-quality products and services	• Company hotline and email • Academic conferences • Department meetings • Clinical trials
Suppliers and distributors	• Procurement compliance • Win-win cooperation	• Business visits and meetings • Annual audit
Peers and industrial associations	• Fair competition • Contribution to industrial exchange and development	• Industrial conferences • Industrial associations
Communities and the public	• Support for local community development	• Official website • Charity and volunteer activities
Media	• Performance growth • Business impact on society	• Press release and information disclosure • Interviews

1. ESG MANAGEMENT (CONT'D)

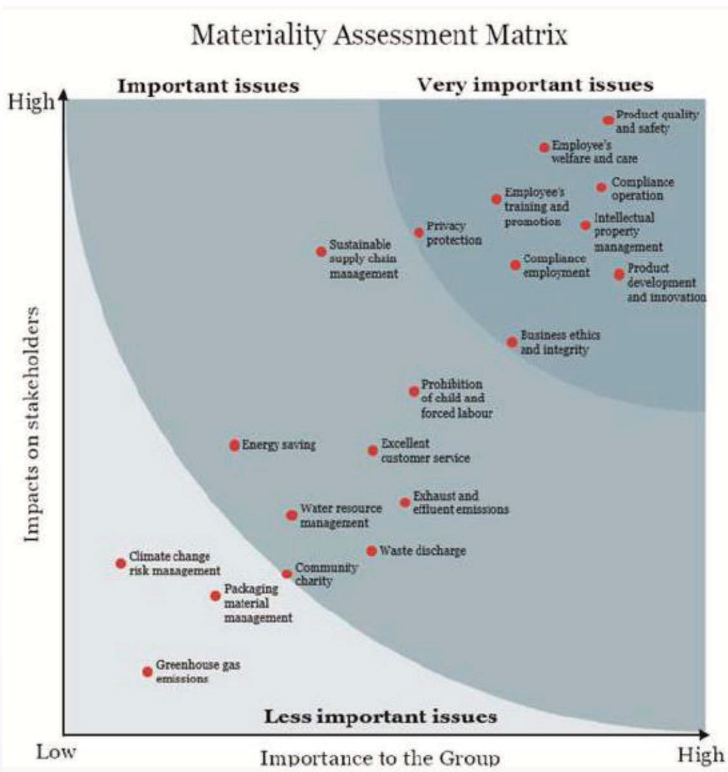
1.5 Materiality assessment

In response to the requirements set out in the *ESG Reporting Guide (《ESG報告指引》)* 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 of ESG issues: In accordance with the requirements of the *ESG Reporting Guide (《ESG報告指引》)* and taking our business model and industrial trends into consideration, we identified 20 ESG issues that significantly impact our stakeholders.

Step 2 – Assessment of materiality: Through online survey questionnaires and face-to-face interviews, we invited stakeholders to assess and rank 20 ESG issues by considering their "Importance to the Group" and "Impacts on stakeholders" and formulated the Materiality Assessment Matrix.

Step 3 – Verification of assessment results: The Board and senior management of the Group reviewed and confirmed the final Materiality Assessment Matrix after it was reviewed by the ESG working group. In 2022, our management reassessed the materiality issues and decided to follow the results of 2020.



2. CORPORATE GOVERNANCE

Sound corporate governance is conducive to integrity in business and quality development of an enterprise. Peijia Medical continues to optimize the governance structure, to act with integrity, and to earn the trust of shareholders, customers and the public with robust corporate governance.

2.1 Governance structure

The Board has 11 members and 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.

Bettered corporate governance gradually relies upon a diverse Board. Our *Board Diversity Policy (《董事會多元化政策》)* adopts a merit-based approach while considering diversity in gender, age, ethics, race, language, cultural and educational background, industry, professional experience, etc. when it comes to board member appointment. In 2022, the Board had 4 independent non-executive directors and 2 female directors. Females accounted for 40% in senior management. In addition, the Board members are not only experienced in the medical device industry but also have expertise in business management, finance, law, accounting, etc.

2.2 Integrity and anti-corruption

We adhere to business ethics and rigorously observe 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. Our own policies including the *Antifraud Policy (《反舞弊管理制度》)* specify constraints on fraud such as accepting bribes or kickbacks, illegally using company assets, providing false financial reports, and divulging the company's business or technical secrets, and specify strict anti-fraud requirements applicable to employees at all levels.

Moreover, we have developed a sound management and supervision structure for business ethics. The Group's management is responsible for maintaining the internal control system, setting up reporting channels and implementing control measures to reduce the risk of fraud in the Group. The Anti-Fraud Office has been established for building ethical culture of the Group under the guidance and supervision of the Board. The Finance Department is our permanent body for anti-fraud work, which organizes and executes cross-departmental anti-fraud work. Every employee is required to follow national laws and regulations as well as our internal policies.

We also take corruption prevention seriously in our business dealings. For example, key new suppliers are required to sign the Agreement of *Anti Commercial Bribery (《反商業賄賂協議》)* when forming business partnership with us.

2. CORPORATE GOVERNANCE (CONT'D)

2.2 Integrity and anti-corruption (cont'd)

Strict anti-corruption measures are also in place in sales. To ensure integrity, we add anti-commercial bribery clauses into contracts with dealers or their platforms and have developed rigorous pricing and approval policies.

A variety of anti-corruption training sessions are available for new joiners, senior management, and employees at other levels to ensure that all of them understand the Group's anti-corruption policy and the importance to follow it. In 2022, we held two sessions of anti-corruption training, and each employee received 2 hours of training in average.

Anti-corruption training

Anti-corruption training	Unit	2022
Number of directors trained	Number	**11**
Number of senior management trained	Number	**11**
Number of middle management trained	Number	**16**
Number of first-line management trained	Number	**82**

Note: The number of senior management trained includes all current and former senior management who worked for the Group in 2022.

2. CORPORATE GOVERNANCE (CONT'D)

2.2 Integrity and anti-corruption (cont'd)

We encourage employees and external stakeholders to report any suspected fraud through the following channels:

- Email: eileenye@achievamedical.com
- Suggestion mailbox
- Anti-Fraud Office

Upon receiving a report, the Anti-Fraud Office will conduct an investigation to verify the case and report to the Board. For those conclusive violations, we will take corrective actions, including verbal or written warning, or dismissal in serious cases. Employees who break the law will be transferred to the judicial authorities.

We will protect whistle-blowers in investigations and will prohibit any discrimination or retaliation against whistle-blowers. For those who leak the information of the whistleblower or take retaliation against the whistleblower, we will remove them from current positions or dismiss them. Those who violate the law will be transferred to the judicial authorities. In 2022, no violations related to corruption, bribery, racketeering, fraud, or money laundering were observed.

2.3 Marketing compliance

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》)* to always deliver authentic and accurate product information to consumers.

Under our strict auditing mechanism, all marketing information is jointly reviewed carefully by R&D Department, Registration Department before release. Our introduction materials for marketing are approved by National Medical Products Administration and we have never made exaggerated promotion arbitrarily. Meanwhile, it is included in the basic contractual terms that distributors can only advertise based on information provided by the Group and any distorted or fabricated promotion is prohibited.

To strengthen the culture of marketing compliance, we have prepared diverse training courses for relevant departments.

2. CORPORATE GOVERNANCE (CONT'D)

2.4 Intellectual property management

Protecting intellectual property is important to maintaining our core competitiveness. 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 relevant laws and regulations, and have formulated internal policies including the *Intellectual Property Management Policy (《知識產權管理制度》)*, the *Intellectual Property Document Control Procedure (《知識產權文件控制程序》)* and the *Technical Secret Management Measures (《技術秘密管理辦法》)* based on the *GB/T 29490–2013 Enterprise Intellectual Property Management Standards (《企業知識產權管理規範》(GB/T29490–2013))* for better invention, application, management and protection of intellectual property rights. In 2022, our intellectual property management system obtained a third-party certification.


知识产权管理体系认证证书
证书号码：165IP220362ROM
兹证明
沛嘉医疗科技（苏州）有限公司
注册地址：中国(江苏)自由贸易试验区苏州片区苏州工业园区中田巷8号
经营地址：江苏省苏州市工业园区中田巷8号
知识产权管理体系符合标准：
GB/T29490-2013
通过认证的范围如下：
资质范围内心脏介入器械的研发、生产、销售，血管介入器械的研发的知识产权管理
注：认证注册范围不包括未获得有效的国家规定的相关行政许可、资质许可的产品/服务范围
初次发证日期：2022年04月20日　有效期至：2025年04月19日
本证书持有者的管理体系持续符合上述标准的运行条件下，证书有效期为三年，证书有效性通过年度监督确认保持。证书有效信息可登陆国家认证认可监督委员会官方网站 www.cnca.gov.cn 或中知（北京）认证有限公司官方网站查询。
签发：
中知认证
本次发证日期：2022年04月20日
中知（北京）认证有限公司
地址：北京市海淀区花园路5号133幢3层302室（100088）
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Intellectual Property Management System Certification for Structure Division

In 2022, we followed the *Intellectual Property Management Manual (《知識產權管理手冊》)* and had three focuses in IP management, i.e. trademark registration, protection of technical secrets and patent protection.

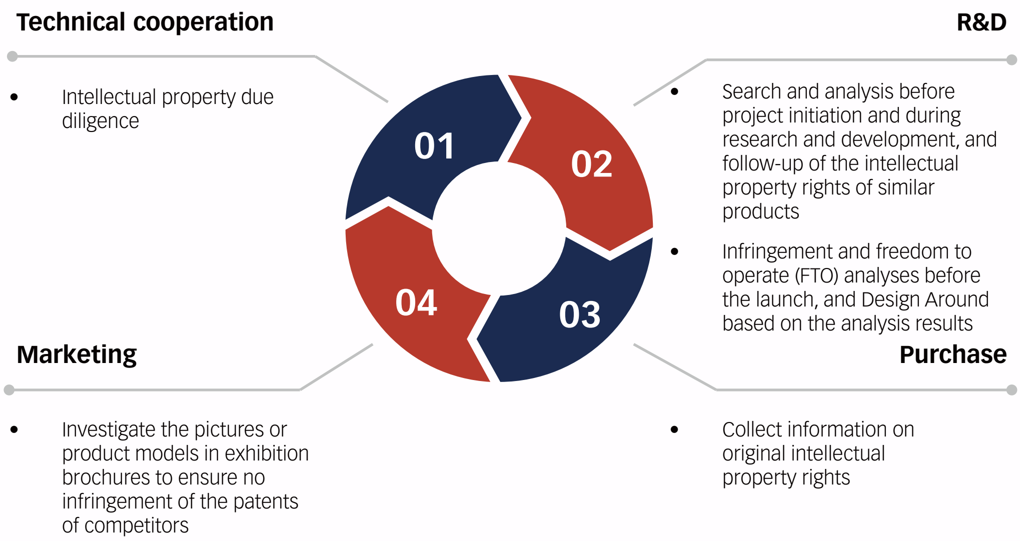
- Trademark registration: identify registration risk — apply for registration — (if rejected) assess and reassess
- Protection of technical secrets: formulate the *Technical Secret Management Measures (《技術秘密管理辦法》)*
- Patent protection: improve the lifespan patent management of "product initiation — R&D — launch", and ensure all departments fulfil their responsibilities

2. CORPORATE GOVERNANCE (CONT'D)

2.4 Intellectual property management (cont'd)

We pay special attention to whether our competitors infringe our intellectual property rights. For any suspected events, we will refer to the procedure in the management manual and set up an emergency handling team to check if infringement exists and, if does, to work out countermeasures together with the legal, technical, and patent personnel, as well as external law firms.

We also strengthen overall business management to avoid infringing others' intellectual property rights.

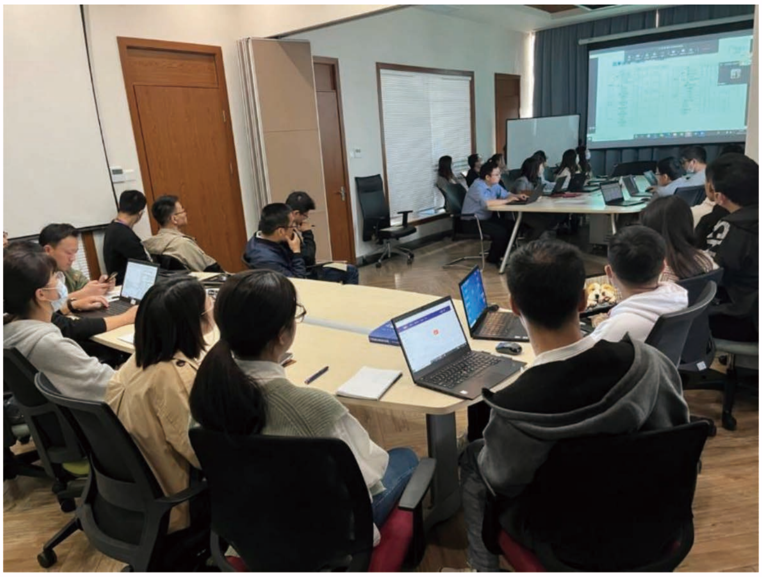


Measures to avoid infringement of others' intellectual property at Peijia Medical

In order to enhance the staff's awareness of intellectual property rights protection and encourage innovation, we have actively organized internal and external training. In 2022, we conducted 5 sessions of training on intellectual property rights, covering basic knowledge, preparation of technology patent disclosure and patent application. Meanwhile, patent engineers were arranged to attend the medical device summits and external training concerning intellectual property rights, so as to keep abreast of the new trends of the industry.

2. CORPORATE GOVERNANCE (CONT'D)

2.4 Intellectual property management (cont'd)



Training on patent application at Peijia Medical

Training on patent information for research and development at Peijia Medical

We continue to increase our intellectual property holdings with our own technological innovations and purchase complementary intellectual property rights. As of December 31, 2022, we owned 101 patents granted in China and foreign jurisdictions, including 33 new patents granted in 2022.

2. CORPORATE GOVERNANCE (CONT'D)

2.5 Trade secret protection (cont'd)

Protecting trade secrets is an important means for the Group to safeguard its own rights and interests and promote innovation. We are working to establish a trade secret protection system. In 2022, we started from technical secret protection and adopted new measures in terms of people, place, and confidential media.

- Document: All outgoing documents must pass the preliminary review of the Legal Department
- Full lifecycle confidentiality management for employees:
  - ➢ Sign up the confidentiality and non-competition agreement and onboarding commitment letter; incorporate confidentiality provisions into the employee handbook
  - ➢ Conduct pre-employment background checks for key personnel, promotion audit and end-of-service audit

2.6 Information security and privacy protection

As the acceleration of digitalization brings new risks, the Group spares no effort to protect its information security and the privacy of patients and employees. We strictly comply with 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》*), the *Data Security Law of the People's Republic of China* (*《中華人民共和國數據安全法》*) and the *Personal Information Protection Law of the People's Republic of China* (*《中華人民共和國個人信息保護法》*), and have formulated the *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.

In 2022, we continued to optimize authority management, disaster backup and software management for better information security management. We managed the wireless device access more tightly. Authentication would be required before logging in to the intranet. We maintained and made up for the data backup software, and improved the backup model involving the production center, local disaster recovery center and remote disaster recovery center. To better recover from disaster, we purchased hyper-converged infrastructure server to ensure mutual backup between machines through hardware. We strictly managed our commercial software to ensure that our employees can use genuine software. In addition, we have been piloting software audits to prohibit the copying of sensitive information by USB disks and the sending of sensitive data, making information security protection stronger.

2. CORPORATE GOVERNANCE (CONT'D)

2.6 Information security and privacy protection (cont'd)

Work from home was adopted during the pandemic. To ensure the smooth function of new work model, we made an emergency purchase of a batch of dial-up VPNs, so that employees could access our intranet through VPN to reduce virus intrusion, data leakage and other information security hazards.

To raise employees' awareness of information security protection, we popularize information security knowledge among our employees from multiple dimensions. In particular, we have added information security lecture to the orientation training for new employees, and updated information security terms in the employee handbook.

We respect the privacy of our patients, customers, and employees, ensure compliant use of personal information, and prohibit disclosure or abuse of personal information. During the clinical trials, we sign confidentiality agreements with hospitals to protect the privacy of participants. 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.

3. CARING FOR PATIENTS

Adhering to the concept of "Dedication with Passion, Devotion for Life", Peijia Medical always provides patients with safe and effective products for health promotion by technological innovation, refined supplier management and better customer services.

3.1 Innovation First

3.1.1 Supporting research and innovation

As a medical device company, the Group takes independent innovation as the source to thrive. We follow a path of independent innovation of domestic medical devices and strive to be a leader in the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical device market in China.

In 2022, we constantly carried out R&D activities in multiple fields with fruitful achievements.

- The National Medical Products Administration (NMPA) offered an "express way" for the third generation TaurusNXT® Transcatheter Aortic Valve System and the HighLife® Transcatheter Mitral Valve Replacement System in respect of the Special Review and Approval for Innovative Medical Devices.

3. CARING FOR PATIENTS (CONT'D)

3.1 Innovation First (cont'd)

3.1.1 Supporting research and innovation (cont'd)

- The launch of catheter sheath products was a success, and their performance has been widely praised by industry experts.

- The Trilogy™ Heart Valve System of JenaValve has passed the type testing, and the application for the clinical trial has been initiated.

- The type testing procedures have been conducted on the fourth-generation polymer leaflets.

In 2022, Peijia Medical was granted the "Municipal Special Fund for Building Advanced Manufacturing Base" of Suzhou and became a core force of Suzhou in building innovation clusters for the biomedical industry.

In the future, more efforts will be made to innovation. Focusing on unmet demand for major cutting-edge technology, Peijia Medical will increase capital and talent investment and take an active part in the construction of a system that brings together enterprises, universities, research institutions and end-users. Besides, we will deepen our cooperation with other innovation carriers, giving full play to our leading role to drive common growth with medium and small enterprises and thus make the industry chain of advanced materials more resilient.

3.1.2 Stimulating creativity

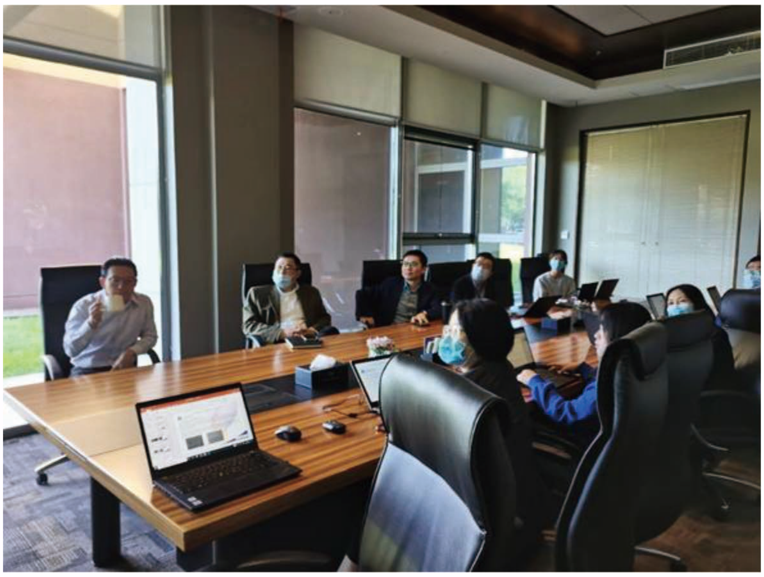
The innovation culture we create gives birth to our fruitful innovation achievements. With the intention to inspire employees to innovate and create more new patents, the Group actively carries out cross-departmental and intra-departmental activities such as "brainstorming" and seminars to share information about market demand and industry trends.

We strive to create an environment for innovation where employees are motivated to innovate. We have formulated the *Incentive Measures for Employees' Inventions and Creations (《員工發明創造獎勵辦法》)* and set up the annual patent award to encourage employee innovation. Our management regularly reviews patent proposals and provide instruction on patent application. In 2022, we selected more than 10 major high-quality patents, held two patent proposal review meetings, and granted patent rewards to 33 employees. As of December 31, 2022, we had 133 R&D personnel in total, and invested RMB 373,127 thousand in R&D.

3. CARING FOR PATIENTS (CONT'D)

3.1 Innovation First (cont'd)

3.1.2 Stimulating creativity (cont'd)



The patent proposal review meeting

3.2 Supplier management

The Group has established a partnership of mutual trust with suppliers to provide safe and effective products for patients.

We strictly abide by the Law of the *People's Republic of China on Tenders and Bids (《中華人民共和國招標投標法》)* and other laws and regulations, and has formulated the *Procurement Control Procedures (《採購控制程序》)* and the *Supplier Development and Management Control Procedures (《供貨商開發及管理控制程序》)* to regulate supplier management. We have built a supplier quality management team and optimized its functions this year. In particular, we have refined our management in supplier entry, review and exit, as well as supply risk.

We have various stringent access standards for new suppliers. First of all, we conduct preliminary screening on corporate qualification and legal compliance with reference to publicly available external information. Then, we evaluate the business condition, registration documents, quality management, production environment and production process of suppliers with online and on-site reviews. Access is granted only after the supplier passes the reviews of multiple departments.

We conduct annual review on all material suppliers, the number of which totalled 154 in 2022, from five perspectives, namely, service, quality, delivery, process stability and operational risk. For issues identified, we will inform the supplier to make rectification based on management procedures. We will end cooperation with unqualified suppliers.

3. CARING FOR PATIENTS (CONT'D)

3.2 Supplier management (cont'd)

In our interactions with suppliers, we also attach great importance to the impact of environmental and social risks. We expect our suppliers to comply with the laws, regulations and standards related to the medical devices industry, environmental protection, work safety, labor management, etc. We encourage suppliers to use environmentally friendly products and suppliers with higher sustainability performance will be preferred. We share the new trends of sustainable development of the industry with suppliers during training sessions. In 2022, our suppliers shared information about various materials such as environmentally friendly packaging materials, environmentally friendly ink and degradable film, translating the concept of sustainability into packaging R&D and design.

A supplier training session

In addition, the recurring outbreaks of COVID-19 and difficult macro environment in recent years pose potential risks to our supply chain. We take a series of measures to ensure the safety and stability of our supply chain, including promoting domestic production of bottleneck items, reserving the supplier's capacity in advance, empowering self-production of upstream materials and intermediate products, improving the flexibility of time in production, providing quality instructions for suppliers, and promoting inventory decentralization of finished products.

As of December 31, 2022, the number of our suppliers at home and abroad was as follows:

Number of suppliers by geographical region	Unit	2022	2021
China	Number	**112**	102
Overseas	Number	**48**	37

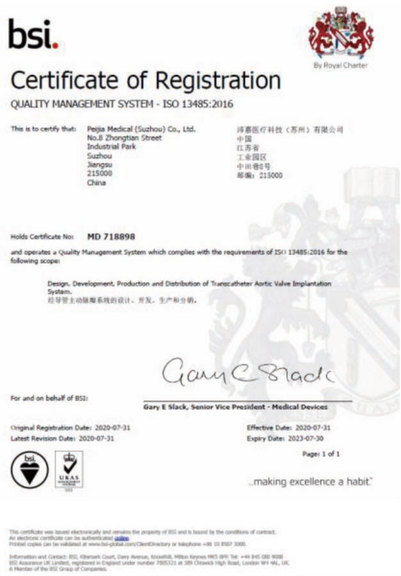
3. CARING FOR PATIENTS (CONT'D)

3.3 Product safety and efficacy

Aspiring to excellence in quality, the Group strives to improve the life quality of patients by devoting itself to every product as if the product were produced for its own family member.

3.3.1 Quality management system

We 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》*), the *Measures for the Supervision and Administration of Medical Device Production* (*《醫療器械生產監督管理辦法》*), the *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 various laws and regulations as well as international standards, including GMP standards, ISO 9001 and the ISO 13485:2016 Medical devices — Quality management systems. We have also obtained relevant third-party certification for our Quality Management System. Structure Division's laboratories also strictly follow the standards of the China National Accreditation Service for Conformity Assessment (CNAS) and are subject to regular supervision and review.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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
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

...making excellence a habit.™

ISO 13485:2016

Our Quality Guidelines demonstrate our commitment to excellence in product and service quality:

- **Efficient Compliance:** We will ensure that our products and services meet the requirements of 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.

3. CARING FOR PATIENTS (CONT'D)

3.3 Product safety and efficacy (cont'd)

3.3.1 Quality management system (cont'd)

We have established a multi-level quality document management system, including "Quality Manual-Procedure document-Quality control documents-Forms and records". In 2022, Neuro Division updated the quality management manual with the quality requirements for peripheral interventions and power supply-based products to further improve the document management.

3.3.2 Full lifecycle management for products

It is our consistent goal to pursue excellence in quality and ensure customer satisfaction. To ensure that the design, production, marketing and other procedures of our products can meet the requirements of relevant regulations and standards, we strictly control the quality of our products in each stage of the lifecycle and maintain the effectiveness of our quality management system. We have developed the *Risk Management and Control Procedures (《風險管理控制程序》)*, and use scientific tools to identify, analyze, evaluate, and control risks of the whole process to ensure the safety and efficacy of products. We have established the *Nonconformance Control Procedure (《不合格品控制程序》)*, which 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 handled.

- Design and development
  In accordance with 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 control and standardize several product designs and development stages including design input, design output, design review, design validation and design change. In respect of animal studies, we carry out experiments in accordance with the *Guiding Principles for Registration and Review of Animal Studies for Medical Devices (《醫療器械動物試驗研究註冊審查指導原則》)* issued by the National Medical Products Administration, *GB/T 16886.2–2011 Biological Evaluation of Medical Devices (Part 2 – Animal Welfare Requirements) (《醫療器械生物學評價第2部分動物福利要求》)* and *YY/T 1754.1 Pre-clinical Studies for Medical Devices (Part 1 – Requirements for Animal Studies) (《醫療器械臨床前研究第1部分動物實驗》)*. We generally use pigs and sheep for animal studies. We negotiate with the animal study center before the experiment to determine a compliant experimental scheme, so as to avoid the abuse of animals and protect animal welfare.

3. CARING FOR PATIENTS (CONT'D)

3.3 Product safety and efficacy (cont'd)

3.3.2 Full lifecycle management for products (cont'd)

- Purchase of raw materials

  Based on relevant purchasing procedures, Structure Division performs strict quality inspection during the purchase. Structure Division requires suppliers to sign quality agreements. If there is a problem, the quality team will work with the supply chain team to deal with it. To further meet its requirements of "quality over quantity", Structure Division has introduced the supplier coaching program. In 2022, Structure Division provided several rounds of on-site coaching for suppliers to raise their quality awareness of the medical device industry. Structure Division actively monitors incoming materials and ensures visual monitoring of the whole process. Raw materials are subject to full inspection or sampling inspection based on their risk levels. The incoming materials are marked with unique labels, which will be input into the ERP system before warehousing.

  Neuro Division's purchasing process is also under serious control. At first, the purchasing personnel purchases based on the drawings of the Technology Department. After receiving the raw materials, the quality inspectors perform inspection according to the quality inspection document prepared by the quality engineer. Any abnormality is subject to our nonconformance review and will be handled in a standard manner.

- Production

  The Group implements the *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. The quality control inspectors inspect the quality of our products in accordance with the *Product Inspection Manual (《產品檢驗手冊》)*, including verifying the product labels and manuals and confirming that the products are properly packaged and sterilized. The inspection results will be documented, and the non-conforming products will be disposed of or destroyed.

  We monitor the production process according to standard operating procedure documents and make video archiving. To ensure product quality, we conduct sampling inspection or full inspection on special or key processes and perform on-site inspection and monitoring. In addition, to ensure a clean production environment, we invite a third-party pest control company to analyze and review the pest control data according to materials and using plans on a monthly and quarterly basis.

3. CARING FOR PATIENTS (CONT'D)

3.3 Product safety and efficacy (cont'd)

3.3.2 Full lifecycle management for products (cont'd)

- Clinical trials

  In the clinical trial phase, we follow all regulations and ethical standards 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》)*. 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 the clinical results and practices meet GCP and ICH-GCP standards.

  We only select hospitals approved by NMPA as clinical trial centers to conduct clinical trials. We set out the purpose, timeline, structure, procedures, methods, and risks of clinical trials in the agreements with hospitals. We keep in touch with physicians to discuss the clinical trial's details and provide them with technical trainings so that they can complete the procedure successfully. Following the approval of the 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. Each participant will sign the *Informed Consent Form (《知情同意書》)* and be fully informed of the background of the trial and how the products work, as well as the rights of participants. Participants have the rights to choose whether to participate or withdraw, and to use our products for free. Participants will be compensated in the case of any health damage due to the trial.

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

- Warehousing of finished products

  For finished products, we test before and after outsourcing sterilization and retain samples of different batches of finished products. We test for initial contamination bacteria and particulates before outsourcing sterilization of finished products. After sterilization, we will review the process parameter report issued by the engaged sterilization party and conduct sampling inspection on the finished products to complete sterility verification and product performance test.

3. CARING FOR PATIENTS (CONT'D)

3.3 Product safety and efficacy (cont'd)

3.3.2 Full lifecycle management for products (cont'd)

- Delivery and transportation

  Before delivery, we will conduct extreme tests on products to simulate the problems expected to be encountered during the transportation process and strengthen the product protection. During transportation, we monitor the temperature of the transportation vehicles and the temperature label of the product, so that the temperature of the product could be maintained within the range of 5–25°C.

- Post-market surveillance

  After the product is released to the market, we will track the market reaction through various channels and improve the management of post-market risk in accordance with the *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》).

  According to the national and local regulations such as 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》), *Circular by the National Medical Products Administration on Issuing the Work Guide Regarding Medical Device Registrants Conducting Adverse Event Monitoring (No. 25 [2020])* (《國家藥監局關於發佈醫療器械註冊人開展不良事件監測工作指南的通告(2020年第25號)》) and *Implementation Guide on Governance and Management of Entrusting Production by Medical Device Registrants in Shanghai (Trial) (No. 36 [2018])* (《上海市醫療器械註冊人委託生產治理管理體系實施指南(試行)(2018年第36號)》), we have formulated the *Management Procedure on Monitoring and Reassessing Medical Device Adverse Events* (《醫療器械不良事件監測和再評價管理程序》). The document specifies the processes of forming an adverse event leading group and dealing with an adverse event, as well as the processes of collecting, reporting, analyzing, and reassessing adverse events. We collect information on adverse events through channels such as the customer complaint team, the CS (Clinical Support) team and the *Customer Feedback Form*. After receiving the information, the specially-assigned personnel will start to handle the adverse event, and the result will be jointly judged by the Marketing Department, Quality Department and Technology Department. If the event results from misoperation by the doctor, the marketing team will notify the sales team, who will provide corresponding operation training for customers. If the product really has safety problems, we will suspend the production and sales, disclose risk information, inform relevant authorities, and recall such product according to the *Advisory Notice and Recall Control Procedures* (《忠告性通知和產品召回控制程序》). In 2022, no product recall regarding safety and health issues occurred.

3. CARING FOR PATIENTS (CONT'D)

3.3 Product safety and efficacy (cont'd)

3.3.2 Full lifecycle management for products (cont'd)

- Post-market surveillance (cont'd)

  To understand the performance of the product in the market and to continuously pay attention to the safety and health of users, we also conduct clinical tracking after the product's entry into the market and conduct regular risk assessments by referring to the database of the Food and Drugs Administration (FDA), periodical literature, public reporting, conferences, etc. relating to the similar product.

3.3.3 Quality training and publicity

We hope that every employee can understand and practice Peijia Medical's pursuit in excellent quality. Therefore, we provide the employees with all-round training monthly to increase their quality awareness and quality management capability, according to the annual training plan. Besides the internal training and assessments, Structure Division also encourages employees to participate in training on the relevant laws and regulations organized by the local medical products administration and involve external experts to share best industry practices regularly with our people. In addition, Structure Division encourages employees to obtain external certificates by reimbursing the examination expenses, in order to help them improve their work ability. Besides including quality management content in the orientation training for new employees, Neuro Division also emphasizes the importance of quality management to department heads in daily work. All employees in the Neuro Division Chemistry Laboratory hold the certificates required for their respective positions. In addition, Neuro Division also attaches great importance to external training opportunities and encourages employees to receive training on the latest laws and regulations, the ISO 13485 and GMP standards, as well as quality tools and skills.

[Case study] Neuro Division improved employees' quality management capability by providing training on updates of inspection documents

In 2022, after having updated the QPI contents of the inspection documents on balloon guiding catheters, Neuro Division organized a training session for all inspectors on purchased materials, processes and finished products to help them fully understand the updated contents. During the training, the quality engineer focused on the explanation to the updated contents to help the inspectors have a better understanding of the new inspection standard and improve their quality management capability.

3. CARING FOR PATIENTS (CONT'D)

3.4 Customer service

We are dedicated to customer communication and customer services. With a prudent and life-respecting attitude, we safeguard every surgical operation as well as the health of every patient.

We realize efficient communication with our customers in many ways. Our customers mainly include distributors and doctors. Usually, we do not have direct contact with patients, but they can contact us either through the doctors or in a direct way in case of any doubt. The feedback from customers is a driving force for us to continuously optimize services and innovate products.

[Case study] Holding a distributor conference to enhance communication

On September 27, 2022, Peijia Medical held a distributor conference, on which 55 representatives across the country had in-depth communication. At the conference, members of Peijia Medical's senior management made a detailed introduction to the overall situation of the product planning and innovation platform, the research and development situation of the innovative product line, the marketing strategy of Peijia Medical, sales and channel strategies, etc. Furthermore, they had a face-to-face communication with the representatives in regard to distributors' concerns. After the conference, the participants paid a visit to our factory, whereby they had a better understanding of the R&D and production of our heart valves.

The gathering enhanced the communication between Peijia Medical and its distributors. At the same time, it also facilitated the win-win cooperation between both parties so that we can work together to provide patients with better products.

Front-line staff will visit distributors and platform providers for feedback and share it at the weekly meetings so that follow-up actions will be taken. At the end of each year, Structure Division launches the *Nationwide Customer Satisfaction Inquiry* for the purpose of analyzing customers' suggestions. In 2022, the distributors across the country were 100% satisfied with the quality of Structure Division's products.

To get feedbacks from hospitals and doctors, we have multiple teams to perform the duties of their own. For instances, the sales team regularly holds meetings on product evaluation with doctors; the clinical technical support team gets feedback from the operation period by assisting in each operation; and the medical team is responsible for the interpretation and communication on special cases. We will follow up all the feedback according to the procedure and communicate the results to the customers in a written report.

3. CARING FOR PATIENTS (CONT'D)

3.4 Customer service (cont'd)

We also attached great importance to the communication with customers. By regularly visiting customers and holding department meetings, we aim to discover potential problems of the product. In addition, customers can also directly contact us to offer feedback via the e-mail and the telephone number attached onto the product package. In 2022, Neuro Division participated in academic conferences held in Beijing, Xiamen, Chongqing, Shanghai, etc. Its representatives discussed relevant protocols with experts from prestigious hospitals and collected their feedback.

Neuro Division at the 18th China Forum of Cerebrovascular Diseases

Neuro Division at the academic conference of Zhongshan Hospital (Xiamen), Fudan University

3. CARING FOR PATIENTS (CONT'D)

3.4 Customer service (cont'd)

Whatever the problem, we will promptly respond with a satisfying solution. When any problem occurs, the customer or distributor can contact the sales personnel, fill in the *Customer Feedback Form* and return the product. We will get all the problems sorted out within two days before conducting investigations and analysis. The analysis result will be sent to the customer or distributor within two weeks. Upon meeting the requirement, product return or replacement will start from the fourth week. In 2022, the Group did not receive any complaint.

We have multiple training teams, and each performs its own function responsibly by providing customers with comprehensive training to further enhance cooperation. At the distributor end, we provide new distributors with training on warehousing, logistics and transportation of valve products to ensure constant-temperature and cold-chain transportation. In addition, we also give training on product and operation method introduction so that distributors will be capable of providing basic services. Moreover, we also participate in the systematic training provided by the platform together with distributors in order to fully understand the ordering process. At the doctor end, we provide doctors and the operation team with training on operations, product features and operation assistance services.

4. CARING FOR EMPLOYEES

The sustainable innovation ability of Peijia Medical comes from its professional talent teams. By continuously optimizing the talent management policy, providing employees with competitive compensation, patiently hearing the voice of employees, and creating a tolerant and harmonious working environment, Peijia Medical hopes that every employee can fully exert their potential and create values.

4.1 Employment equality

The Group strictly abides by the relevant laws and regulations such as the *Labor Law of the People's Republic of China (《中華人民共和國勞動法》)* and the *Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)*, protecting the legitimate rights and interests of every employee. We have formulated the *Employee Handbook (《員工手冊》)*, which has detailed stipulations on employment and dismissal, compensation and benefits, performance assessment, rewards and punishments, training and development, etc. Employees are entitled to take leaves according to the law. In 2022, we implemented the national policy on child care by prolonging the maternity leave and providing additional child care leave.

We prohibit all forms of child labor and forced labor. We will conduct a reference check with the consent of job applicants. In case of any violation, we will deal with it in strict accordance with the laws and regulations. In 2022, the Group did not have any incident regarding child labor and forced labor.

4. CARING FOR EMPLOYEES (CONT'D)

4.1 Employment equality (cont'd)

We also aim to create an equal, diversified, and tolerant working environment and resist any discrimination on grounds of nationality, gender, religious belief, disability, age, health condition, marital status, fertility status, sexual orientation, etc. We treat all employees fairly and equitably, ensuring equal opportunities and rights on recruitment, promotion, training, etc.

General information	Unit	2022
Total workforce	Number	**927**
Workforce by employment type		
Full-time employees	Number	**875**
Contractors	Number	**52**
Workforce by gender		
Male	Number	**350**
Female	Number	**577**
Workforce by age group		
<30 years old	Number	**339**
30–50 years old	Number	**579**
>50 years old	Number	**9**
Workforce by geographical region		
Shanghai, China	Number	**123**
Suzhou, China	Number	**626**
Others	Number	**178**

Employee turnover	Unit	2022
Total employee turnover	%	**18.2**
Employee turnover by gender		
Male	%	**21.3**
Female	%	**16.1**
Employee turnover by geographical region		
Shanghai, China	%	**13.4**
Suzhou, China	%	**19.9**
Others	%	**14.8**
Employee turnover by age group		
<30 years old	%	**17.1**
30–50 years old	%	**19.0**
>50 years old	%	**0**

Note: 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%.

4. CARING FOR EMPLOYEES (CONT'D)

4.2 Fair and competitive compensation and benefits

The Group strictly adheres to laws and regulations such as the *Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》)*, the *Regulations on Paid Annual Leave of Employees (《職工帶薪年休假條例》)* and the *Regulations on Labor Protection of Female Workers (《女職工勞動保護規定》)*. We make monthly contributions to all statutory insurances for employees, such as endowment insurance, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund. In 2022, we further improved the benefits supporting system by upgrading the critical illness insurance and the accident insurance in the supplementary commercial insurance for the employees.

Creating a compensation system that is "externally competitive and internally fair" is our unremitting pursuit. For professionals such as R&D engineers, registration engineers and medical engineers, the Group provides them with highly competitive compensations and house rent subsidies. For functional posts, we will comply with the local compensation standard and offer appropriate compensations. With a fair performance assessment system in place, we conduct comprehensive assessments for employees through performance scoring both within the department and across departments annually. In addition, we also provide employees in different lines of functions with incentives such as bonus, end-of-the-year bonus and stock equities.

4.3 Creating a safe workplace

The Group strictly abides by the relevant laws and regulations such as 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》)*. Additionally, we have formulated the *Rules for the Administration of Safe Production (《安全生產管理規程》)* to ensure that employees carry out their work in a safe and healthy work environment.

In 2022, we set the "zero production accident" annual safety goal as part of our efforts to further enhance safety management. The measures are as follows:

- Accepting the inspections from the safety supervision authorities and the municipal administration authorities, and voluntarily inviting a third-party organization to assess safety risks;
- Setting up a Safety Inspection Team, conducting safety inspection weekly to eliminate safety risks;
- Improving the polishing technology, purchasing 3 thermal treatment furnaces and adding an automatic lifting device to reduce the safety risk of employee operation, and providing employees with protective equipment such as gloves and face shields;
- Equipping the warehouse with fire extinguishers, fire hydrants, fire sprinklers and fire alarms, and ensuring regular patrols and ventilation;

4. CARING FOR EMPLOYEES (CONT'D)

4.3 Creating a safe workplace (cont'd)

- Placing hazardous chemicals in a sorted way, and providing operators with the five protective necessities such as gloves, ear plugs and gas masks;
- Equipping first-aid kits in the office and production areas and eyewash equipment in the laboratory areas;
- Carrying out the annual fire drill.

In terms of occupational health, besides the conventional annual medical check-ups, we also provide occupational health examinations for holders of jobs that involve solution preparation, production solution contact, ultrasound contact, laser cutting, etc.

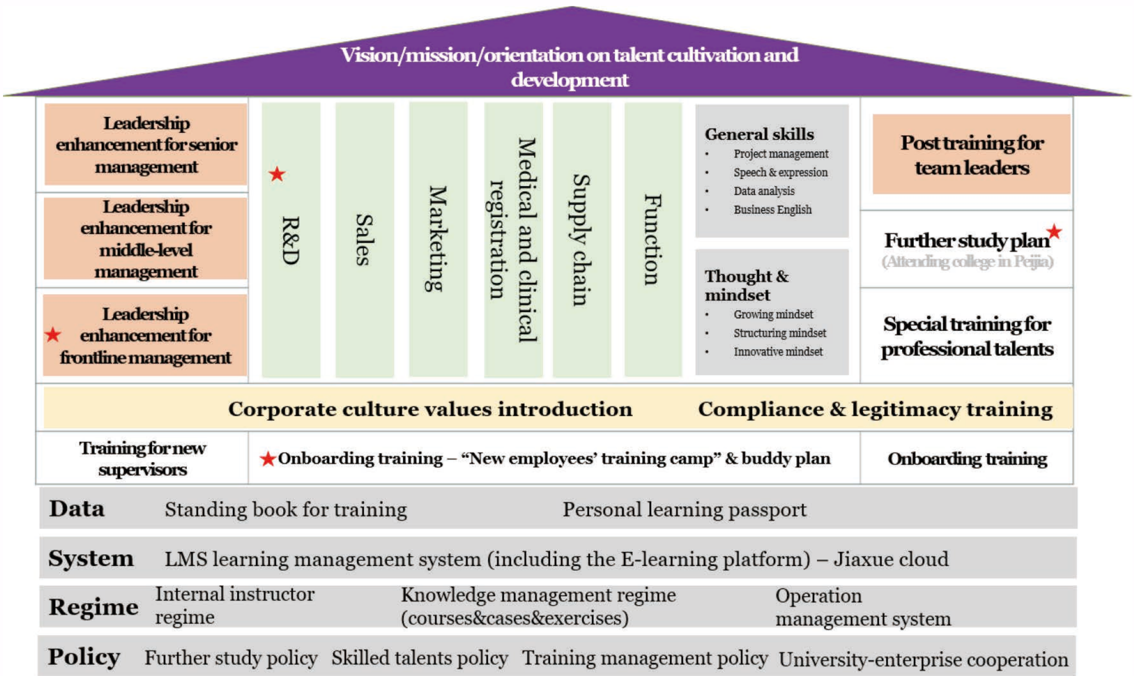
To further strengthen the employees' awareness on safety protection, we provide multiple training sessions such as the new employee orientation training and the department quarterly training. In addition, team/shift leaders provide employees with safety training on an irregular basis to ensure that they understand the operation standards and bear the importance of safety in mind. In 2022, the Group successfully achieved the annual safety target of "zero production accident" and has not had any work-related fatalities for three consecutive years. In 2022, the Group lost 10 person-days due to work-related injuries from production accident and lost 66 person-days due to other work-related injuries.

Occupational health and safety status	Unit	2022	2021	2020
Work-related deaths	Number	**0**	0	0
Total working days lost due to work-related injuries	Person-day	**76**	182	169

4. CARING FOR EMPLOYEES (CONT'D)

4.4 Building a lifelong learning culture

Talent cultivation is of critical importance to Peijia Medical. Based on pressing demands, Peijia Medical enables all employees to keep the pace with its rapid and continual development through professional development systems and training courses. In 2022, the Group updated the *Employee Handbook (《員工手冊》)* and built a talent cultivation system to enable more scientific and systematic talent management and cultivation.



Talent cultivation system of Peijia Medical

By exploiting the potential of every employee, we hope to help them become more professional and have a broader view. We set the operation sequence (O), profession sequence (P) and management sequence (M) to meet the promotion and development demands of employees at different lines of functions and levels. In addition, we also provide employees with job transfer opportunities to help them reach their career development goals of becoming management talents or professional talents.

4. CARING FOR EMPLOYEES (CONT'D)

4.4 Building a lifelong learning culture (cont'd)

In 2022, centering on "post requirements" and "employment development" and based on the previous training projects, we conducted surveys and interviews to figure out the demands and pain points on talent cultivation, and formulated the annual training plan accordingly. The training plan covered six categories such as professional technology, management capability, office work skills and compliance knowledge.

[Case study] The "talent cultivation plan" for new joiners to assimilate quickly into Peijia Medical

To help new employees quickly integrate into Peijia Medical and build a reserve force of talents, we launched the "talent cultivation plan" for new employees, which involves senior management, supervisors, and new employees themselves. The 180-day mentoring and adaptation plan will enable new employees to fully understand the corporate culture and assimilate into Peijia Medical, and to develop the working skills required for their respective positions as soon as possible. The "talent cultivation plan" includes: the Buddy plan, helping new employees build interpersonal networks and gain skills; periodic face-to-face talks between supervisor and new employees; and face-to-face talk between senior management and new employees every two months to address personalized demands of new employees.

In 2022, to facilitate the development of new employees, we held a total of 10 orientation training sessions and 5 conversaziones between new employees and senior management, completed the FST certificate granting for 10 employees, formed 27 pairs of buddies, formulated special cultivation plans for 15 fresh graduates and prepared 2 mentoring handbooks for new employees' supervisor and buddies.

4. CARING FOR EMPLOYEES (CONT'D)

4.4 Building a lifelong learning culture (cont'd)

[Case study] P-sequence "R&D Project Management Thinking and Behavior" training for management ability improvement

To improve the project management of R&D team and upstream and downstream departments, we organized the "*R&D Project Management Thinking and Behavior*" training from July 29, 2022 to July 30, 2022 based on preliminary demand interview.

We carried out the training in the form of workshops where our employees can learn skills and put what they learned into practise, and helped them understand the key points on project communication and decision-making through experiential activities. 36 trainees were divided into six study teams for study and discussion under the guidance of experienced trainers. Through two days of study and engagement, the trainees mastered typical management tools and approaches and improved their way of thinking in project management.

In addition, we also cooperated with a well-known consulting firm, CEIBS Business Online, to deliver high-quality and systematic management courses for M-sequence employees. To upgrade the skills of O-sequence frontline team leaders and reserve talents with core skills, we organised two trainings on "*Structural Work Reporting Skills*".

4. CARING FOR EMPLOYEES (CONT'D)

4.4 Building a lifelong learning culture (cont'd)

We also encourage our employees to pursue further education and obtain higher academic qualification by proactively cooperating with colleges and universities in Suzhou and paying three-year tuition for employees who had passed the academic examinations.

Training	Unit	2022
Proportion of employees participated in training by employee category		
Senior management	%	**1.1**
Middle-level management	%	**1.9**
Other employees	%	**97.0**
Proportion of employees participated in training by gender		
Male	%	**37.4**
Female	%	**62.6**
Average training hours by employee category		
Senior management	Hours	**20.3**
Middle-level management	Hours	**23.9**
Other employees	Hours	**22.2**
Average training hours by gender		
Male	Hours	**22.0**
Female	Hours	**22.4**

4.5 Advocating open communication

We advocate open communication and listen attentively to the views and feedback from our employees. We collect true feedback from employees through various channels. Our Human Resource Business Partner (HRBP) at each business department makes an active effort to communicate with employees in the department and care about their work and life. Our employees also can directly communicate with relevant HR or leaders in the Enterprise WeChat group. Besides, we have created a "First Vision" video program to share excellent performance of outstanding employees and teams in Peijia Medical with our staff on a monthly basis. Furthermore, we organised various communication activities, such as the "Lunch with senior management" where the principals of business departments were arranged for one-to-many communication with employees in their departments. Workshops were held for new joiners where new employees can directly communicate with senior management, and communication meetings were organised on a quarterly basis to share with our people the developments of Peijia Medical, challenges we face and employee expectations. Our senior management shared career planning, company strategy and management experience through the "Senior Management Forum". Diverse communication forms help our employees communicate with leaders at all levels, building an efficient and mutual-trust communication atmosphere.

4. CARING FOR EMPLOYEES (CONT'D)

4.5 Advocating open communication (cont'd)

[Case study] Workshop on "Talent Cultivation Plan" to enhance new employees' understanding of Peijia Medical

On October 26, 2022, 35 new employees participated in the workshop on "Talent Cultivation Plan" and shared their feelings and experiences since onboarding. At the workshop, Dr. Yi Zhang, our chairman of the Board and chief executive officer, also shared the entrepreneurial journey, product layout, competitive advantages, and future development of Peijia Medical. In 2022, we organized 6 workshops between senior management and new employees. Face-to-face communication with senior management can help new employees learn about Peijia Medical and gain job experience.

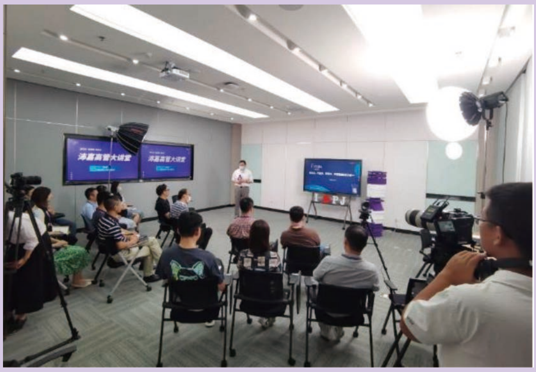
4. CARING FOR EMPLOYEES (CONT'D)

4.5 Advocating open communication (cont'd)

[Case study] "Senior Management Forum" for strategic operation and employee ability enhancement

On August 30, 2022, more than 40 frontline managers participated in the first session of Senior Management Forum online and offline. In the session, Mr. Kongrong Pan, our chief operating officer, delivered a speech themed "*Three Forces Integrated to Back Up Peijia — Technology, Product and Market*", sharing the product layout, market prospects and competitive advantages of Peijia Medical.

On October 28, 2022, we held the second session of Senior Management Forum. In the session, Chen Wang, the general manager of Neuro Division, delivered a speech themed "*Experience and Growth in the Role of Manager*" to us, sharing the study and growth path for managers, and 60 frontline managers participated in the Forum.



4. CARING FOR EMPLOYEES (CONT'D)

4.6 Improving work experience

We insist on improving work experience for employees in their work and growth and bring out the best of every employee to create diversified values and achieve win-win outcome. We are very willing to share employees' joy brought about by every progress in their careers. Upon successful registration of products, we will celebrate with our people and deliver gifts to them. We always give out welfare cards and presents to our people on their birthdays and festivals such as Women's Day, Dragon Boat Festival and Mid-Autumn Festival. Meanwhile, we also care about employees' physical and mental health by organizing donations to family members of employees who suffered from disease and providing psychological counselling service.

The Dragon Boat Festival presents for employees

We also hope our employees can keep their mind on work and enjoy a happy life. Our departments organize team building activities including inter-departmental fellowship and mountain climbing. We set up a "Vitality Club", gathering more than 100 members to attend badminton, basketball, and other sports activities every week.

4. CARING FOR EMPLOYEES (CONT'D)

4.6 Improving work experience (cont'd)

Team Building for Operation Department

Team Building for Valve Sales Department

4. CARING FOR EMPLOYEES (CONT'D)

4.6 Improving work experience (cont'd)

Team Building for Technical Department

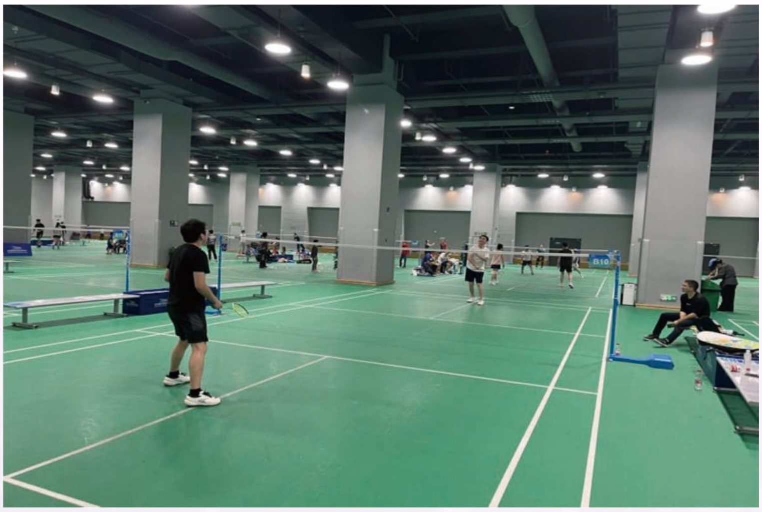
Team Building for Production Department

4. CARING FOR EMPLOYEES (CONT'D)

4.6 Improving work experience (cont'd)

Team Building of HR Department

Basketball Activities of Vitality Club



Badminton Activities of Vitality Club

4. CARING FOR EMPLOYEES (CONT'D)

4.6 Improving work experience (cont'd)

Ping-Pong Activities of Vitality Club

In 2022, Suzhou and Shanghai were reeling from the COVID-19 pandemic again, putting all of us under severe challenges. In Suzhou, we delivered relief materials to the employees under quarantine, and set up nucleic acid test sites in the office to guard employee health. In Shanghai, we made efforts to provide living materials for our employees and cared for those temporarily trapped during the pandemic by organizing online activities.

[Case study] Assistance to employees under pandemic lockdown and care for their physical and mental health

In 2022, the pandemic lockdown in Shanghai added difficulties to transportation of living materials. With joint efforts, we delivered "food package", including fresh vegetables, fruits, meat, eggs, and milk, to our employees and their families in Shanghai. At the same time, we encouraged our employees to actively participate in sports and study by adopting the prevalent mode of companionship through groups. 47 employees in Shanghai established groups covering sports, psychology study and reading, and marked their study progress for 445 times in total.

5. CARING FOR ENVIRONMENT

Peijia Medical rigorously abides 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 applicable laws and regulations. Upholding the principle of green and low-carbon development, we insist on energy conservation and emission reduction in production and office procedures and collaborate with stakeholders to build a sustainable future.

We work hard to implement relevant policies in an effort to reduce energy and resource loss and minimize the impact of operation on the environment. In 2022, the Group has abided by all the applicable laws and regulations on environmental protection.

5.1 Energy use and GHG emissions

We are well aware of the importance of energy saving and emission reduction, and proactively conserve energy by means of optimized process and off-peak production in the production procedure. To reduce the power load of the power grid, we carry out off-peak production by putting the equipment with high electricity consumption into production at night shift. Moreover, Structure Division optimized the storage space of temperature-controlled raw materials, transforming from using many refrigerators to store biological materials to shelves in the cold storage. The storage capacity expands to 18,000 pericardia and 14,000 discs after optimization, significantly improving space utilization and energy efficiency.

We uphold the concept of green operation. In office areas, we turn off half of the lights in public areas and gradually replace them with LED lights. In workshop areas, we turn off lights during the lunch breaks to save workshop energy while providing our employees a more comfortable environment for rest. We are dedicated to reducing energy and resource waste by posting energy-saving and water-saving signs at conspicuous places, including on AC controllers and in meeting rooms. To ensure the effect of energy-saving measures, the implementation of these measures will be inspected and monitored by administration personnel, and security personnel will ensure that all lights are turned off after work. On top of these measures, we also enhance our employees' awareness on electricity conservation by launching electricity-saving initiatives.

Energy consumption	Unit	2022	2021
Total energy consumption	MWh	**5,252.57**	4,168.62
Intensity of energy consumption in total	MWh/person	**5.67**	6.05
Total direct energy consumption	MWh	**26.67**	13.82
Intensity of direct energy consumption	MWh/person	**0.03**	0.02
Total indirect energy consumption	MWh	**5,225.90**	4,154.80
Intensity of indirect energy consumption	MWh/person	**5.64**	6.03

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.

2. The Group's production capacity and total number of employees have increased significantly compared to 2021, resulting in an increase in total energy consumption. However, thanks to a series of energy-saving and emission-reduction measures, the per capita energy consumption intensity was reduced compared to the previous year.

5. CARING FOR ENVIRONMENT (CONT'D)

5.1 Energy use and GHG emission (cont'd)

GHG emissions	Unit	2022	2021
GHG emissions in total (Scope 1 and Scope 2)	tCO_2e	**3,612.91**	2,847.72
Intensity of GHG emissions (Scope 1 and Scope 2)	tCO_2e/person	**3.90**	4.13
Direct GHG emissions (Scope 1)	tCO_2e	**6.62**	3.38
Intensity of direct GHG emissions (Scope 1)	tCO_2e/person	**0.0071**	0.0049
Indirect GHG emissions (Scope 2)	tCO_2e	**3,606.29**	2,844.34
Intensity of indirect GHG emissions (Scope 2)	tCO_2e/person	**3.89**	4.12

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 (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.

3. To ensure consistency of the calculation scope and the formula, we corrected the GHG emissions data of 2021.

4. The Group's production capacity and total number of employees have increased significantly compared to 2021, resulting in an increase in total greenhouse gas emissions. However, thanks to a series of energy-saving and emission-reduction measures, the per capita greenhouse gas emission intensity was reduced compared to the previous year.

5.2 Waste management

The Group has established the *Waste Treatment Management Process* (*《廢棄物處理管理規程》*) to ensure well-regulated treatment and disposal of hazardous and non-hazardous wastes.

The waste gas produced by the Group is mainly acid gas and aldehyde gas. These gases are introduced into the water scrubber via air conduct and purified in sodium hydroxide absorption solution for compliant emission, and the absorption solution is also recycled. We also put activated carbon at the air vent of workshop AC system for physical adsorption of waste gas.

5. CARING FOR ENVIRONMENT (CONT'D) (CONT'D)

5.2 Waste management (cont'd)

Hazardous waste produced by the Group, such as waste biological tissues, organic waste liquid, waste acid, waste containers, bottles and barrels and waste activated carbon, will be calculated, and handed over to a qualified third party for disposal. Non-hazardous waste such as domestic waste will be sorted, and finally dealt with by the Municipal Sanitation Department.

Wastes	Unit	2022	2021
Hazardous waste produced in total	Tonnes	**42.11**	285.08
Intensity of hazardous waste emissions	Tonnes/person	**0.05**	0.41
Non-hazardous waste produced in total	Tonnes	**152.30**	144.96
Intensity of non-hazardous waste emissions	Tonnes/person	**0.16**	0.21

5.3 Water management

We always adhere to water conservation, water efficiency improvement and compliant wastewater disposal. Our water consumption comes from the municipal water supply. We attach importance to enforce water saving measures in production. Purified water from the equipment is collected and used as cleaning water for peripheral and public areas and sanitary appliances for us to reduce consumption. Sewage from the production process, if any, is dealt with by a qualified third party for compliant discharge. Domestic sewage from our site is discharged to the municipal sewage network for treatment. We also enhance water conservation awareness of our staff by posting water saving signs in washrooms.

Water	Unit	2022	2021
Water consumption in total	Tonnes	**20,441.00**	13,949.00
Intensity of water consumption	Tonnes/person	**22.05**	20.25

Notes:

The Group's production capacity and total number of employees have increased significantly compared to 2021, resulting in an increase in total water consumption. The Group will adopt more stringent water-saving measures to enhance employees' awareness of water conservation and improve the efficiency of water utilization.

5. CARING FOR ENVIRONMENT (CONT'D)

5.4 Packaging materials management

We further reduce the impact of packaging materials on the environment by cutting down consumption and recycling them. Structure Division recycles stainless steel circulation trays and replaces wooden pallets with plastic ones to extend service life. Neuro Division has improved the packaging of products by replacing small boxes with big ones, and reduced consumption by recycling sterilized circulation boxes.

Packaging materials	Unit	2022	2021
Packaging materials used for finished products in total	Tonnes	**0.84**	6.37
Intensity of packaging materials used for finished products in total	Kg/person	**0.91**	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. Data for packaging materials only cover the Structure Division and we will strengthen packaging materials management in the future.

5.5 Response to climate change

As climate change is no longer a future challenge, but an immediate crisis. Climate risk will profoundly affect everyone's life. Extreme weather such as high temperatures, typhoons and droughts caused by global warming may have significant impacts on the stable operation of Peijia Medical.

To enhance our ability against emergencies, 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 hold at least one safety emergency drill per year to improve our capacity of emergency response and rescue, thus protecting our people and properties and minimizing the impact of climate change on the business.

In 2022, we have formulated the *Emergency Plan for Power Outage and Rationing (《斷電及限電緊急預案》)*. In case of power outage or rationing, we will follow the emergency plan in an orderly manner, properly share and disclose information and inspect standby power supply, generator, and production equipment to ensure a well-arranged production and operation during the power outage and rationing period.

6. CARING FOR THE CHINESE SOCIETY

Upholding the concept of "commitment to patients, medical staff, and society", Peijia Medical provides high-quality and affordable products for patients through continuous innovation, with a view to promoting the industrial development and continuously creating value for society. Since it was established 10 years ago, the Group has launched 19 products in the market, serving over 2,000 hospitals, and made endless efforts to provide our clients safe, effective, and affordable products and solutions on therapy of cardiac and cerebral diseases in an effort to guard the life and health of patients.

6.1 Support for inclusive medical service

Peijia Medical is devoted to delivering cutting-edge medical technologies and products to places where they are most needed. We have incorporated our products and procedures into medical insurance plans in many places to serve a wider range of patients.

[Case study] "Care Plan" for medical costs deduction of impoverished patients

Neuro Division has incorporated Jasper coil products into the care plan since 2012 to deduct the medical costs for impoverished patients. Patients unable to afford the surgery costs will be offered Jasper products for embolotherapy of intracranial aneurysm and get treated for free upon confirmation when they meet the conditions of "Care Plan". As of the end of 2022, we donated 256 coils, benefiting 53 patients across the country in total, continuously improving medical conditions and making medical services more accessible for impoverished patients.

6.2 Contribution to industrial development

Peijia Medical is dedicated to promoting the development of the industry by unremittingly enhancing peer exchange and multi-party cooperation. We established the Institute of Interventional Medical Technology of Suzhou Industrial Technology Research Institute together with Suzhou Industrial Technology Research Institute and Suzhou Industrial Park Administrative Committee. The Institute of Interventional Medical Technology is a platform for incubation, operation and investment in the life science and technology industry. It is engaged in discovery, investment and integration of revolutionarily innovative medical projects in the world, primarily in the field of interventional medical treatment. As a member of China Alliance of Neurointerventional Innovation and Transformation (CNIT), Structure Division participates in the online activities every week and also proactively seeks cooperation with colleges, universities and hospitals to inspire our innovation for continuous development.

6. CARING FOR THE CHINESE SOCIETY (CONT'D)

6.2 Contribution to industrial development (cont'd)

Cast Study: Dr. Jian Fong TAN, CTO of Peijia Medical, guested at CNIT for sharing innovation experience with peers

On October 12, 2022, Dr. Jian Fong TAN, CTO of Peijia Medical, guested at the special interview with CTO held by the CNIT, and shared "*How to Incubate an Innovative Idea from Nothing*" from an international perspective.

Dr. Jian Fong TAN introduced how to facilitate innovation through intellectual property analysis and market analysis. Intellectual property analysis can help us learn about details on the development of relevant technologies, and market analysis can facilitate us to identify the demand gap in current clinical sector. In virtue of the two analyses, we can further boost the research and development of innovative products. We hope to advance the industrial development constantly by sharing our innovation experience.

6.3 Continuous contribution to society

Peijia Medical has carried out public welfare activities for years to spread benevolence and give back to society. We have carried out "Charity Travel to Yushu County, Qinghai Province" activity for years, providing philanthropic support to the local orphanages. Meanwhile, we invited doctor volunteers to provide free clinical treatment for Tibetan people. In 2022, the Group made donations of RMB 1,370,000 in total.

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 152 to 238, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 2022, 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 18 to the consolidated financial statements. The Group has goodwill and intangible assets not available for use, amounted to RMB51,658,000 and RMB339,533,000 respectively as at 31 December 2022. 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 gross profit margin, revenue growth rate, percentage of costs and operating expenses to the revenue and post-tax discount rate, and management considered no impairment loss was considered necessary as at 31 December 2022 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 gross profit margin, revenue growth rate, percentage of costs and operating expenses to the revenue and post-tax discount rate, by comparing them with the historical financial performance and future forecast of the CGU;

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 2022, the Group incurred significant research and development expenses of RMB373,127,000 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 service 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.

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 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the Year Ended December 31, 2022

		Year ended December 31	
		2022	2021
	Note	**RMB'000**	RMB'000
Revenue	*6*	**250,833**	136,534
Cost of sales	*7*	**(74,632)**	(40,880)
Gross profit		**176,201**	95,654
Selling and distribution expenses	*7*	**(241,630)**	(93,252)
Administrative expenses	*7*	**(123,432)**	(114,425)
Research and development expenses	*7*	**(373,127)**	(445,879)
Other income	*9*	**12,760**	9,727
Other gains/(losses) — net	*10*	**106,680**	(50,626)
Operating loss		**(442,548)**	(598,801)
Finance income	*11*	**46,629**	24,771
Finance costs	*11*	**(2,316)**	(186)
Finance income — net		**44,313**	24,585
Loss before income tax		**(398,235)**	(574,216)
Income tax expense	*12*	**(9,574)**	—
Loss for the year		**(407,809)**	(574,216)
Total comprehensive loss for the year		**(407,809)**	(574,216)
Attributable to:			
Equity owners of the Company		**(407,809)**	(574,216)
Non-controlling interests		*****	—
		(407,809)	(574,216)
Loss per share attributable to owners of the Company			
Basic and diluted loss per share (in RMB per share)	*13*	**(0.61)**	(0.86)

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

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

CONSOLIDATED BALANCE SHEET

As at December 31, 2022

		As at December 31	
		2022	2021
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*14*	**21,620**	25,014
Property, plant and equipment	*15*	**305,819**	151,205
Investment properties	*16*	**7,008**	7,549
Intangible assets	*18*	**538,950**	276,502
Investment accounted for using equity method	*17*	**333**	—
Other receivables	*19*	**13,825**	—
Prepayments	*20*	**6,318**	52,613
Term deposits	*23*	**170,000**	—
Financial assets at fair value through profit or loss	*21*	**245,153**	224,424
Total non-current assets		**1,309,026**	737,307
Current assets			
Inventories	*22*	**127,184**	66,107
Financial assets at fair value through profit or loss	*21*	**71,564**	—
Trade and other receivables	*19*	**77,726**	33,333
Prepayments	*20*	**61,309**	30,809
Cash and cash equivalents	*23*	**1,669,665**	2,296,112
Total current assets		**2,007,448**	2,426,361
Total assets		**3,316,474**	3,163,668
EQUITY AND LIABILITIES			
Share capital and share premium	*24*	**6,369,548**	6,339,597
Treasury shares held in a trust	*25*	**(82,739)**	(84,549)
Other reserves	*26*	**63,617**	69,139
Accumulated losses		**(3,712,811)**	(3,305,002)
Equity attributable to owners of the Company		**2,637,615**	3,019,185
Non-controlling interests		*****	—
Total equity		**2,637,615**	3,019,185

Consolidated Balance Sheet

As at December 31, 2022

	Note	As at December 31 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	*14*	**2,152**	4,082
Deferred tax liabilities	*28*	**20,320**	20,320
Borrowings	*29*	**70,770**	—
Other payables	*31*	**5,874**	—
Deferred income	*30*	**1,720**	1,374
Total non-current liabilities		**100,836**	25,776
Current liabilities			
Lease liabilities	*14*	**2,892**	3,545
Borrowings	*29*	**56,061**	—
Trade and other payables	*31*	**519,070**	115,162
Total current liabilities		**578,023**	118,707
Total liabilities		**678,859**	144,483
Total equity and liabilities		**3,316,474**	3,163,668

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

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

The consolidated financial statements on pages 152 to 238 were approved by the Board of Directors on March 31, 2023 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 December 31, 2022

	Note	Share capital and share premium RMB'000	Other reserves RMB'000	Treasury shares held in a trust RMB'000	Accumulated losses RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 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	24	810,559	—	—	—	—	810,559
Exercise of share options	24,26	17,137	(13,764)	—	—	—	3,373
Acquisition of shares under the RSU Scheme	25	—	—	(64,720)	—	—	(64,720)
Restricted share units vested	24,25,26	(857)	(2,440)	3,297	—	—	—
Share-based payments	26	—	30,934	—	—	—	30,934
Balance at December 31, 2021		6,339,597	69,139	(84,549)	(3,305,002)	—	3,019,185
Balance at January 1, 2022		**6,339,597**	**69,139**	**(84,549)**	**(3,305,002)**	**—**	**3,019,185**
Comprehensive loss:							
Loss for the year		**—**	**—**	**—**	**(407,809)**	*	**(407,809)**
Total comprehensive loss		**—**	**—**	**—**	**(407,809)**	*	**(407,809)**
Transactions with owners in their capacity as owners:							
Exercise of share options	24,26	**33,510**	**(15,243)**	**—**	**—**	**—**	**18,267**
Acquisition of shares under the RSU Scheme	25	**—**	**—**	**(5,183)**	**—**	**—**	**(5,183)**
Restricted share units vested	24,25,26	**(3,559)**	**(3,434)**	**6,993**	**—**	**—**	**—**
Share-based payments	26	**—**	**13,155**	**—**	**—**	**—**	**13,155**
Balance at December 31, 2022		**6,369,548**	**63,617**	**(82,739)**	**(3,712,811)**	*	**2,637,615**

* The non-controlling interests is less than RMB 1,000.

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 December 31, 2022

	Note	Year ended December 31 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	*32(a)*	**(406,959)**	(480,987)
Interest received		**40,648**	44,805
Interest paid		**(311)**	(186)
Income taxes paid		**(9,574)**	—
Net cash used in operating activities		**(376,196)**	(436,368)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**61**	12
Cash received relating to other investment actiivities		**—**	680
Net Payments for settlement of foreign exchange forward contracts		**(16,922)**	—
Payments for property, plant and equipment		**(130,412)**	(69,738)
Payments for intangible assets		**(71,929)**	(123,300)
Payments for right-of-use assets		**—**	(8,300)
Payments for financial assets at fair value through profit or loss	*21*	**(73,575)**	(259,616)
Proceeds from settlements of financial assets at fair value through profit or loss	*21*	**—**	35,507
Payments for term deposits		**(170,000)**	—
Payments for investment accounted for using equity method		**(500)**	—
Net cash used in from investing activities		**(463,277)**	(424,755)
Cash flows from financing activities			
Proceeds from bank borrowings		**126,687**	—
Net proceeds from issue of ordinary shares		**—**	810,559
Proceeds from exercise of share options		**2,108**	3,373
Acquisition of shares under the RSU Scheme	*25*	**(5,183)**	(64,720)
Payments for listing expenses		**—**	(4,074)
Interest paid for bank borrowings		**(2,807)**	—
Principal elements of lease payments		**(3,367)**	(3,159)
Net cash generated from financing activities		**117,438**	741,979
Net decrease in cash and cash equivalents		**(722,035)**	(119,144)
Cash and cash equivalents at beginning of the year		**2,296,112**	2,458,161
Exchange gains/(losses) on cash and cash equivalents		**95,588**	(42,905)
Cash and cash equivalents at end of the year	*23*	**1,669,665**	2,296,112

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

1 GENERAL INFORMATION

Peijia Medical Limited (the "**Company**", or "**Peijia Medical**") was incorporated in the Cayman Islands on 30 May 2012 as an exempted company with limited liability under the Company Law of the Cayman Islands. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the business of (i) research and development, manufacturing and sales of transcatheter valve therapeutic medical devices ("**Transcatheter Valve Therapeutic Business**") and (ii) research and development, manufacturing and sales of neurointerventional procedural medical devices ("**Neurointerventional Business**") in the People's Republic of China (the "**PRC**") and other countries. Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Medical Technology (Suzhou) Co., Ltd. ("**Peijia Suzhou**") and Peijia Medical Technology (Shanghai) Co., Ltd. ("**Peijia Shanghai**"), and Neurointerventional Business is primarily operated by Achieva Medical Limited ("**Achieva Medical**") together with its subsidiaries ("**Achieva Group**").

The address of the Company's registered office is Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010 Cayman Islands.

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, 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Peijia Medical Limited and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

(iii) 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, 2022:

Amendments to IFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual improvements to IFRS standards 2018–2020 cycle
Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)	Amendments to Accounting Guideline 5

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.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended December 31, 2022 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

(a) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Principles of consolidation and equity accounting (cont'd)

2.2.1 Subsidiaries (cont'd)

(a) Consolidation (cont'd)

(i) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Principles of consolidation and equity accounting (cont'd)

2.2.1 Subsidiaries (cont'd)

(a) Consolidation (cont'd)

(ii) 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.

(iii) 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.

(b) 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.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2.3 below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Principles of consolidation and equity accounting (cont'd)

2.2.3 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.4.

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.

2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 18. 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.

(b) Technologies

Certain techonologies are for in-licenses and in-process research and development ("**IPR&D**"), with non-refundable upfront payment, milestone payment and royalty payment. These milestone payments are capitalized as intangible assets when incurred if the payment is due on a verifiable outcome, and are treated as research and development expenditures if it is due for the execution of outsourced research and development work. Royalty payment is accrued for in line with the underlying sales and recognized as a cost of sales. However, if a technology is acquired in a business combination, it is capitalized as intangible asset measured at fair value at initial recognition.

Research and development expenditures which are related to an IPR&D asset acquired separately or in a business combination and incurred after the acquisition of that intangible asset, are accounted for in accordance with the capitalization policy in Note 2.7(d).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Intangible assets (cont'd)

(b) Technologies (cont'd)

Technologies are assessed to be either finite or indefinite. 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 the shorter of the licensed period and their estimated useful lives of 15 years from the point at which the asset is available 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. Techonologies with indefinite useful lives or not available for use are not amortized but tested for impairment annually either individually or at the cash-generating unit level. The impairment test would compare the recoverable amount of the intangible asset to its carrying value. The estimated life of a technology with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the estimated life assessment from indefinite to finite is accounted for on a prospective basis.

(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). 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 research and development expenditures that do not meet these criteria are charged to expense as incurred. Research and 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 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.2 Measurement (cont'd)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) 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.

2.9.3 Impairment

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If no significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as 12-month expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.4 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.

2.9.5 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Company 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 and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 19 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Trade and other receivables (cont'd)

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.

2.13 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.

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 Borrowings

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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Borrowings (cont'd)

Borrowings are removed from the balance sheet 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 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 reporting period.

2.17 Borrowing costs

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee benefits (cont'd)

(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.

(c) Share-based compensation benefits of the Group

(i) Equity-settled share-based payment transaction

The Group operates stock options granted to employees and other qualifying participants, under which the entity receives services from employees and other qualifying participants as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. For other qualifying participants, the fair value of the services are measured directly as of the date on which the services are rendered. For services from employees, 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.

The fair value of the liability for cash-settled transactions is re-measured at each reporting date and at the date of settlement. Any changes in fair value are recognized in profit or loss for the period. Equity-settled transactions are not remeasured after the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee benefits (cont'd)

(c) Share-based compensation benefits of the Group (cont'd)

(ii) Share-based payment transaction with cash alternatives

The Group operates a share-based compensation plan, under which the entity receives services from employees and the terms of the plan provide the employees with a choice of whether the entity settles the transaction in cash or by issuing equity instruments.

For this kind of share-based payment transactions, the Group is considered to have issued a compound financial instrument, which includes a debt component (the employees' right to demand payment in cash) and an equity component (the employees' right to demand settlement in equity instruments rather than in cash).

The Group measures the fair value of the compound financial instrument at the measurement date, taking into account the terms and conditions on which the rights to cash or equity instruments were granted. To apply this, the Group first measures the fair value of the debt component and then measures the fair value of the equity component taking into account the counterparty must forfeit the right to receive cash in order to receive equity instrument. The fair value of the compound financial instrument is the sum of the fair values of the two components.

At the end of each reporting period and the date of settlement, the Group re-measure the liability to its fair value with any changes in fair value recognised in profit or loss. If the cash option expires or the Group issues equity instruments on settlement rather than paying cash, the liability shall be transferred direct to equity, as the consideration for the equity instruments issued. If the Group pays in cash on settlement rather than issuing equity instruments, that payment shall be applied to settle the liability in full. Any equity component previously recognised shall remain within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee benefits (cont'd)

(c) Share-based compensation benefits of the Group (cont'd)

(iii) 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.

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 and interest rate 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

(i) 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. The Group is exposed to foreign exchange risk, primarily in USD and HKD. 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 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.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

Most foreign exchange transactions were denominated in USD and HKD for the group companies that have functional currency in RMB. As at December 31, 2022 and December 31, 2021, if the USD and HKD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB60,920,000 lower/higher and RMB67,581,000 lower/higher, respectively.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

The Group has not hedged its cash flow or fair value interest-rate risk. As at December 31, 2022, the Group's borrowings at floating rate amounted to approximately RMB126,831,000.

The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at December 31, 2022, if the interest rates on borrowings at floating rates had been 10% higher/lower with all other variables held constant, the Group's loss before income tax for the year would have been higher/lower by approximately RMB14,000 (2021: Nil), mainly as a result of higher/lower interest expenses on borrowings.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents and term deposits, trade receivables and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(i) Risk management

To manage this risk, cash and cash equivalents, term deposits and interest receivables are mainly placed with state-owned banks or reputable commercial banks which are high-credit-quality financial institutions.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

(i) Risk management (cont'd)

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is usually around 60 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

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.

(ii) Impairment of financial assets

The Group's financial assets that are subject to the ECL assessment, include cash and cash equivalents, term deposits and trade and other receivables.

Cash and cash equivalents and term deposits

The Group expects that there is no significant credit risk associated with cash and cash equivalents and term deposits since they are deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents and term deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime expected loss for all trade receivables.

The expected loss rates are based on external credit assessment according to the public, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product index ("**GDP**") and consumer price index ("**CPI**") of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

At December 31, 2022, the Group had concentration of credit risk for its trade receivables as 100% (2021: nil) of the amount was attributable to the Group's customers for Transcatheter Valve Therapeutic Business. Since the trade receivables were due from two distribution companies with good creditability, the management considered that the Group's credit risk was low and ECL was minimal at December 31, 2022.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

(ii) Impairment of financial assets (cont'd)

Other receivables

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 Group 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 December 31, 2022:

	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 December 31, 2022					
Borrowings	58,791	7,120	70,632	—	136,543
Trade and other payables *(Note 31)*	459,200	—	—	—	459,200
Lease liabilities	3,113	2,182	24	—	5,319
	521,104	9,302	70,656	—	601,062

The following table presents the Group's contractual maturities of financial liabilities at December 31, 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 December 31, 2021					
Trade and other payables *(Note 31)*	85,284	—	—	—	85,284
Lease liabilities	3,545	3,238	1,309	—	8,092
	88,829	3,238	1,309	—	93,376

Trade and other payables exclude accrued taxes other than income tax and staff salaries and welfare payables. Lease liabilities and borrowings 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 (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. 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 that were measured at fair value at December 31, 2022:

	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 equity investment *(Note 21)*	—	—	**245,153**	**245,153**
— Unlisted fund investment *(Note 21)*	—	—	**71,564**	**71,564**
	—	—	**316,717**	**316,717**

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation (cont'd)

The following table presents the Group's assets that were measured at fair value at December 31, 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 equity investment *(Note 21)*	—	—	224,424	224,424

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 December 31, 2022.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements for the year ended December 31, 2022.

The changes in level 3 instruments for the years ended December 31, 2022 and 2021 are presented in Note 21.

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 December 31, 2022, the components of the level 3 instruments include a fund investment and equity investments in unlisted entities at fair value through profit or loss. The equity investments in unlisted entities mainly represent acquisitions of preferred shares of three third parties.

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. 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.

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity securities	Equity allocation model	Risk free rate	4.12%-4.58%
		Volatility	40.31%-43.89%

The fund investment in unlisted entity represented the investment in a private fund issued by a registered fund company. The Group used discounted cash flows approach to value the fair value of the investment as at December 31, 2022.

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 December 31, 2022 and 2021 would have been approximately RMB31,672,000 and RMB22,442,500 higher/lower, respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

(1) Critical accounting judgement

Research and development expenditures

Certain techonologies are for in-licenses and IPR&D, with non-refundable upfront payment, milestone payment and royalty payment. These milestone payments are capitalized as intangible assets when incurred if the payment is due on a verifiable outcome, and are treated as research and development expenditures if it is due for the execution of outsourced research and development work.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(1) Critical accounting judgement (cont'd)

Research and development expenditures (cont'd)

Research and development costs incurred on the Group's pipeline products are capitalized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalization. During the year ended December 31, 2022 and 2021, all expenses incurred for research and development activities were regarded as costs incurred during the research phase and therefore were expensed when incurred.

(2) Critical accounting estimates

(a) Estimated impairment of goodwill and technologies not available for use

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 a six-year period. Cash flows beyond the six-year period are extrapolated using the estimated revenue growth rates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

The Group is required to test impairment of 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) estimated cost to completion of the development; (II) timing of commercialisation, productivity and sales volume; (III) gross profit margin, which is calculated as gross profit divided by revenue; (IV) revenue growth rate; (V) percentage of costs and operating expenses to the revenue; and (VI) the selection of post-tax discount rates to reflect the risks involved.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(2) Critical accounting estimates (cont'd)

(b) Fair value of financial instruments

The Group has used the discount cash flow method for the valuation of the unlisted fund investment 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 21 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 RMB316,717,000 (2021: RMB224,424,000). Further details are included in Notes 21(i) and Notes 21(ii) to these financial statements.

(c) Recognition of share-based compensation expenses

As mentioned in Note 27, equity-settled share-based compensation plans were granted to the Group's employees and consultant other than employees. For 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 risk-free interests rate, expected price volatility and expected option life, is required to be made by the Group in applying the discounted cash flow method. For consultant other than employees, the fair value of the services are measured directly as of the date on which the services are rendered.

(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

Description of segments and principal activities

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

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

As a result of this evaluation, the Group determined that it has operating segments as follows:

Transcatheter Valve Therapeutic Business

Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Suzhou and Peijia Shanghai, which is engaged in the business of research and development, manufacturing and sales of transcatheter valve therapeutic medical devices.

Neurointerventional Business

Neurointerventional Business is primarily operated by Achieva Medical together with its subsidiaries, which is engaged in the business of research and development, manufacturing and sales of neurointerventional procedural medical devices.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenue is mainly generated in China.

5 SEGMENT (CONT'D)

The segment information provided to the Group's CODM for reportable segments for the relevant periods is as follows:

Segment loss

	Year ended December 31, 2022		
	Transcatheter Valve Therapeutic Business RMB'000	Neurointerventional Business RMB'000	Total RMB'000
Revenue	**107,311**	**143,522**	**250,833**
Cost of sales	**(21,830)**	**(52,802)**	**(74,632)**
Selling and distribution expenses	**(172,432)**	**(69,198)**	**(241,630)**
Administrative expenses	**(94,222)**	**(29,210)**	**(123,432)**
Research and development expenses	**(320,663)**	**(52,464)**	**(373,127)**
Segment loss	**(501,836)**	**(60,152)**	**(561,988)**

	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)

6 REVENUE

	Year ended December 31	
	2022 RMB'000	2021 RMB'000
Revenue from sales of goods — at a point in time	**250,833**	136,534

6 REVENUE (CONT'D)

Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the years ended December 31, 2022 and 2021 are listed as below:

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Customer A	**59,301**	20,722
Customer B	**48,005**	16,384
	107,306	37,106

7 EXPENSES BY NATURE

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Change of work in process and finished goods	**(18,114)**	(19,180)
Raw materials and consumables used	**90,257**	60,609
Employee benefits expenses *(Note 8)*	**262,041**	171,277
Service expenses for research and development	**249,859**	340,517
Professional service fees	**39,862**	27,641
Insurance expenses	**35,257**	7,830
Meeting expenses	**25,381**	15,215
Advertisement expenses	**22,737**	14,985
Depreciation of property, plant and equipment *(Note 15)*	**19,479**	14,170
Entertainment expenses	**15,730**	10,391
Utilities and office expenses	**13,559**	12,314
Travelling and transportation expenses	**13,392**	10,283
Amortisation of intangible assets *(Note 18)*	**12,555**	9,698
Auditor's remuneration		
— audit service	**4,121**	3,964
— non-audit service	**930**	1,001
Depreciation of right-of-use assets *(Note 14)*	**3,439**	3,077
Depreciation of investment properties *(Note 16)*	**541**	541
Others	**21,795**	10,103
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**812,821**	694,436

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**185,913**	114,025
Social security costs and housing benefits (a)	**36,753**	20,655
Other employee benefits	**11,426**	5,663
Share-based compensation expenses *(Note 27)*	**27,949**	30,934
	262,041	171,277

(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.

During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1 director for the year ended December 31, 2022 (2021: 1 director). The emoluments payable to the remaining four (2021: four) individuals during the year are as follows:.

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Basic salaries	**4,876**	4,802
Discretionary bonuses	**392**	348
Social security costs and housing benefits	**343**	130
Share-based compensation expenses	**9,300**	8,303
	14,911	13,583

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(b) Five highest paid individuals (cont'd)

The emoluments to the remaining 4 individuals (2021: 4 individuals) for the years ended December 31, 2022 and 2021 are fell within the following bands:

	Year ended December 31	
	2022	2021
Emolument bands		
HKD2,500,001–HKD3,000,000	**1**	—
HKD3,000,001–HKD3,500,000	**—**	1
HKD3,500,001–HKD4,000,000	**1**	—
HKD4,000,001–HKD4,500,000	**1**	—
HKD4,500,001–HKD5,000,000	**—**	1
HKD5,000,001–HKD5,500,000	**1**	1
HKD7,500,001–HKD8,000,000	**—**	1
	4	4

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(c) Benefits and interests of directors

The remuneration of each director and chief executive officer for the years ended December 31, 2022 and 2021 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 December 31, 2022						
Chairman of the Board and Chief Executive Officer						
Yi ZHANG	—	1,400	—	—	55	1,455
Non-executive directors						
Zhiyun YU	—	—	—	—	—	—
Huacheng WEI (i)	301	—	—	—	—	301
Jifeng GUAN	—	—	—	—	—	—
Jun YANG	—	—	—	—	—	—
Fei CHEN	—	—	—	—	—	—
Stephen Newman OESTERLE	673	—	—	590	—	1,263
Robert Ralph PARKS	673	—	—	600	—	1,273
Wai Ming YIP	301	—	—	—	—	301
Executive directors						
Hong YE	—	609	—	1,403	100	2,112
Ping Ye ZHANG	—	78	—	—	37	115
	1,948	2,087	—	2,593	192	6,820

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 December 31, 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	—	—	—	—	—	—
Jun YANG	—	—	—	—	—	—
Fei CHEN	—	—	—	—	—	—
Stephen Newman OESTERLE	645	—	—	462	—	1,107
Robert Ralph PARKS	645	—	—	487	—	1,132
Wai Ming YIP	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

(i) Mr. Huacheng WEI was appointed as a director since September 2021.

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 December 31, 2022 (2021: Nil).

(e) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended December 31, 2022 (2021: Nil).

(f) Consideration provided to third parties for making available directors' services

For the year ended December 31, 2022, 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 December 31, 2022 (2021: Nil).

(h) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 35(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 December 31, 2022.

9 OTHER INCOME

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Government grants	**10,264**	8,300
Service income from an associate *(Note 35(c))*	**1,271**	—
Rental income	**946**	747
Others	**279**	680
	12,760	9,727

10 OTHER GAINS/(LOSSES)-NET

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Foreign exchange gains/(losses) — net	**123,346**	(48,139)
Fair value gains on financial assets at fair value through profit or loss	**581**	—
Losses on disposal of property, plant and equipment	**(33)**	(218)
Losses on early termination of operating lease	**(396)**	—
Loss from foreign exchange forward contracts — net	**(16,922)**	—
Share of losses of associate	**(167)**	—
Others	**271**	(2,269)
	106,680	(50,626)

11 FINANCE INCOME — NET

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Finance income:		
Bank interest income	**46,629**	24,771
Finance costs:		
Interest expense on lease liabilities *(Note 14(b))*	**(311)**	(186)
Interest expense on borrowings *(Note 32(b))*	**(2,005)**	—
	(2,316)	(186)
Finance income — net	**44,313**	24,585

12 INCOME TAX EXPENSE

	Year ended December 31	
	2022	2021
Current income tax	**(9,574)**	—
Deferred income tax	**—**	—
Income tax expense	**(9,574)**	—

12 INCOME TAX EXPENSE (CONT'D)

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

(a) Mainland China

No provision for Mainland China income tax has been provided for 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%-200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that period.

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

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

(d) The Group has arranged a sub-licensing for certain intellectual property under research and development from a subsidiary incorporated in Hong Kong to Peijia Suzhou, which incurred an income tax of RMB8,966,000 born by the Hong Kong subsidiary.

(e) 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	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	**(398,235)**	(574,216)
Tax calculated at statutory tax rates applicable to each group entity	**67,314**	63,468
Income tax due to sub-licensing within the Group	**(8,966)**	—
Tax effect of:		
Differences in prior years' tax filing	**2,846**	(8,014)
Expenses not deductible for tax purpose *(Note (i))*	**(2,556)**	(3,213)
Super deduction for research and development expenses	**27,461**	29,250
Utilisation of previously unrecognised tax losses	**1,047**	—
Unrecognised tax losses carried forward *(Note (ii))*	**(96,720)**	(81,491)
Income tax expense	**(9,574)**	—

12 INCOME TAX EXPENSE (CONT'D)

(e) (cont'd)

(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.

(ii) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

Tax losses carried forward

	As at December 31	
	2022	2021
	RMB'000	RMB'000
2023	**2,402**	2,402
2024	**3,090**	3,090
2025	**4,363**	4,363
2026	**14,915**	14,915
2027	**36,251**	37,126
2028	**51,046**	50,841
2029	**107,440**	122,350
2030	**284,081**	284,931
2031	**386,095**	325,967
2032	**603,307**	—
	1,492,990	845,985

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, 2022 and 2021.

	Year ended December 31	
	2022	2021
Loss for the year and attributable to owners of the Company *(RMB'000)*	**(407,809)**	(574,216)
Weighted average number of ordinary shares in issue *(thousand)*	**673,160**	661,656
Basic loss per share *(RMB)*	**(0.61)**	(0.86)

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, 2022, the Company had one category of potential ordinary shares: the stock options granted to employees (Note 27). As the Group incurred losses for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 are the same as basic loss per share.

14 RIGHT-OF-USE ASSETS

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
— Land use rights (a)	**16,411**	16,928
— Buildings (b)	**5,209**	8,086
	21,620	25,014

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 29–40 years. The movements of land use rights are analysed as follows:

	Land use rights RMB'000
At January 1, 2021	
Cost	17,856
Accumulated amortisation	(711)
Net book value	17,145
Year ended December 31, 2021	
Opening net book value	17,145
Additions	300
Amortisation charge *(Note 7)*	(517)
Closing net book value	16,928
At December 31, 2021	
Cost	18,156
Accumulated amortisation	(1,228)
Net book value	16,928
Year ended December 31, 2022	
Opening net book value	16,928
Amortisation charge *(Note 7)*	(517)
Closing net book value	16,411
At December 31, 2022	
Cost	18,156
Accumulated amortisation	(1,745)
Net book value	16,411

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

(a) Land use rights (cont'd)

(ii) Amortisation of land use rights has been charged to the consolidated financial statements as follows:

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Property, plant and equipment	**343**	—
Administrative expenses *(Note 7)*	**174**	517
T0tal	**517**	517

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 December 31, 2021	
Cost	4,366
Accumulated depreciation	(3,378)
Net book value	988
Year ended December 31, 2021	
Opening net book value	988
Additions	9,658
Depreciation charge *(Note 7)*	(2,560)
Closing net book value	8,086
At December 31, 2021	
Cost	12,243
Accumulated depreciation	(4,157)
Net book value	8,086
Year ended December 31, 2022	
Opening net book value	8,086
Additions	5,203
Early termination	(4,815)
Depreciation charge *(Note 7)*	(3,265)
Closing net book value	5,209
At December 31, 2022	
Cost	10,041
Accumulated depreciation	(4,832)
Net book value	5,209

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

(b) Buildings (cont'd)

(ii) Lease liabilities recognised in the consolidated balance sheet

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Lease liabilities		
— current	**2,892**	3,545
— non-current	**2,152**	4,082
	5,044	7,627

(iii) Amounts recognised in the consolidated statements of comprehensive loss

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets *(Note 7)*	**3,265**	2,560
Interest expense *(Note 11)*	**311**	186

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 January 1, 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 December 31, 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 18)*	—	—	—	—	—	(186)	—	(186)
Additions	—	2,228	6,620	26,827	—	39,588	1,740	77,003
Disposals	—	(4)	(43)	(184)	—	(428)	—	(659)
Depreciation charge *(Note 7)*	(3,101)	(554)	(2,953)	(3,320)	(454)	—	(3,788)	(14,170)
Closing net book value	43,777	2,992	8,844	46,112	1,664	28,609	19,207	151,205
At December 31, 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

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 January 1, 2022								
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
Year ended December 31, 2022								
Opening net book value	43,777	2,992	8,844	46,112	1,664	28,609	19,207	151,205
Transferred in from construction in progress	—	—	—	9,425	—	(16,328)	6,903	—
Transfer to intangible assets *(Note 18)*	—	—	—	—	—	(2,874)	—	(2,874)
Additions	34	2,652	3,963	17,179	3	158,007	634	182,472
Disposals	—	(59)	(6)	(29)	—	—	(5,411)	(5,505)
Depreciation charge *(Note 7)*	(3,107)	(814)	(4,517)	(5,294)	(447)	—	(5,300)	(19,479)
Closing net book value	40,704	4,771	8,284	67,393	1,220	167,414	16,033	305,819
At December 31, 2022								
Cost	53,562	7,317	20,072	79,762	2,486	167,414	38,600	369,213
Accumulated depreciation	(12,858)	(2,546)	(11,788)	(12,369)	(1,266)	—	(22,567)	(63,394)
Net book value	40,704	4,771	8,284	67,393	1,220	167,414	16,033	305,819

(a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended December 31	
	2022 RMB'000	2021 RMB'000
Cost of sales	**4,982**	2,955
Selling and distribution expenses	**405**	262
Administrative expenses	**7,977**	5,892
Research and development expenses	**6,115**	5,061
Total *(Note 7)*	**19,479**	14,170

16 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
At January 1, 2021			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(919)	(27)	(946)
Net book value	7,486	604	8,090
Year ended December 31, 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 December 31, 2021			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(1,444)	(43)	(1,487)
Net book value	6,961	588	7,549
Year ended December 31, 2022			
Opening net book value	6,961	588	7,549
Depreciation and amortisation charge *(Note 7)*	(525)	(16)	(541)
Closing net book value	6,436	572	7,008
At December 31, 2022			
Cost	8,405	631	9,036
Accumulated depreciation and amortisation	(1,969)	(59)	(2,028)
Net book value	6,436	572	7,008

16 INVESTMENT PROPERTIES (CONT'D)

(i) As at December 31, 2022 and 2021, the fair values of the investment properties of the Group were RMB8,160,000 and RMB8,190,000 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 December 31, 2022 and RMB541,000 for the year ended December 31, 2021 respectively.

(ii) Leasing arrangements

The investment properties are leased to tenant 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 December 31	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**642**	582
Between 1 and 2 years	—	582
	642	1,164

17a SUBSIDIARIES

The Group's principal subsidiaries at December 31, 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/Paid in Capital	Ownership interest held by the group		Ownership interest held by non-controlling interests	
				2022	2021	**2022**	2021
				%	%	**%**	%
Marvel Finder Limited	Hong Kong, limited liability company	Holding, HK	10,000 ordinary shares USD362,893,978.11	**100**	100	**—**	—
Peijia Suzhou	People's Republic of China, limited liability company	Research and development, manufacturing and sales of transcatheter valve therapeutic devices, PRC	RMB2,300,000,000	**100**	100	**—**	—
Peijia Shanghai	People's Republic of China, limited liability company	Research and development of transcatheter valve therapeutic devices, PRC	RMB15,500,000	**100**	100	**—**	—
Achieva Medical	Cayman Islands, limited liability company	Holding, Cayman Islands	671,334,904 ordinary shares of USD0.0001 each, USD67,133.49	**100**	**100**	—	**—**
Achieva Medical HK Limited	Hong Kong, limited liability company	Holding, HK	1 ordinary share USD58,873,000	**100**	**100**	—	**—**

17a SUBSIDIARIES (CONT'D)

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/Paid in Capital	Ownership interest held by the group		Ownership interest held by non-controlling interests	
				2022	2021	**2022**	2021
				%	%	**%**	%
Achieva Medical (Shanghai) Co., Ltd	People's Republic of China, limited liability company	Research and development, manufacturing and sales of neurointerventional procedural medical devices, PRC	USD58,680,000	**100**	100	**—**	—
Achieva Medical (Suzhou) Co., Ltd.	People's Republic of China, limited liability company	Research and development, manufacturing and sales of neurointerventional procedural medical devices, PRC	RMB121,000,000	**100**	100	**—**	—
Jiangxi Zhisheng Medical Equipment Co., Ltd.	People's Republic of China, limited liability company	Trading, PRC	RMB9,470,000	**100**	100	**—**	—
Peijia Medical Holding Limited	Cayman Islands, limited liability company	Holding, Cayman Islands	50,000 ordinary shares of USD1 each, USD50,000	**100**	100	**—**	—
Peijia Medical US Limited	US, limited liability company	Holding, US	10,000 ordinary shares of USD0.001 each, USD10	**100**	100	**—**	—
Suzhou Jiasheng Venture Capital Partnership (Limited Partnership)	People's Republic of China, limited liability company	Investment, PRC	RMB25,000,000	**98**	—	**2**	—
Peijia Medical (Haining) Co., Ltd.	People's Republic of China, limited liability company	Trading, PRC	RMB7,242,200	**100**	—	**—**	—

17b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group has interests in an individually immaterial associate that are accounted for using the equity method.

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

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Associate (a)	**333**	—

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

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Associate (a)	**167**	—

(a) Investment in an associate

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Beginning of the year	**—**	—
Additions	**500**	—
Loss for the year	**(167)**	—
End of the year	**333**	—

18 INTANGIBLE ASSETS

	Goodwill RMB'000	Technologies RMB'000	Computer software RMB'000	Total RMB'000
At January 1, 2021				
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 December 31, 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 December 31, 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
Year ended December 31, 2022				
Opening net book value	51,658	222,861	1,983	276,502
Transferred in from construction in progress *(Note 15)*	—	—	2,874	2,874
Additions (b)	—	269,400	2,729	272,129
Amortisation charge *(Note 7)*	—	(10,524)	(2,031)	(12,555)
Closing net book value	51,658	481,737	5,555	538,950
At December 31, 2022				
Cost	51,658	510,273	9,294	571,225
Accumulated amortisation	—	(28,536)	(3,739)	(32,275)
Net book value	51,658	481,737	5,555	538,950

18 INTANGIBLE ASSETS (CONT'D)

(a) Amortisation of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Cost of sales	**10,524**	4,519
Administrative expenses	**1,113**	5,179
Selling and distribution expenses	**675**	—
Research and development expenses	**243**	—
Total *(Note 7)*	**12,555**	9,698

(b) For the year ended December 31, 2022, the additions included (i) an intellectual property under research and development ("**Technology C**") of USD19,921,000 (approximately RMB126,888,000) acquired by a subsidiary of the Company from a third party; (ii) a milestone payment of USD20,000,000 (approximately RMB142,512,000) related to an intellectual property under research and development ("**Technology B**") acquired by the Company in prior year.

For the year ended December 31, 2021, the Company acquired an intellectual property under research and development ("**Technology B**") of USD11,000,000 (approximately RMB70,133,000) from a third party.

(c) Goodwill

	As at December 31	
	2022	2021
	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 2022. 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 a six-year period. Cash flows beyond the six-year period are extrapolated using the estimated terminal growth rates stated below.

18 INTANGIBLE ASSETS (CONT'D)

(c) Goodwill (cont'd)

The key parameters used for value-in-use calculations are as follows:

	Gross profit margin	Revenue Growth rate of the projection period	Terminal growth rate	Pre-tax discount rate
As at December 31, 2022	**61.2%~69.9%**	**5.6%~81.7%**	**2.3%**	**23.8%**
As at December 31, 2021	65.5%~70.9%	6.6%~52.8%	2.5%	23.6%

The revenue growth rate and budgeted gross profit margin for the six-year period 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 RMB149,377,000 as at 31 December 2022 (2021: RMB221,095,000). 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 December 31	
	2022	2021
	RMB'000	RMB'000
Revenue decreases by 10%	**70,150**	145,964
Terminal value decreases by 10%	**101,642**	188,709
Discount rate increases by 5%	**96,259**	178,370

18 INTANGIBLE ASSETS (CONT'D)

(d) Technologies not available for use

The technologies included the following technologies under research and development:

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Technology A	**—**	42,560
Technology B	**212,645**	70,133
Technology C	**126,888**	—
	339,533	112,693

As at December 31, 2022, the balance of technologies under research and development were RMB339,533,000 (2021: RMB112,693,000). Technologies under research and development are not available for use and are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount and on an annual basis. Impairment review has been conducted by an independent qualified valuer as at 31 December 2022. For the purpose of impairment review, the recoverable amount is determined based on the higher of fair value less cost to sell and value in use. In respect of the value in use calculation, the Group use cash flow projections based on financial budgets prepared by management covering a period of 2 to 3 years for further development of currently ongoing projects and a period of 15 years with production and sales of the future products of these projects.

Fair value less cost to sell 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, gross profit margin and revenue growth rate based on market conditions and the state of technology development. The management then adjusted the estimated net profit 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 post-tax discount rate based on the industry practice and incorporated with the uncertain success rate of commercialization for the applicable product candidates.

18 INTANGIBLE ASSETS (CONT'D)

(d) Technologies not available for use (cont'd)

The key assumptions used as at December 31, 2022 and 2021 are as follows.

Technology A

	Gross profit margin	Revenue Growth rate	Percentage of costs and operating expenses to the revenue	Post-tax discount rate
As at December 31, 2021	58.0%~63.9%	–45.5%~120.8%	62.7%~84.5%	22.0%

As of December 31, 2022, Technology A was available for use and started being amortised due to the Group received related approvals from the National Medical Products Administration of the PRC (the "**NMPA**").

As at December 31, 2021, based on the result of impairment assessment, the recoverable amount of Technology A under research and development is estimated to exceed the carrying amount by RMB16,610,000. 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 carrying amount of Technology A under research and development to exceed its recoverable amount.

The recoverable amount of Technology A 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 December 31, 2021 RMB'000
Gross profit margin decreased by	13.44%
Revenue decreased by	23.62%
Percentage of costs and operating expenses to the revenue increased by	13.66%
Post-tax discount rate increased by	28.54%

18 INTANGIBLE ASSETS (CONT'D)

(d) Technologies not available for use (cont'd)

Technology B

	Gross profit margin	Revenue growth rate	Percentage of costs and operating expenses to the revenue	Post-tax discount rate
As at December 31, 2022	**64.0%~78.0%**	**–49.0%~414.2%**	**51%~123%**	**29%**
As at December 31, 2021	64.0%~78.0%	–49.0%~414.2%	51%~123%	29%

Based on the result of impairment assessment, the recoverable amount of Technology B under research and development is estimated to exceed the carrying amount as at December 31, 2022 by RMB292,501,000 (2021: RMB16,791,401). 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 Technology B under research and development to exceed its recoverable amount.

The recoverable amount of Technology B 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 December 31	
	2022	2021
	RMB'000	RMB'000
Gross profit margin decreased by	**9.35%**	4.37%
Revenue decreased by	**31.30%**	15.17%
Percentage of costs and operating expenses to the revenue increased by	**23.95%**	4.00%
Post-tax discount rate increased by	**15.95%**	6.58%

18 INTANGIBLE ASSETS (CONT'D)

(d) Technologies not available for use (cont'd)

Technology C

	Gross profit margin	Revenue growth rate	Percentage of costs and operating expenses to the revenue	Post-tax discount rate
As at December 31, 2022	**64.0%~78.0%**	**–30.7%-200.9%**	**57%-183.8%**	**29%**

Based on the result of impairment assessment, the recoverable amount of Technology C under research and development is estimated to exceed the carrying amount as at December 31, 2022 by RMB47,427,000 (2021: 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 carrying amount of Technology C under research and development to exceed its recoverable amount.

The recoverable amount of Technology C 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 December 31, 2022 RMB'000
Gross profit margin decreased by	**5.08%**
Revenue decreased by	**13.92%**
Percentage of costs and operating expenses to the revenue increased by	**5.41%**
Post-tax discount rate increased by	**7.29%**

19 TRADE AND OTHER RECEIVABLES

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Trade receivables from		
— third parties (a)	**12,595**	—
Other receivables from		
— employees (b)	**29,984**	—
— related parties	**8,748**	—
— third parties	**8,498**	3,639
Value-added tax recoverable	**12,683**	14,550
Interest receivables	**10,302**	5,475
Deposits	**1,868**	1,926
Others	**6,873**	7,743
Total	**91,551**	33,333
Less: non-current portion	**(13,825)**	—
Current portion	**77,726**	33,333

(a) At December 31, 2022 and 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Not overdue	**12,595**	—

(b) Other receivables from employees included a loan to an employee amounted to RMB13,825,000, of which the nominal value was HKD16,000,000 (equivalent to RMB14,293,000). The loan was interest-free and will be repayable in March 2024.

20 PREPAYMENTS

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Prepayments to:		
— inventories	**46,007**	19,860
— research and development service	**8,022**	2,940
— equipment not received	**6,318**	1,607
— intellectual property under research and development	**—**	51,006
— others	**7,280**	8,009
	67,627	83,422
Less: non-current portion	**(6,318)**	(52,613)
Current portion	**61,309**	30,809

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Unlisted equity investment (i)	**245,153**	224,424
Current assets		
Unlisted fund investment (ii)	**71,564**	—
	316,717	224,424

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

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

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Opening balance	**224,424**	—
Additions	**—**	227,371
Exchange gains/(losses) on financial assets	**20,729**	(2,947)
Closing balance	**245,153**	224,424

For the year ended December 31, 2022, the unlisted equity investments represented preferred shares of three unlisted entities owned by the Group. The equity interest percentage owned by the Group 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 December 31	
	2022	2021
	RMB'000	RMB'000
Opening balance	**—**	3,262
Additions	**73,575**	32,245
Exchange loss on financial assets	**(2,592)**	—
Fair value gains on financial assets at fair value through profit or loss	**581**	—
Redemption	**—**	(35,507)
Closing balance	**71,564**	—

As at December 31, 2022, the unlisted fund investment represented interest in a private fund issued by a registered fund company. The principle amount of the investment was HKD80,000,000 (approximately RMB73,575,000).

22 INVENTORIES

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Materials in transit	**7,131**	805
Raw materials	**78,633**	40,016
Finished goods	**34,485**	18,873
Work in progress	**8,915**	6,413
	129,164	66,107
Write-down of the inventories	**(1,980)**	—
	127,184	66,107

Inventories recognised as costs or expenses during the year ended 31 December 2022 amounted to RMB72,143,000 (2021: RMB41,429,000). These were included in cost of sales, research and development expenses and selling and distribution expenses.

Write-downs of inventories to net realisable value amounted to RMB1,980,000 (2021:nil). These were recognised as an expense during the year ended December 31, 2022 and included in 'cost of sales' in the consolidated statement of comprehensive loss.

23 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Cash in bank	**1,839,665**	2,296,112
Less: term deposits over one year (a)	**(170,000)**	—
	1,669,665	2,296,112

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents and term deposits are denominated in:		
— USD	**497,854**	566,431
— HKD	**474,483**	611,193
— RMB	**867,328**	1,118,488
	1,839,665	2,296,112

(a) The directors of the Company considered that the carrying amount of the term deposits with initial terms of over one year was approximated to their fair value as at December 31, 2022.

24 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at January 1, 2021	632,918,000	449	5,512,309	5,512,758
Issuance of ordinary shares (i)	33,800,000	22	810,537	810,559
Exercise of share options (ii)	4,616,904	3	17,134	17,137
Restricted share units vested under the trust (iii)	—	*	(857)	(857)
As at December 31, 2021	671,334,904	474	6,339,123	6,339,597
As at January 1, 2022	671,334,904	474	6,339,123	6,339,597
Exercise of share options (ii)	6,079,124	4	33,506	33,510
Restricted share units vested under the trust (iii)	—	*	(3,559)	(3,559)
As at December 31, 2022	677,414,028	478	6,369,070	6,369,548

(i) In January 2021, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, an aggregate of 33,800,000 placing shares to not less than six placees at a price of HKD29.38 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 HKD971,170,878 (approximately RMB810,559,000) were received in January 2021.

(ii) For the year ended December 31, 2022, certain employees exercised stock options granted to them in 2017, 2019 and 2021, and 6,079,124 Shares were issued to them (2021: 4,616,904).

(iii) The change of share capital is less than RMB1,000.

25 TREASURY SHARES HELD IN A TRUST

	Number of treasury shares	Amount RMB'000
As at January 1, 2022	**(4,640,546)**	**(84,549)**
Acquisition of shares under restricted share units plan (i)	**(838,000)**	**(5,183)**
Restricted share units vested under the trust (ii)	**266,242**	**6,993**
As at December 31, 2022	**(5,212,304)**	**(82,739)**

(i) On December 31, 2019, the Company and Trident Trust Company (HK) Limited (the "**Trident Trust**"), an independent third party, set up the peijia employee benefit trust which entered into a trust deed pursuant to which Trident Trust has agreed to act as the trustee to administer the peijia employee benefit trust and to hold the ordinary shares under the peijia employee benefit trust through the nominee, Best Achiever Management Limited (the "**Nominee**").

For the year ended December 31, 2022, the Nominee made on-market purchases of 838,000 shares according to the Company's instruction. The shares held in the trust are accounted for as treasury shares of the Company (2021: 3,881,000 shares).

(ii) For the year ended December 31, 2022, 266,242 restricted share units were vested by selected persons (2021: 317,923 resticted share units were vested).

26 OTHER RESERVES

	Share-based compensation reserve RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2021	54,660	(251)	54,409
Share-based compensation expenses	30,934	—	30,934
Restricted share units vested	(2,440)	—	(2,440)
Exercise of options	(13,764)	—	(13,764)
As at December 31, 2021	69,390	(251)	69,139
As at January 1, 2022	69,390	(251)	69,139
Share-based compensation expenses	13,155	—	13,155
Restricted share units vested	(3,434)	—	(3,434)
Exercise of options	(15,243)	—	(15,243)
As at December 31, 2022	63,868	(251)	63,617

27 SHARE-BASED PAYMENTS

(a) Stock options

(i) Stock options granted to employees in 2019

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

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

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

(ii) Stock options granted to employees in 2021

On December 7, 2021, the Company granted 7,801,386 stock options to senior management members and employees of the Group as rewards for their services and in exchange for their full-time devotion and professional expertise.

The exercise price of granted options is HKD15.97 per ordinary share. The vesting term of the stock options includes different vesting schedule, which varies from one year to six years with different performance conditions respectively. All options shall expire in ten years from the grant dates.

Fair value of options granted in 2021

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

Expected price volatility	39.38%
Expected option life (year)	10
Risk free interest rate	1.5%
Fair value of granted options (HKD)	6.62–7.07

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

27 SHARE-BASED PAYMENTS (CONT'D)

(a) Stock options (cont'd)

(iii) The financial impact of stock options is as follows:

Movements in the number of stock options are as follows:

	Year Ended December 31	
	2022	2021
At the beginning of year	**50,008,962**	46,893,480
Granted	—	7,801,386
Exercised	**(6,079,124)**	(4,616,904)
Forfeited	**(2,598,733)**	(69,000)
At the end of year	**41,331,105**	50,008,962

As at December 31, 2022, 27,515,847 outstanding options were exercisable (2021: 25,494,407).

For the year ended December 31, 2022, certain employees exercised stock options granted to them in 2017,2019 and 2021, and 6,079,124 Shares were issued to them (2021: 4,616,904).

No options expired for the year ended December 31, 2022 (2021: nil).

The total expense recognised in the consolidated statements of comprehensive loss for the above stock options granted are RMB18,430,000 for the year ended December 31, 2022 (2021: RMB18,753,000).

(b) Restricted share units

A restricted share award scheme (the "**RSU Scheme**") was approved and adopted pursuant to a resolution passed on April 28, 2020. The directors of the Company may, from time to time, at its absolute discretion, grant restricted share units to selected person in accordance with the RSU Scheme. The maximum number of shares which may be awarded to any selected person under the RSU Scheme shall not exceed 1% of the issued share capital of the Company as at April 28, 2020.

(i) RSU issued to directors

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

27 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units (cont'd)

(i) RSU issued to directors (cont'd)

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

(ii) RSU issued to a consultant

The consultant has been granted RSUs of the Company representing an aggregate total amount of USD150,000 per year in the two years commencing from the grant date in 2020 and 2022 respectively. The RSUs are issued to the consultant on a quarterly basis. The number of RSUs to be issued at the end of each quarter is calculated based on the higher of the closing price of the shares of the Company on the issue date, and the average closing price of the shares of the Company for the five business days immediately preceding the issue date. The RSU issued are vested immediately on the issue date.

(iii) RSU issued to employees

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

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

27 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units (cont'd)

As at December 31, 2022, the restricted share units issued to directors, a consultant and employees of the Group are as follows:

Restricted share units issued to	Number of RSU issued	Issue date	Vesting period
Directors	204,992	End of each quarter	0–6 years
Consultant	161,783	End of each quarter	Nil
Employees	69,193	Various dates in 2022	1–5 years

As at December 31, 2021, the restricted share units issued to directors, a consultant and employees of the Group are as follows:

Restricted share units issued to	Number of RSU issued	Issue date	Vesting period
Directors	73,805	End of each quarter	0–6 years
Consultant	104,591	End of each quarter	Nil
Employees	139,527	Various dates in 2021	Nil

The total expense recognised in the consolidated statements of comprehensive loss for the year ended December 31, 2022 for the RSUs granted is RMB9,519,000 (2021: RMB12,181,000).

The following table summarised the Group's restricted share units and movement for the years ended December 31, 2022 and 2021:

	Year Ended December 31	
	2022	2021
At the beginning of year	**169,615**	55,751
Issued during the year	**435,968**	317,923
Vested during the year	**(446,928)**	(204,059)
At the end of year	**158,655**	169,615

As at December 31, 2022, 158,654 restricted share units remained unvested.

27 SHARE-BASED PAYMENTS (CONT'D)

(c) Expense for the share-based payments has been charged to profit or loss as follows:

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Stock options		
Research and development expenses	**6,988**	9,024
Administrative expenses	**5,129**	8,651
Selling and distribution expenses	**4,332**	717
Cost of sales	**1,981**	361
	18,430	18,753
Restricted share units		
Administrative expenses	**2,508**	2,646
Selling and distribution expenses	**805**	929
Research and development expenses	**6,206**	8,606
	9,519	12,181
Total	**27,949**	30,934

28 DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and deferred tax liabilities for the years ended December 31, 2022 and 2021, without taking into consideration the offsetting of balanced within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses
	RMB'000
As at January 1, 2021	22,610
Charge to consolidated statements of comprehensive loss	(2,330)
As at December 31, 2021	20,280
As at January 1, 2022	**20,280**
Charge to consolidated statements of comprehensive loss	**(2,814)**
As at December 31, 2022	**17,466**

28 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 January 1, 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 December 31, 2021	1,357	615	446	38,182	40,600
As at January 1, 2022	1,357	615	446	38,182	40,600
Credit to consolidated statements of omprehensive loss	(124)	(47)	(11)	(2,632)	(2,814)
As at December 31, 2022	1,233	568	435	35,550	37,786

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Deferred tax liabilities		
— to be recovered within 12 months	**3,021**	2,673
— to be recovered more than 12 months	**34,765**	37,927
	37,786	40,600

28 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax liabilities (cont'd)

(a) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Deferred tax liabilities, net	**20,320**	20,320
Deferred tax assets, net	**—**	—

29 BORROWINGS

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Non-current		
Bank borrowings — secured (i)	**70,770**	—
Current		
Bank borrowings — unsecured (ii)	**56,061**	—
Total	**126,831**	—

(i) Bank borrowings — secured

In March 2022, the Group entered into a secured bank loan facility agreement, which is specific for financing the construction of the new headquarter and will be matured in May 2027. The maximum amount that the Group is able to draw down under such facility is RMB400,000,000, and any drawdown will bear an interest rate corresponding to one-year loan prime rate circulated by the People's Bank of China plus 15 basis points.

As at December 31, 2022, the Group has drawn down RMB70,687,000. which was mortgaged by a land use right and a building under construction of the Group with carrying amounts of RMB9,604,000 and RMB161,510,000, respectively. The borrowings bore interest rates of 3.8%- 3.85% and will be repayable by instalments, commencing from November 2024.

(ii) In January 2022, the Group entered into an unsecured general bank borrowing agreement. The principal of the borrowing was RMB56,000,000, which bore an interest rate of 3.58% and will be repayable in January 2023.

29 BORROWINGS (CONT'D)

(iii) At December 31, 2021 and 2022, the Group's borrowings were repayable as follows:

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**56,061**	—
Between 1 and 2 years	**4,501**	—
Between 2 and 5 years	**66,269**	—
Total	**126,831**	—

30 DEFERRED INCOME

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Government grants —		
Asset-related grants (a)	**1,220**	1,250
Cost-related grants (b)	**500**	124
	1,720	1,374

(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 research and development 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.

31 TRADE AND OTHER PAYABLES

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Trade payables — third parties	**361,580**	54,168
Other payables — third parties	**97,620**	31,116
Staff salaries and welfare payables	**41,433**	24,490
Liabilities arising from share-based payments with cash alternative	**9,045**	—
Tax payable	**15,265**	5,388
	524,944	115,162
Less: non-current position	**(5,874)**	—
Current position	**519,070**	115,162

The ageing analysis of trade payables at the respective balance sheet dates is as follows:

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**361,444**	54,003
Between 1 year and 2 years	**6**	160
Between 2 year and 5 years	**130**	5
	361,580	54,168

32 CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to cash used in operations

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Loss for the year before income tax	**(398,235)**	(574,216)
Adjustments for:		
— Depreciation of property, plant and equipment and investment properties *(Note 7)*	**20,020**	14,711
— Amortisation/depreciation of intangible assets and right-of-use assets *(Note 7)*	**15,994**	12,775
— Losses on disposal of property, plant and equipment *(Note 10)*	**33**	218
— Losses on disposal of right-of-use assets *(Note 10)*	**396**	—
— Share-based compensation expenses *(Note 27)*	**27,949**	30,934
— Write-down of the inventories	**1,980**	—
— Gain from financial assets at fair value through profit or loss	**—**	(680)
— Finance income — net	**(43,158)**	(21,639)
— Fair value gains on financial assets at fair value through profit or loss	**(581)**	—
— Loss from foreign exchange forward contracts — net	**16,922**	—
— Loss from investment accounted for using the equity method	**167**	—
— Net exchange differences	**(116,945)**	42,905
	(475,458)	(494,992)
Changes in working capital:		
— Increase in inventories	**(63,057)**	(40,822)
— Increase in prepayments and trade and other receivables	**(62,321)**	(22,619)
— Increase in trade and other payables	**193,531**	79,356
— Increase/(decrease) in deferred income	**346**	(1,910)
	68,499	14,005
Cash used in operations	**(406,959)**	(480,987)

32 CASH USED IN OPERATIONS (CONT'D)

(b) Changes in liabilities from financing activities

	Liabilities from financing activities		
	Borrowings RMB'000	**Leases** RMB'000	**Total** RMB'000
As at January 1, 2021	—	9,129	9,129
Financing cash flows	—	(11,460)	(11,460)
New leases	—	9,958	9,958
Other changes			
Interest expense	—	186	186
Interest payments (presented as operating cash flows)	—	(186)	(186)
As at December 31, 2021	—	7,627	7,627
Financing cash flows	126,687	(3,367)	123,320
Early termination	—	(4,419)	(4,419)
New leases	—	5,203	5,203
Other changes			
Interest capitalized in construction in progress	946	—	946
Interest expense	2,005	311	2,316
Interest payments (presented as operating cash flows)	(2,807)	(311)	(3,118)
As at December 31, 2022	126,831	5,044	131,875

33 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 December 31	
	2022 **RMB'000**	2021 RMB'000
Property, plant and equipment	**86,448**	181,471

34 BALANCE SHEET OF THE COMPANY

	As at December 31	
	2022	2021
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Intangible assets	**212,645**	70,133
Other receivables	**6,911**	—
Investments in subsidiaries	**3,175,227**	3,147,793
Total non-current assets	**3,394,783**	3,217,926
Current assets		
Other receivables	**30,242**	11,861
Financial assets at fair value through profit or loss	**71,564**	—
Cash and cash equivalents	**557,834**	643,688
Total current assets	**659,640**	655,549
Total assets	**4,054,424**	3,873,475
EQUITY AND LIABILITIES		
Equity attribute to owners of the Company		
Share capital and share premium	**6,369,548**	6,339,597
Treasury shares held in the trusts	**(82,739)**	(84,549)
Other reserves	**63,868**	69,390
Accumulated losses	**(2,504,336)**	(2,549,262)
Total equity	**3,846,341**	3,775,176
Liabilities		
Current liabilities		
Other payables	**208,083**	98,299
Total liabilities	**208,083**	98,299
Total equity and liabilities	**4,054,424**	3,873,475

The balance sheet of the Company was approved by the Board of Directors on March 31, 2023 and were signed on its behalf.

Yi ZHANG
Chairman, Chief Executive Officer, Executive Director

Hong YE
Board Secretary, Executive Director

34 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 January 1, 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	*24*	810,559	—	—	—	810,559
Exercise of share options	*24,26*	17,137	(13,764)	—	—	3,373
Acquisition of shares under the RSU Scheme	*25*	—	—	(64,720)	—	(64,720)
Restricted share units granted	*24,25,26*	(857)	(2,440)	3,297	—	—
Share-based payments	*26*	—	30,934	—	—	30,934
Balance at December 31, 2021		6,339,597	69,390	(84,549)	(2,549,262)	3,775,176
Balance at January 1, 2022		6,339,597	69,390	(84,549)	(2,549,262)	3,775,176
Comprehensive income:						
Profit for the year		—	—	—	44,926	44,926
Total comprehensive Income		—	—	—	44,926	44,926
Transactions with owners in their capacity as owners:						
Exercise of share options	*24,26*	33,510	(15,243)	—	—	18,267
Acquisition of shares under the RSU Scheme	*25*	—	—	(5,183)	—	(5,183)
Restricted share units granted	*24,25,26*	(3,559)	(3,434)	6,993	—	—
Share-based payments	*26*	—	13,155	—	—	13,155
Balance at December 31, 2022		6,369,548	63,868	(82,739)	(2,504,336)	3,846,341

35 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 for the years ended December 31, 2022 and 2021 respectively, and balances arising from related party transactions as at December 31, 2022 and 2021 respectively.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Key management personnel	Key management personnel
Suzhou SITRI Interventional Medtech Institute ("**IMI**")	Associate

(b) Transactions with related parties

Other than the transaction disclosed in Note 19 and Note 35, there is no other transaction with related parties.

(c) Transactions with related party

(i) Service income

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
IMI	**1,271**	—

(ii) Payment on behalf of

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
IMI	**1,571**	—

(iii) Sales of leasehold improvements

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
IMI	**5,411**	—

35 RELATED PARTY TRANSACTIONS (CONT'D)

(d) Balances with related parties

Other receivables

	As at December 31	
	2022	2021
	RMB'000	RMB'000
IMI	**8,748**	—
Key management personnel	**29,984**	—
	38,732	—

Other payables

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Key management personnel	**495**	—

(e) Key management personnel compensation

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and bonuses	**11,453**	12,583
Housing fund, medical insurance and other social insurance	**757**	714
Share-based compensation expenses	**6,759**	9,138
	18,969	22,435

36 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group for the year ended December 31, 2022 (2021: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years (note 1) is set out below:

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Operating Results					
Revenue	**250,833**	136,534	38,655	18,699	—
Gross profit	**176,201**	95,654	25,223	12,013	—
Operating loss	**(442,548)**	(598,801)	(403,717)	(226,923)	(70,222)
Loss before income tax	**(398,235)**	(574,216)	(2,068,656)	(531,977)	(82,876)
Loss for the year and attributable to owners of the parent company	**(407,809)**	(574,216)	(2,068,656)	(531,977)	(82,625)
Total comprehensive loss for the year and attributable to owners of the parent company	**(407,809)**	(574,216)	(2,068,656)	(516,121)	(78,006)
Loss per share					
Basic and diluted loss per share (in RMB per share)	**(0.61)**	(0.86)	(4.43)	(45.28)	(9.05)

	As at December 31,				
	2022	2021	2020	2019	2018
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Financial Position					
Non-current assets	**1,309,026**	737,307	337,186	321,858	33,368
Current assets	**2,007,448**	2,426,361	2,544,063	557,626	140,996
Total assets	**3,316,474**	3,163,668	2,881,249	879,484	174,364
Non-current liabilities	**100,836**	25,776	23,604	1,387,503	224,174
Current liabilities	**578,023**	118,707	44,390	50,187	44,527
Total liabilities	**678,859**	144,483	67,994	1,437,690	268,701
Total equity	**2,637,615**	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:

"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
"AIS"	acute ischemic stroke, a disease occurs when the blood flow through the cerebral areries is blocked by a clot (i.e., a large amount of thickened blood)
"aortic valve"	a valve in the human heart between the left ventricle and the aorta
"AR"	aortic regurgitation
"AS"	aortic stenosis
"Audit Committee"	the audit committee of the Board
"BD"	business development
"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®

“delivery catheter system”	an integral delivery catheter with a tip, a sheath tube, a catheter and a handle system used to deliver and release the PAV to the target position
“Director(s)”	the director(s) of the Company
“Dr. ZHANG”	Dr. Yi ZHANG, one of our Founders, and our chairman, Chief Executive Officer, an executive Director of our Company and our substantial shareholder upon Listing
“FIM”	First-in-man, a stage of clinical trial
“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
“ICAS-LVO”	intracranial atherosclerosis-related large vascular occlusion
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party” or “Independent Third Parties”	a person or entity who is not a connected person of our Company under the Listing Rules
“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
"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
"registration 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
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"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 Incentive Schemes"	the Share Option Plan, the RSU Scheme and the Share Option Scheme
"Share Option Plan"	the share option plan approved and adopted by the Company on December 27, 2019, 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
"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
"TR"	tricuspid regurgitation
"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