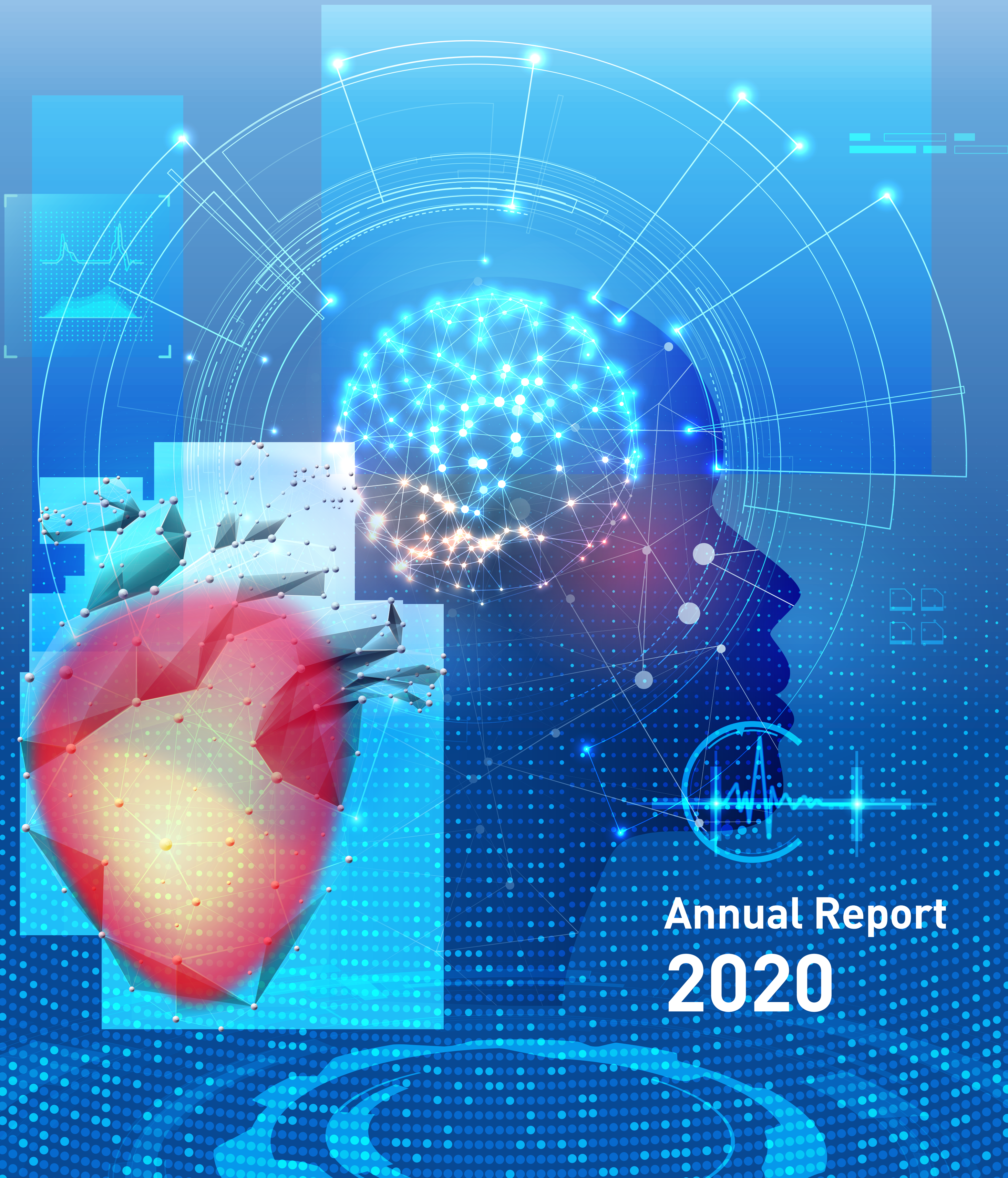
沛嘉医疗
PEIJIA MEDICAL

沛嘉醫療有限公司
Peijia Medical Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9996



Annual Report 2020

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COMPANY PROFILE

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.

DEFINITIONS

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

"Achieva" or "Achieva Group"	includes Achieva Medical and its subsidiaries, i.e., Achieva HK, Achieva Shanghai, Achieva Suzhou and Jiangxi Zhisheng
"Achieva HK"	Achieva Medical HK Limited, an exempted company incorporated under the laws of Hong Kong on March 25, 2009, being an indirect wholly-owned subsidiary of the Company
"Achieva Medical"	Achieva Medical Limited, an exempt limited liability company incorporated under the laws of the Cayman Islands on November 2, 2005, being a wholly-owned subsidiary of our Company
"Achieva Shanghai"	Achieva Medical (Shanghai) Co., Ltd. (加奇生物科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on March 21, 2006, being an indirect wholly-owned subsidiary of the Company
"Achieva Suzhou"	Achieva Medical (Suzhou) Co., Ltd. (上海加奇生物科技蘇州有限公司), a limited liability company incorporated under the laws of PRC on November 29, 2016, being an indirect wholly-owned subsidiary of the Company
"aortic valve"	a valve in the human heart between the left ventricle and the aorta
"Articles" or "Articles of Association"	the ninth amended and restated articles of association of the Company conditionally adopted on April 28, 2020 and effective on the Listing Date (as amended, supplemented or otherwise modified from time to time)
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"CE Marking"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "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
"Company" or "our Company"	Peijia Medical Limited (沛嘉醫療有限公司), an exempt limited liability company incorporated under the laws of the Cayman Islands on May 30, 2012
"Concert Parties"	Dr. ZHANG, Mrs. Ping Ye ZHANG, Ms. Hong YE, Jinnius Drive Trust, Hanlindale Trust and XinYue International Limited, being parties to the Concert Party Agreement, and each a "Concert Party"

"Concert Party Agreement"	the agreement entered into among the Concert Parties dated January 21, 2020
"confirmatory clinical trial"	a controlled clinical trial of a medical device product designed to demonstrate statistically significant clinical efficacy and safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure), for regulatory approval of such product
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which, for purposes of this annual report, refers to TaurusOne®
"COVID-19"	coronavirus disease 2019
"DCS"	delivery catheter system, an integral delivery catheter with a tip, a sheath tube, a catheter and a handle system used to deliver and release the PAV to the target position
"Director(s)"	the director(s) of the Company
"Dr. Zhang" or "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
"FDA"	the Food and Drug Administration, a federal agency of the United States Department of Health and Human Services
"feasibility clinical trial"	a clinical trial of a medical device product designed to preliminarily demonstrate the safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure)
"Global Offering"	has the meaning as ascribed to it under the Prospectus
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group," "our Group," "our," "we," or "us"	our Company and all of its subsidiaries (including but not limited to Achieva), or any one of them as the context may require or, where the context refers to any time prior to its incorporation or the Share Swap, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"hemorrhagic stroke"	a condition where a blood vessel ruptures within the brain (intracerebral hemorrhage) or into the space surrounding the brain (subarachnoid hemorrhage)

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of our Company under the Listing Rules
"International Underwriters"	has the meaning as ascribed to it under the Prospectus
"Jiangxi Zhisheng"	Jiangxi Zhisheng Medical Equipment Co., Ltd. (江西智勝醫療器械有限公司), a limited liability company incorporated under the laws of PRC on April 3, 2018, being an indirect wholly-owned subsidiary of the Company
"Joint Global Coordinators"	Morgan Stanley Asia Limited, Huatai Financial Holdings (Hong Kong) Limited, BOCI Asia Limited and UBS AG Hong Kong Branch
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date, Friday, May 15, 2020, on which the Shares were listed and dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Marvel Finder"	Marvel Finder Limited (誠啟有限公司), a limited liability company incorporated under the laws of Hong Kong on August 25, 2017, being a wholly-owned subsidiary of the Company
"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
"Neurointerventional Business"	the business of the Group in research and development of neurointerventional procedural medical devices
"neurointerventional procedural medical devices"	medical devices for treatment of neurovascular diseases using interventional endovascular technique

"neurovascular diseases"	also known as cerebrovascular diseases, including any abnormality of the blood vessels within the brain and spine or abnormality with supplying blood to such areas
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), formerly known as the China Food and Drug Administration or the CFDA
"Nomination Committee"	the nomination committee of the Board
"Over-allotment Option"	has the meaning as ascribed to it under the Prospectus
"PAV"	prosthetic aortic valve, the artificial valve of our TAVR products
"Peijia Shanghai"	Peijia Medical Technology (Shanghai) Co., Ltd. (沛嘉醫療科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on February 24, 2012, being an indirect wholly-owned subsidiary of our Company
"Peijia Suzhou"	Peijia Medical Technology (Suzhou) Co., Ltd. (沛嘉醫療科技(蘇州)有限公司), a limited liability company incorporated under the laws of PRC on March 4, 2013, being an indirect wholly-owned subsidiary of our Company
"Placee(s)"	any individuals, corporate, institutional or other investor(s) procured by the Placing Agent or their respective agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
"Placing"	the placing of 33,800,000 Placing Shares pursuant to the terms of the Placing Agreement
"Placing Agreement"	the conditional placing agreement entered into between the Company and Morgan Stanley & Co. International plc dated January 22, 2021 in relation to the Placing
"Placing Shares"	33,800,000 Placing Shares to be placed pursuant to the Placing Agreement
"Preferred Shares"	the Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and/or Series C-1 Preferred Shares
"Prospectus"	the prospectus of the Company dated May 5, 2020, in relation to the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Scheme"	the restricted share unit award scheme of the Company conditionally approved and adopted by the Shareholders on April 28, 2020, the principal terms of which are set out in "Appendix IV – Statutory and General Information – D. Share Incentive Schemes" in the Prospectus
"R&D"	research and development
"SAVR"	surgical aortic valve replacement, a treatment of severe aortic stenosis through open-chest surgery
"Series A Preferred Shares"	the 1,900,000 series A preferred shares of our Company, par value US$0.0001 per share
"Series A-1 Preferred Shares"	the 2,088,204 series A-1 preferred shares of our Company, par value US$0.0001 per share
"Series B Preferred Shares"	the 1,527,110 series B preferred shares of our Company, par value US$0.0001 per share
"Series C Preferred Shares"	the 1,969,118 series C preferred shares of our Company, par value US$0.0001 per share
"Series C-1 Preferred Shares"	the 3,406,191 series C-1 preferred shares, par value US$0.0001 per share
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Shanghai MPA"	Shanghai Medical Products Administration (上海市藥品監督管理局)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Incentive Schemes"	the Share Option Plan, the RSU Scheme and the Share Option Scheme
"Share Option Plan"	the share option plan approved and adopted by the Company on December 27, 2019 for the benefit of any Director, employee, adviser and consultant, of the Company or any of its subsidiaries; a summary of the principal terms is set forth in the paragraph headed "Appendix IV – Statutory and General Information – D. Share Incentive Schemes" in the Prospectus

"Share Option Scheme"	the share option scheme conditionally adopted by the Company on April 28, 2020, a summary of the principal terms of which is set forth in the paragraph headed "Appendix IV – Statutory and General Information – D. Share Incentive Schemes" in the Prospectus
"Share Swap Agreement"	the share swap agreement dated November 19, 2018 entered into by and amongst our Company, Achieva Medical and the then shareholders of Achieva Medical pursuant to which the then shareholders of Achieva Medical transferred to our Company all the outstanding shares of Achieva Medical in consideration of the allotment and issuance by our Company to each of the then shareholders of Achieva Medical certain number of our Shares in the proportion of 3.5682 shares of Achieva Medical to 1 Share of our Company
"sq.m."	square meter, a unit of area
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"TAVR"	transcatheter aortic valve replacement, a catheter-based technique to implant a new aortic valve in an interventional procedure that does not involve open-chest surgery
"TMVR"	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery
"transcatheter valve therapeutic medical devices"	medical devices for the treatment of valvular heart diseases using cardiovascular interventional technique by implanting a prosthetic valve through an artery
"tricuspid valve"	the valve on the right dorsal side of the mammalian heart, between the right atrium and the right ventricle, the function of which is to prevent back flow of blood from the right ventricle into the right atriums
"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States

"valvular heart diseases"	the failure or dysfunction of one or more of the four heart valves, where the valves become too narrow and hardened to open fully, or are unable to close completely
"valvuloplasty"	a procedure using balloons to repair a heart valve with a narrowed opening and to improve blood flow through the valve
"we", "us" or "our"	the Company and, unless the context indicates otherwise, its subsidiaries
"%"	per cent

* *For identification purpose only*

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. Wayne WU
Mr. Wai Ming YIP

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

8 Zhongtian Street
Suzhou Industrial Park, Suzhou
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY SECRETARY

Ms. Pui Chun Hannah SUEN

AUTHORIZED REPRESENTATIVES

Ms. Hong YE
Ms. Pui Chun Hannah SUEN

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

LEGAL ADVISER

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

COMPLIANCE ADVISER

Maxa Capital Limited

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

9996

COMPANY'S WEBSITE

www.peijiamedical.com

LISTING DATE

May 15, 2020

PRINCIPAL BANKS

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Our Company focuses on the high-growth interventional procedural medical device market in China, and are a leading domestic player in each of the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical device market in China. In 2020, several key potential products strode over key milestones and we are building a widely covered and innovative product pipeline that we are very proud of. Besides the impressive pipeline developments, our IPO in May 2020 also secured the Company the necessary resources to pursue our vision.

During the year of 2020, the Company achieved important milestones in its R&D pipeline. We submitted the registration application for TaurusOne®, our in-house developed first-generation TAVR product, to the NMPA. We also completed the patient enrollment process for TaurusElite®, our second-generation TAVR product that contains a DCS with retrieving function, and have submitted its registration application to the NMPA by the time of this report. In December 2020, we entered into a license agreement with HighLife SAS, pursuant to which HighLife SAS has granted to the Company an exclusive license regarding certain proprietary TMVR products. We also achieved robust growth from our Neurointerventional Business during the Reporting Period. Our revenue generated from the sales of Neurointerventional products amounted to RMB38.66 million, representing an increase of 106.7% from approximately RMB18.70 million recorded in 2019.

2020 was a year of historic upheaval. While the COVID-19 pandemic created unprecedented challenges to the global economy, it has also brought enormous public attention and new opportunities to the healthcare industry. As a provider of innovative medical products, we remain committed to bringing the best treatment options to patients fighting structural heart and cerebrovascular diseases. Going forward, we will continue to prepare for the commercialization of our TAVR product candidates, and will keep strengthening our in-house R&D capabilities, expanding our product pipeline, while seeking deeper cooperation and partnership around the world.

We would like to take this opportunity to express our sincere gratitude to all of our patients, physicians, business partners and Shareholders.

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, 2020 and 2019:

	For the year ended December 31,			
	2020 (RMB'000)	2019 (RMB'000)	changes (RMB'000)	%
Operating Results				
Revenue	**38,655**	18,699	19,956	106.7%
Operating loss	**(403,717)**	(226,923)	(176,794)	77.9%
Loss before income tax	**(2,068,656)**	(531,977)	(1,536,679)	288.9%
Loss for the year and attributable to owners of the Company	**(2,068,656)**	(531,977)	(1,536,679)	288.9%
Total comprehensive loss for the year and attributable to owners of the Company	**(2,068,656)**	(516,121)	(1,552,535)	300.8%
Loss per share				
Basic and diluted loss per share (RMB)	**(4.43)**	(2.33)	(2.10)	90.1%

	As at December 31,			
	2020 (RMB'000)	2019 (RMB'000)	changes (RMB'000)	%
Financial Position				
Non-current assets	**337,186**	321,858	15,328	4.76%
Current assets	**2,544,063**	557,626	1,986,437	356.2%
Total assets	**2,881,249**	879,484	2,001,765	227.6%
Non-current liabilities	**23,604**	1,387,503	(1,363,899)	–98.3%
Current liabilities	**44,390**	50,187	(5,797)	–11.6%
Total liabilities	**67,994**	1,437,690	(1,369,696)	–95.3%
Total equity/(deficit)	**2,813,255**	(558,206)	3,371,461	–604.0%

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

We focus on the high-growth interventional procedural medical device market in China. Our products and product candidates target 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.

Products and Pipeline

As of December 31, 2020, we had eight registered products and 19 product candidates at various development stages. The following chart summarizes the development status of our product portfolio as of December 31, 2020:

		Product / Product Candidate	Pre-Clinical / Clinical / Registration / Commercialization
Transcatheter Valve Therapeutic	TAVR Product Candidates	TaurusOne®	Submitted registration application to NMPA
		TaurusElite®	To Submit registration application to NMPA
		TaurusNXT®	Completed type testing & animal studies
	TMVR/TTVR Product Candidates	HighLife TMVR *(License-in)*	Pre-clinical Preparation (China)
		Peijia TMVR Device	Type testing /animal studies
		Peijia TTVR Device	Type testing /animal studies
		Peijia TMV repair Device	Animal Studies
	Ancillary Product Candidates	TaurusWave® Lithotripsy valvuloplasty catheter	Animal studies
		Balloon aortic valvuloplasty catheter ▲	To submit application for NMPA registration
		Introducer Sheath ▲	To submit application for NMPA registration
		Guidewire ▲	To submit application for NMPA registration
Neurointerventional		Jasper® DetachableCoil	NMPA Approval, CE Mark, Registered in Brazil, Indonesia, and Ecuador
		Presgo® Detachable Coil	NMPA Approval; CE Mark; Registered in Brazil
		Presgo® MicoCatheter	Approval by the NMPA, registered in Brazil
		Presgo® MicroGuidewire	Approval by the NMPA, CE Mark, registered in Brazil
		Heralder® GuidingCatheter	Approval by the NMPA
		Jasper® PowerSupply	Approval by Shanghai MPA
		SacSpeed® Balloon Dilatation Catheter	Approval by the NMPA
		Tethys® Intermediate Catheter	Approval by the NMPA
		Heralder® Distal Access Catheter ▲	Submitted application for NMPA registration approval
		Tethys® AS Aspiration Catheter	Submitted application for NMPA registration approval
		Jasper ® SuperSoft Detachable Coil	Submitted application for NMPA registration approval
		Shenyi® Stent Retriever	Completing patient enrollment for clinical trial
		SacEase® Balloon Microcatheter ▲	Design stage
		Fluxcap® Balloon Guiding Catheter ▲	Design stage
		Heat-fusion Detachable Coil	Design stage
		NeuroStellar® Intracranial Stent	Design stage

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

I. BUSINESS REVIEW (CONT'D)

Heart Valve Therapeutic Products

Our heart valve product candidates focus on treating the most prevalent heart valve diseases, including aortic stenosis, mitral regurgitation, tricuspid regurgitation, and heart valve calcification.

TaurusOne® – OUR CORE PRODUCT

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

TaurusOne® was recognized as an "innovative medical device" by the NMPA in February 2017, and is therefore eligible for an expedited approval process. We submitted the registration application for TaurusOne® to the NMPA in September 2020, and currently expect to receive the NMPA approval for this product in the second quarter of 2021.

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

TaurusElite® – Second Generation TAVR Product

Our second-generation TAVR product, TaurusElite®, has a similar product structure as TaurusOne® with the same bovine PAV. Further, TaurusElite® contains a DCS with retrieving function, allowing physicians to retrieve and reposition the PAV if the initial release position is not ideal, thereby improving the safety and efficacy of the product. We have completed the patient enrollment process of TaurusElite®'s clinical trial and currently expect to receive the NMPA approval for TaurusElite® in the third quarter of 2021.

TaurusNXT® – Third Generation TAVR Product

Our third-generation TAVR product, TaurusNXT®, incorporates our patented glutaraldehyde-free anti-calcification and dry tissue technologies, which we believe will significantly enhance the durability of the implanted valve without sacrificing its original functions.

We have completed animal studies and type testing for TaurusNXT®, and expect to initiate the clinical trial of TaurusNXT® in the second quarter of 2021.

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

TMV Replacement and Repair Product Candidates

In December 2020, we entered into a license agreement with HighLife SAS, a France-based medical device company, pursuant to which HighLife SAS has granted to the Company an exclusive license regarding certain proprietary TMVR products that were previously under development by HighLife SAS. Pursuant to the agreement, we are entitled to, among other things, manufacture, develop, and commercialize certain proprietary TMVR products in the Greater China region. The products are designed to treat mitral regurgitation via a transeptal approach and adopt a unique "valve-in-ring" design. We are currently in the process of technology transfer, and expect to start its clinical trial in China in the fourth quarter of 2021.

Besides the collaboration with HighLife, we have also been researching and developing a transapical TMVR device in-house. We are currently type-testing and conducting animal studies for this TMVR product candidate.

TaurusWave® Lithotripsy Valvuloplasty System

TaurusWave® lithotripsy valvuloplasty system uses shockwave technology to soften calcification on valve annulus and leaflets so that the prosthetic valve can better fit to the native annulus. The lithotripsy catheter can also be used prior to TAVR and SAVR procedures in order to alleviate valve stenosis. We are currently conducting animal studies for TaurusWave®, and expect to start first-in-man studies in the second or third quarter of 2021.

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

I. BUSINESS REVIEW (CONT'D)

Heart Valve Therapeutic Products (cont'd)

Neurointerventional Procedural Products

We have a comprehensive portfolio of commercialized and pipeline products that target both hemorrhagic stroke and ischemic stroke areas. During 2020, despite the negative impact of the COVID-19 pandemic, our revenue generated from the sales of neurointerventional products amounted to RMB38.66 million, representing an increase of 106.7% from approximately RMB18.70 million recorded in 2019.

SacSpeed® Balloon Dilatation Catheter: 2020 also marks the entry of our first registered products targeting ischemic stroke areas. During the year, we have launched SacSpeed® Balloon Dilatation Catheter, a device designed to dilate cerebral stenosis in order to facilitate intracranial blood supply. The product contains a rapid exchange system that simplifies the medical procedure and improves stability.

Tethys® Intermediate Catheter: During 2020 we also obtained the NMPA approval for Tethys® Intermediate Catheter, a product that assists the delivery of diagnostic devices and /or treatment devices to the neurovascular system and peripheral vascular system. This device is applicable in various procedures, including aneurysm embolization procedures, mechanical thrombectomy ("**MT**") procedures and Intracranial Atherosclerotic Disease ("**ICAD**") procedures.

Shenyi® Stent Retriever: Shenyi® stent retriever is our major product candidate designed for removing fresh thrombus in intracranial vessels in a mechanical thrombectomy procedure for patients with acute ischemic stroke. We completed the patient enrollment process for the clinical trial of this product in January 2021, and plan to submit the NMPA application once ready.

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

Research & Development

Our research and development team is led by Dr. Zhang, our Chairman of the Board and Chief Executive Officer, Dr. Jian Fong Tan, our Chief Technology Officer, and Mr. Kongrong Karl Pan, our Chief Operating Officer. Each of them is an industry veteran with an impressive academic and professional background, having previously worked in managerial positions at various leading players in the medical device sector. We have developed deep relationships with global leaders in both the transcatheter valve therapeutic and neurointerventional domains, including world-class scientists, physicians and industry practitioners, giving us a deep understanding of the clinical needs and demands of patients and physicians.

As of December 31, 2020, we had an in-house R&D team of 58 employees dedicated to the research and development of our transcatheter valve therapeutic products and neurointerventional procedural products, accounting for 14.9% of our total number of full-time employees. As of December 31, 2020, we had a robust intellectual property portfolio, consisting of a total of 55 registered patents and 55 patents under application.

Manufacturing

We manufacture, assemble and test our products at our two production facilities, one located on our self-owned properties in Suzhou, Jiangsu province, and another located in leased properties in Shanghai. During 2020, we manufactured our Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter, and Jasper® Power Supply in our leased properties in Shanghai with a total area of 1,188.4 sq.m. In August 2020, we obtained the Contract Manufacturing License (委託生產許可) to manufacture our Jasper® Detachable Coil in our Suzhou production facility, under the Jiangsu Pilot Marketing Authorization Holder (MAH) System (江蘇醫療器械註冊人制度試點), and started to relocate part of the Jasper® Detachable Coil's production to Suzhou. We currently manufacture our Heralder® Guiding Catheter, Tethys® Intermediate Catheter, SacSpeed® Balloon Dilatation Catheter, and all of our transcatheter valve therapeutic product candidates in our Suzhou facility.

I. BUSINESS REVIEW (CONT'D)

Manufacturing (cont'd)

For the transcatheter valve therapeutic business unit, our Suzhou facility is equipped with three production lines dedicated to such product candidates, and three production lines dedicated to transcatheter valve ancillary product candidates.

Future Outlook

We will continue to prepare for the commercialization of our TAVR product candidates. In the meantime, we will keep strengthening our in-house R&D capabilities while seeking deeper cooperation and partnership around the globe, in order to advance and expedite the research and development of other product candidates in pipeline.

II. FINANCIAL REVIEW

Cost of Sales

For the year ended December 31, 2020, the Group's cost of sales was RMB13.43 million, representing a 100.9% increase as compared to RMB6.69 million for the year ended December 31, 2019. Such increase was primarily attributable to (i) the increased sales volume of the Neurointerventional Business; and (ii) the cost of sales of the Neurointerventional Business which was acquired in March 29, 2019 and was consolidated into the comprehensive financial statement of the Group from the acquisition date onwards for the year ended December 31, 2019.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, the Group's gross profit increased by 110.0% from RMB12.01 million for the year ended December 31, 2019 to RMB25.22 million for the year ended December 31, 2020. Gross profit margin is calculated as gross profit divided by revenue. The Group's gross profit margin increased to 65.3% for the year ended December 31, 2020 as compared to 64.2% for the year ended December 31, 2019, primarily attributable to the improvements in economies of scale.

Other Income

The Group recorded other income of RMB12.44 million for the year ended December 31, 2020, representing a 207.1% increase as compared to RMB4.05 million for the year ended December 31, 2019. The increase was mainly attributable to the increase in government grants and interest income from wealth management products purchased with banks.

Other Losses

The Group recorded other losses of RMB198.91 million for the year ended December 31, 2020, representing a 2,740.8% increase as compared to RMB7.00 million for the year ended December 31, 2019. The increase was mainly attributable to the net foreign exchange loss due to fluctuations in the foreign exchange rate between USD and RMB, the majority of which was unrealized foreign exchange loss.

Research and Development Expenses

Research and development expense increased by 87.5% from RMB55.13 million for the year ended December 31, 2019 to RMB103.37 million for the year ended December 31, 2020. Such increase was primarily due to (i) the research and development expense of the Neurointerventional Business which was acquired in March 29, 2019 and was consolidated into the comprehensive financial statement of the Group from the acquisition date onwards for the year ended December 31, 2019; (ii) increase in staff cost; and (iii) the increased investments in on-going research and development projects. In 2020, our research and development investment in Transcatheter Valve Therapeutic Business amounted to RMB57.29 million, and investment in Neurointerventional Business amounted to RMB46.08 million.

II. FINANCIAL REVIEW (CONT'D)

Research and Development Expenses (cont'd)

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

	Year ended December 31,			
	2020		2019	
	RMB'000	%	RMB'000	%
Employee benefits expenses	**49,399**	**47.8**	24,453	44.4
Raw materials and consumables used	**22,731**	**22.0**	11,626	21.0
Testing and clinical trial fees	**21,325**	**20.6**	12,993	23.6
Depreciation and amortization	**5,183**	**5.0**	2,980	5.4
Other	**4,727**	**4.6**	3,082	5.6
Total	**103,365**	**100.0**	55,134	100.0

Selling and Distribution Expenses

Selling and distribution expenses increased by 182.4% from RMB7.48 million for the year ended December 31, 2019 to RMB21.13 million for the year ended December 31, 2020. Such increase was mainly attributable to (i) the selling and distribution expenses of the Neurointerventional Business which was acquired in March 29, 2019 and was consolidated into the comprehensive financial statement of the Group from the acquisition date onwards for the year ended December 31, 2019; (ii) increase in staff costs; and (iii) increase in sales promotion costs.

Administrative Expenses

Administrative expenses decreased by 32.0% from RMB173.37 million for the year ended December 31, 2019 to RMB117.97 million for the year ended December 31, 2020. The decrease was mainly attributed to decrease in share-based compensation expenses related to re-designation and repurchase of shares.

Finance Income

Finance income increased from RMB3.94 million for the year ended December 31, 2019 to RMB33.60 million for the year ended December 31, 2020. The increase was mainly due to interest income from term deposits.

Finance Costs

Finance costs increased from RMB0.82 million for the year ended December 31, 2019 to RMB23.02 million for the year ended December 31, 2020. The increase was mainly attributable to the appreciation in USD against RMB which resulted in foreign exchange losses of the Preferred Shares.

Increases in finance costs attributable to foreign currency fluctuations in relation to the conversion of Preferred Shares to Ordinary Shares are a one-off occurrence, and are not expected to reoccur following completion of the Global Offering.

II. FINANCIAL REVIEW (CONT'D)

Fair Value Change in Financial Instruments Issued to Investors

As disclosed in the Prospectus, and already mentioned above, fair value losses attributable to financial instruments were sustained as a result of the automatic conversion of the Preferred Shares into Ordinary Shares on the Listing Date in light of the Global Offering. The difference between the fair value of the Preferred Shares as at December 31, 2019 and offer price of HK$15.36 per share of the Global Offering is accounted for as fair value loss in the comprehensive loss. The fair value loss of financial instruments is a non-cash item, and a one-time occurrence. Consequently, no further fair value changes from these Preferred Shares are to be expected following the completion of the Global Offering.

Fair value change in financial instruments issued to investors increased by 443.7% from RMB308.18 million for the year ended December 31, 2019 to RMB1,675.53 million for the year ended December 31, 2020. The increase was mainly due to increase in the valuation of our Company.

Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As at December 31, 2020, the gearing ratio of the Group increased to 2.42% from -257.56% as at December 31, 2019.

Net Current Assets

The Group's net current assets as at December 31, 2020 was RMB2,499.67 million, as compared to RMB507.44 million as at December 31, 2019.

Liquidity and Financial Resources

As at December 31, 2020, the Group's total cash and cash equivalents amounted to approximately RMB2,458.16 million, representing an increase of 387.1% as compared to approximately RMB504.63 million as at December 31, 2019. Such increase was primarily attributable to the proceeds from the Global Offering. The management is confident that the Group's financial resources is sufficient for its daily operations.

As at December 31, 2020, the current assets of the Group were RMB2,544.06 million, including cash and cash equivalents of RMB2,458.16 million and other current assets of RMB85.9 million.

As at December 31, 2020, the current liabilities of the Group were RMB44.39 million, including Trade and other payables of RMB34.55 million and other current liabilities of RMB9.84 million.

As at December 31, 2020, the Group did not have any borrowings.

Capital Expenditure

For the Reporting Period, the Group's total capital expenditure amounted to approximately RMB35.21 million, which was mainly used in (i) construction of building, (ii) acquiring equipment and machinery, and (iii) land use rights.

Significant Investments

As at June 30, 2020, the wealth management products subscribed by the Company amounted to approximately RMB 210 million. The Company did not renew the wealth management products upon expiry of their respective investment periods. As at December 31, 2020, the Group did not have any significant investments.

Contingent Liabilities

As at December 31, 2020, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

As at December 31, 2020, the Group did not conduct any material acquisitions and disposals.

Charge on Assets

As at December 31, 2020, the Group did not have any pledged asset.

Foreign Exchange Exposure

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

II. FINANCIAL REVIEW (CONT'D)

Revenue

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

The Group's revenue for December 31, 2020 was RMB38.66 million, representing an increase of 106.7% compared to RMB18.70 million for December 31, 2019.

Future Plans For Material Investments and Capital Asset

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

The table below sets forth the utilisation of the net proceeds from the Global Offering and the unused amount as at December 31, 2020:

Business objective as stated in the Prospectus	Percentage to total amount %	Net proceeds HK$ million	Utilised amount as at December 31, 2020 HK$ million	Unutilised amount as at December 31, 2020 HK$ million	Expected timeline for unutilized amount
Development and commercialization of our Core Product and other major product candidates	65	1,682.18	38.31	1,643.87	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	50.14	208.66	Yr2025
Strengthen our research and development capabilities to enrich our product pipeline	8	207.04	11.59	195.45	Yr2024
Expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities	10	258.80	0	258.80	Yr2022
Working capital and other general corporate purposes	7	181.16	38.90	142.26	Yr2024
Total	100	2,587.98	138.94	2,449.04	

Notes:

As at December 31, 2020, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

COVID – 19 IMPACT AND RESPONSE

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

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

HUMAN RESOURCES

As of December 31, 2020, the Group had 389 full-time employees, who were all based in China. The total employee benefits expenses of our Group, which consist of (i) wages, salaries and bonuses, (ii) social security costs and housing benefits, (iii) employee welfare and (iv) share-based compensation expenses, for the year ended December 31, 2020 were approximately RMB107.43 million.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We invest in continuing education and training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salary, promotion and career development.

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

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

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On January 22, 2021, the Company entered into the Placing Agreement with the Morgan Stanley & Co. International plc, pursuant to which the Company appointed Morgan Stanley & Co. International plc as its placing agent to procure not less than six Placees who are Independent Third Parties to subscribe up to 33,800,000 Placing Shares at the placing price of HK$29.38 per Placing Share in accordance with the terms and conditions of the Placing Agreement. The Placing Shares represented approximately 5.3% of the existing issued share capital of the Company as at the Placing Agreement date, and approximately 5.1% of the enlarged issued share capital of the Company immediately following the completion of the Placing.

The Placing was completed on January 29, 2021. An aggregate of 33,800,000 Placing Shares have been successfully placed to not less than six Placees. The net proceeds from the Placing were approximately HK$971.17 million. The net proceeds from the Placing will be used for the following purposes:

i. 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);

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD (CONT'D)

ii. to fund potential product licensing and possible merger and acquisition opportunities in other areas including tricuspid valve replacement and repair treatment;

iii. to fund ongoing technology transfer, product development, and research and development, across the Group; and

iv. for other general corporate purposes where appropriate.

Details of the Placing have been set out in the announcements of the Company dated January 22, 2021 and January 29, 2021.

As at the date of this annual report, the unused net proceeds were deposited with certain licensed banks in Hong Kong.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were first listed on the Main Board of the Stock Exchange on May 15, 2020.

As at December 31, 2020, the trustee of the RSU Scheme has purchased an aggregate of 1,140,000 Shares (representing approximately 0.18% of the total issued share capital of the Company) under the RSU Scheme. A total of 30,688 Shares (representing approximately 0.005% of the total issued share capital of the Company) have been granted to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr. Robert Ralph PARKS, under the RSU Scheme. Please refer to the announcement of the Company dated October 5, 2020 for further details.

A total of 31,843 Shares (representing approximately 0.005% of the total issued share capital of the Company) have been granted to an external consultant of the Group under the RSU Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the Reporting Period.

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, 2020.

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 52, is the executive director, Chairman of the Board and Chief Executive Officer of the Company. He was appointed as a director of the Company on May 30, 2012, and re-designated as an executive director of the Company on January 21, 2020.

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

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

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Prior to joining our Group, from 1996 to 1998, Dr. ZHANG worked at Medtronic Plc, a biomedical engineering company listed on the NYSE (stock code: MDT). From 1998 to 2002, Dr. ZHANG was a senior engineer at the research & development department of Guidant Corporation (subsequently acquired by Boston Scientific Corporation, a company listed on the NYSE (stock code: BSX)), a company which designs and manufactures artificial cardiac pacemakers, stents, and cardiovascular medical products. From February 2002 to June 2006, Dr. ZHANG served as the chief executive officer of MicroPort Medical (Shanghai) Co., Ltd., the predecessor of MicroPort Scientific Corporation, which is a company listed on the Stock Exchange (stock code: 0853) that manufactures and sells coronary drug eluting stents, peripheral vascular stents, aortic balloon dilation catheters, aortic stent grafts, and other related products, primarily in China. In this capacity, Dr. ZHANG was responsible for overseeing the company's overall business and strategic expansion. From 2006 to 2019, Dr. ZHANG served in Otsuka (China) Investment Co., Ltd. ("Otsuka China"), and Otsuka Medical Devices Co., Ltd., both being subsidiaries of Otsuka Holdings Co., Ltd. (a company listed on the Tokyo Stock Exchange, stock code: 4578).

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 53, 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	March 2006 to present
Achieva Suzhou	Director	January 2016 to present
Jiangxi Zhisheng	Director	January 2018 to present

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

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

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

DIRECTORS (CONT'D)

Executive Directors (cont'd)

Ms. Hong YE (葉紅) ("Ms. YE"), aged 49, was appointed as a director of the Company on October 23, 2012 and re-designated as an executive director of the Company on January 21, 2020. She is also a board secretary of the Company. She is primarily responsible for the overall management, business, and strategy of our Group and also in charge of general corporate governance and development of our Group. Ms. YE was responsible for the financial management and plant construction of our Group from its establishment until April 2019. Ms. YE holds the following positions in the subsidiaries of our Group:

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

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

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

Non-executive Directors

Dr. Zhiyun YU (喻志雲) ("Dr. YU"), aged 42, was appointed as a director of the Company on March 22, 2016, and re-designated as a non-executive director of the Company on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. Dr. YU holds the following positions in the subsidiaries of our Group:

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

DIRECTORS (CONT'D)

Non-executive Directors (cont'd)

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

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

Mr. Jifeng GUAN (關繼峰) ("Mr. GUAN"), aged 51, 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 41, was appointed as a director of the Company on June 6, 2019, and re-designated as a non-executive director of the Company on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. In addition, Mr. CHEN holds the following positions in the subsidiaries of our Group:

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

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

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

Mr. Jun YANG (楊俊) ("Mr. YANG") aged 40, 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 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 70, 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 present, he has served as an independent non-executive director at GlobalLogic, a digital product engineering services company. Since January 2021 to present, Dr. OESTERLE has served as a venture partner at Cathay Capital. Since October 2020 to the present, he has served as an independent director at Montes Archimedes Acquisition Corp, a company listed on NASDAQ (stock code: MAAC). Since August 2020, he also has served on the board of directors at each of SHL Medical AG, a world-leading provider of drug delivery solutions in Switzerland, and from January 2020 – present on Paragon 28, Inc., an orthopedic company in Colorado, United States. From 2015 to 2020, Dr. OESTERLE served as a venture partner at New Enterprise Associates. From February 2018 to March 2019, Dr. OESTERLE served as a director at REVA Medical, Inc., a medical device company listed on the Australian Securities Exchange (ASX: RVA) which engages in the development of bioresorbable polymers for vascular applications. From 2002 to 2015, he served as the senior vice president for medicine and technology at Medtronic plc, a company listed on the NYSE (stock code: MDT), where he was responsible for formulating technological strategies. From 1998 to 2002, Dr. OESTERLE was an associate professor of medicine, director of invasive cardiology services at Harvard Medical School. From 1992 to 1998, he served as an associate professor of medicine, director of interventional cardiology at Stanford University's School of Medicine. From 1991 to 1992, he served as an associate professor of medicine, director of interventional cardiology at Georgetown University.

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

Mr. Robert Ralph PARKS ("Mr. PARKS"), aged 77, 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.

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.

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

Mr. Wayne WU ("Mr. WU"), aged 58, 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. He founded Pacific Health Investment Inc., a healthcare investment fund, in May 2005 as a follow on investment fund after Pacific Republic Capital and has been a director of Pacific Health Investment Inc.. From 2004 to 2010, Mr. WU was the chairman of Accuray Incorporated, a company which uses robotic radiosurgery to treat solid tumors throughout the body and which is listed on the NASDAQ (stock code: ARAY).

Mr. WU currently serves on the board of Preferred Bank, a California based community bank listed on the NASDAQ (stock code: PFBC) since 2013 and nRichDX, Inc., a company engaging in the liquid biopsy sample preparation market.

As of December 31, 2020, Mr. WU was indirectly interested in 1.60% of Scivita Medical Technology Co., Ltd. (蘇州新光維醫療科技有限公司) ("Scivita"), a company in which Dr. Yi ZHANG, Ms. Hong YE and Mr. Jifeng GUAN were interested in as to 28.77%, 1.00% and 4.26%, respectively. Despite such interests, our directors are of the view that Mr. WU meets the independence requirement as he is a passive investor in Scivita.

Mr. WU received his master's degree in mathematics from University of Southern California in December 1992.

Mr. Wai Ming YIP (葉偉明) ("Mr. YIP"), aged 55, was appointed as an independent non-executive director of the Company on January 21, 2020 (effective from the Listing Date). He is responsible for supervising and providing independent advice and judgment to our Board. Mr. YIP has many years of experience in financial accounting, capital markets and corporate finance in Hong Kong and China. From 1987 to 1996, he worked in the audit department of Ernst & Young, and immediately prior to his departure, he served as a senior manager. From 1996 to 1998, he was the associate director at the merchant banking division of ING Bank N.V. (the former subsequently merged with ING Barings, and was acquired by Macquarie Group). From 1999 to 2001, Mr. YIP served as the chief financial officer at Tafu International Holdings Limited (now known as Lamtex Holdings Limited), a company principally engaged in securities trading and property investment, and listed on the Stock Exchange (stock code: 1041). From 2001 to 2003, Mr. YIP served as the vice president at Hi Sun Technology (China) Limited, a provider of information technology services, and listed on the Stock Exchange (stock code: 0818). From 2004 to 2009, Mr. YIP served as chief financial officer at Haier Electronics Group Co., Ltd., a provider of home appliances in China, and listed on the Stock Exchange (stock code: 1169). From 2009 to 2015, Mr. YIP served as an independent non-executive director at BBMG Corporation, a company engaged in the cement and property development business, and listed on the Stock Exchange (stock code: 2009) and Shanghai Stock Exchange (stock code: 601992). Mr. YIP also served as deputy general manager of Yuzhou Properties Company Limited, a company listed on the Stock Exchange (stock code: 1628), between February and September 2010.

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

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

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

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

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

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

DIRECTORS (CONT'D)

Independent Non-executive Directors (cont'd)

- with his background and experience, Mr. YIP is fully aware of the responsibilities and expected time involvement for an independent non-executive director. He has not found difficulties in devoting to and managing his time with numerous companies and he is confident that with his experience in being responsible for several roles, he will be able to discharge his duties to our Company;
- none of the above-named listed companies that he has a directorship with has questioned or complained about his time devoted to such companies; and
- Mr. YIP's role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business, thus his engagement as our independent non-executive Director will not require his full-time participation.

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

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 41, 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.

SENIOR MANAGEMENT (CONT'D)

Kongrong Karl PAN (潘孔榮), aged 62, 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, both at the University of Minnesota.

Jian Fong TAN (陳劍鋒), aged 46, is the Chief Technology Officer of our Company. He served as the engineering director and subsequently vice president of manufacturing at Achieva Suzhou from July 2006 to January 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 and another degree of doctor of philosophy at the National University of Singapore in November 2006.

Chen WANG (王晨), aged 46, 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.

SENIOR MANAGEMENT (CONT'D)

Xiaoli SHI (施小立), aged 36, is the Vice President of Clinical and Regulatory Affairs of our Company, primarily responsible for overseeing compliance with government regulations, policies, and procedures. Prior to joining our Group, from June 2009 to July 2019, she worked as deputy vice president of registration and regulations at Lifetech Scientific (Shenzhen) Co., Ltd., a subsidiary of LifeTech Scientific Corporation, a supplier of minimally invasive interventional procedural medical devices for treating cardiovascular diseases and listed on the main board of the Stock Exchange (stock code: 1302). From May 2008 to May 2009, Ms. Shi worked at Shenzhen Landwind Industry Co., Ltd. She received her bachelor's degree in biomedical engineering from Southwest Jiaotong University in July 2007 and a master's degree in mechanical and electrical engineering from Harbin Institute of Technology in April 2015. Since 2017, she has been studying towards a degree of doctor of philosophy in material scientific and engineering at Southwest Jiaotong University, expected to graduate in 2021.

Hongpeng WANG (王鴻鵬), aged 41, is the director of Marketing of our Company and has been serving as the director of marketing of Peijia Suzhou since 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 in nursing from Shanghai Medical College of Fudan University in June 2003. She is currently in the process of obtaining her degree of executive master of business administration from Washington University in St. Louis, with an expected graduation date of October 2020.

Ms. Xiaoxiao ZHUANG (莊筱筱), aged 39, is the director of Sales of our Company, and has been serving in this capacity since April 2020. In this capacity, she is in charge of the strategic management of the sales function of our Group. Prior to joining our Group, from April 2017 to March 2020, Ms. Zhuang served as regional 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.

COMPANY SECRETARY

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

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

CHANGES IN DIRECTORS' INFORMATION

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

REPORT OF DIRECTORS

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2020.

DIRECTORS

The Directors who held office during the year ended December 31, 2020 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 *(Appointed as a non-executive Director on August 12, 2020)*
Mr. Bing SHANG *(Resigned as a non-executive Director on August 12, 2020)*[(Note)]

Independent Non-executive Directors:

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

Note:

Mr. Bing SHANG has resigned as a non-executive Director and ceased to be a member of the remuneration committee of the Company with effect from August 12, 2020. The resignation of Mr. Bing SHANG was due to his other personal commitments which require more of his time and dedication.

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 23 to 35 of this annual report.

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

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

The activities and particulars of the Company's subsidiaries are shown under Note 35 to the consolidated financial information. An analysis of the Group's revenue and net results for the year ended December 31, 2020 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 Events 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 operations of the Group involve the use of hazardous and flammable chemical materials. 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, 2020, 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, 2020, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

HUMAN RESOURCES

As of December 31, 2020, the Group had 389 full-time employees, who were all based in China. The total employee benefits expenses of our Group, which consist of (i) wages, salaries and bonuses, (ii) social security costs and housing benefits, (iii) employee welfare and (iv) share-based compensation expenses, for the year ended December 31, 2020 were approximately RMB107.43 million.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We invest in continuing education and training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salary, promotion and career development.

HUMAN RESOURCES (CONT'D)

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

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

RETIREMENT BENEFITS SCHEME

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

Details of the pension obligations of the Company are set out in Note 8 to the consolidated financial information 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, 2020 are set out in Note 33 to the consolidated financial information 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, 2020, 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, 2020, the revenue amounts from the Group's five largest customers accounted for 27.08% (2019: 36.79%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 7.04% (2019: 12.36%) 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, 2020, purchases from the Group's five largest suppliers accounted for approximately 19.65% (2019: 19.80%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2020 accounted for approximately 7.37% (2019: 6.10%) 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, 2020, 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.

- Fair value changes in our financial instruments issued to investors and related valuation uncertainty had materially affected, and may continue to materially affect, our financial condition and results of operations.

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 a limited number of neurointerventional procedural medical devices.

Risks Relating to Extensive Government Regulations

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

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

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

Risks Relating to Manufacture and Supply of Our Products

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

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

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

Risks Relating to Our Intellectual Property Rights

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

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

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

Risks relating to our operations:

- Our business, results of operations and financial position has been, and could be further adversely affected by the outbreak of COVID-19.

- We have entered into collaborations, and may establish or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such collaborations, alliances or licensing arrangements.

- Acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

- We have historically received government grants and subsidies for our research and development activities and we may not receive such grants or subsidies in the future.

Risks relating to doing business in China

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

- The discontinuation of any preferential tax treatment currently available to us could adversely affect our results of operations, cash flow and prospects.

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

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out on page 190 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

SUBSIDIARIES

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

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, 2020 are set out in Note 15 to the consolidated financial information.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2020 and details of the Shares issued during the year ended December 31, 2020 are set out in Note 22 to the consolidated financial information.

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 annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the year ended December 31, 2020, the Group made charitable donations of approximately RMB728,807 (2019: approximately RMB213,815).

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2020 (2019: Nil).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2020 (2019: Nil).

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2020 are set out on pages 110 to 189 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2020.

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, 2020. 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, 2020 are set out in the consolidated statement of changes in equity and Note 24 to the consolidated financial information.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2020 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 33 to the consolidated financial information.

CONVERTIBLE BONDS

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

DIRECTORS' SERVICE CONTRACTS

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

Mr. Jun YANG, who was appointed as a non-executive Director on August 12, 2020 and continuing until the coming annual general meeting of the Company, upon which Mr. Jun YANG shall stand for re-election by the Shareholders as a non-executive Director. Subject to approval at the coming annual general meeting of the Company, Mr. Jun YANG shall serve as a non-executive Director for a term of three years commencing from the date of the coming annual general meeting of the Company. His appointment is subject to the provisions of retirement by rotation of Directors under the Articles of Association.

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except as disclosed in Note 33(d) to the consolidated financial information, 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 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, 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2020, 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, 2020 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, 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Capacity/nature of interest	Number of Shares interested (1)	Approximate percentage of the Company's issued share capital (2)
Dr. ZHANG	Beneficial owner (3)	9,890,440	1.56%
	Trustee (4)	32,807,560	5.18%
	Interest of controlled corporation (5)	90,685,640	14.33%
	Interest held jointly with other persons (6)	20,379,299	3.22%
	Interest of spouse (7)	1,021,500	0.16%
Mrs. Ping Ye ZHANG	Beneficial owner	1,021,500	0.16%
	Trustee (4)	32,807,560	5.18%
	Interest held jointly with other persons (6)	111,064,939	17.55%
	Interest of spouse (7)	9,890,440	1.56%
Ms. Hong YE	Beneficial owner (8)	20,379,299	3.22%
	Interest of controlled corporation (5)	90,685,640	14.33%
	Interest held jointly with other persons (6)	43,719,500	6.91%
Mr. Fei CHEN	Interest of controlled corporation (9)	19,952,740	3.15%
Dr. Stephen Newman OESTERLE	Beneficial owner (10)	13,927	0.00%
Mr. Robert Ralph PARKS	Beneficial owner (11)	16,762	0.00%

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

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

Notes:

(1) All interests stated are long position.

(2) The calculation is based on the total number of 632,918,000 ordinary shares of the Company in issue as at December 31, 2020.

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

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

(5) XinYue International Limited was owned as to 65% by Dr. ZHANG and 35% by Ms. Hong YE as of December 31, 2020. Therefore, under the SFO, each of Dr. ZHANG and Ms. Hong YE is deemed to be interested in 90,685,640 Shares held by XinYue International Limited.

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

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

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

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

(10) As at December 31, 2020, a total of 13,927 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, 2020, a total of 16,762 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, 2020, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at December 31, 2020, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares interested (1)	Approximate percentage of the Company's issued share capital (2)
Jinnius Drive Trust (3)	Beneficial owner	15,713,560	2.48%
	Interest held jointly with other persons (5)	139,070,879	21.97%
Hanlindale Trust (3)	Beneficial owner	17,094,000	2.70%
	Interest held jointly with other persons (5)	137,690,439	21.75%
XinYue International Limited (4)	Beneficial owner	90,685,640	14.33%
	Interest held jointly with other persons (5)	64,098,799	10.13%
LAV Aero Limited	Beneficial owner	42,428,460	6.70%
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation (6)	42,428,460	6.70%
LAV GP IV, L.P.	Interest of controlled corporation (6)	42,428,460	6.70%
LAV Corporate IV GP, Ltd.	Interest of controlled corporation (6)	42,428,460	6.70%
Mr. Yi SHI	Interest of controlled corporation (6)	42,428,460	6.70%
HH SUM-XXIV Holdings Limited	Beneficial owner	41,698,980	6.59%
Hillhouse Capital Management, Ltd.	Investment manager (7)	41,698,980	6.59%
Hillhouse Fund IV, L.P.	Interest of controlled corporation (7)	41,698,980	6.59%
Matrix Partners China IV, L.P.	Beneficial owner	36,050,780	5.70%
Matrix China Management IV, L.P.	Interest of controlled corporation (8)	39,655,440	6.27%
Matrix China IV GP GP, Ltd.	Interest of controlled corporation (8)	39,655,440	6.27%
Ms. Jin ZHU	Interest of controlled corporation (9)	36,041,380	5.69%
FIL Limited	Interest of controlled corporation (10)	46,916,000	7.41%
Pandanus Partners L.P.	Interest of controlled corporation (10)	46,916,000	7.41%
Pandanus Associates Inc.	Interest of controlled corporation (10)	46,916,000	7.41%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (CONT'D)

Notes:

(1) All interests stated are long position.

(2) The calculation is based on the total number of 632,918,000 ordinary shares of the Company in issue as at December 31, 2020.

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

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

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

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

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 SUMXXIV 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, 2020, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE INCENTIVE SCHEMES

1. Share Option Plan

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

(a) Purpose and Principal Terms

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

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

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

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

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

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

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

(b) Establishment of Employee Trust

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

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

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

(c) Outstanding Grants

As of December 31, 2020, outstanding options to subscribe for an aggregate of 47,585,473 Shares (as adjusted after Capitalization Issue) have been granted to a total of 184 eligible participants by the Company under the Share Option Plan.

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

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

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

15. With vesting commencement date on July 15, 2021 and in accordance with a vesting schedule, 40% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 40% of the Shares on the second anniversary, and 20% of the Shares on the third anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

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

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

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

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

1. Share Option Plan (cont'd)

(c) Outstanding Grants (cont'd)

Notes: (cont'd)

23. For one eligible participant, with vesting commencement date on December 31, 2019 and exercisable when certain product candidates obtain registration certificates and production permits, at an exercise price of US$0.39 (equivalent to approximately HK$3.04); with vesting commencement date on December 31, 2020, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

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

25. For 19 eligible participants, with vesting commencement date on December 31, 2020 and in accordance with their respective vesting schedules, the Shares subject to the corresponding options will be vested in equal proportions at annual intervals, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, but in any event not later than the fourth anniversary of the vesting commencement date, and are exercisable at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

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

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

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

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

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

As of December 31, 2020, no other options have been granted or agreed to be granted by our Company under the Share Option Plan.

2. RSU Scheme

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

2. RSU Scheme (cont'd)

As at December 31, 2020, the trustee of the RSU Scheme has purchased an aggregate of 1,140,000 Shares (representing approximately 0.18% of the total issued share capital of the Company) under the RSU Scheme. A total of 30,688 Shares (representing approximately 0.005% of the total issued share capital of the Company) have been granted to two independent non-executive Directors, namely Dr. Stephen Newman OESTERLE and Mr.Robert Ralph PARKS, under the RSU Scheme. Please refer to the announcement of the Company dated October 5, 2020 for further details.

A total of 31,843 Shares (representing approximately 0.005% of the total issued share capital of the Company) have been granted to an external consultant of the Group under the RSU Scheme.

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

Save as above, as of December 31, 2020, no other RSUs have been granted by the Company pursuant to the RSU Scheme.

3. Share Option Scheme

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

(a) Purpose

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(b) Who may join

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

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

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

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

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

(c) Maximum number of Shares

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

(c) Maximum number of Shares

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

(d) Maximum entitlement of each participant

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

(e) Grant of options to connected persons

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

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

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

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

SHARE INCENTIVE SCHEMES (CONT'D)

3. Share Option Scheme (cont'd)

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

(ii) (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.

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

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

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

As of December 31, 2020, no options were granted or agreed to be granted, exercised, canceled or lapsed by the Company under the Share Option Scheme.

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 information.

For the year ended December 31, 2020, 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, 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2020, 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, 2020 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, 2020.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Details of the purchase, sale or redemption of the Company's listed securities are set out in "Management Discussion and Analysis - Purchase, Sale or Redemption of Listed Securities of the Company " of this annual report.

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, 2020 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 2021 annual general meeting of the Company (the "**AGM**") will be held on May 21, 2021. Notice of the 2021 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 17, 2021 to May 21, 2021, 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 Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on May 14, 2021.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 62 to 77 of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we do not have other plans for material investments and capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Details of the subsequent events after the Reporting Period are set out in "Management Discussion and Analysis – Subsequent Event After the Reporting Period" of this annual 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, April 13, 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code, as its own code to govern its corporate governance practices.

As the shares of the Company were listed on the Stock Exchange with effect from May 15, 2020, the CG Code did not apply to the Company during the period before the Listing Date. In addition, as the Company became listed on May 15, 2020, three Board Meetings, one Audit Committee meeting, no Remuneration Committee meeting and no Nomination Committee were held during the period from the Listing Date and up to December 31, 2020.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Dr. ZHANG is the chairman of the Board and chief executive officer of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Dr. ZHANG is in charge of overall management, business, strategic development and scientific research and development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises three executive Directors (including Dr. ZHANG), four non-executive Directors and four independent non-executive Directors, and therefore has a strong independent element in its composition.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Dr. ZHANG is the chairman of the Board and chief executive officer of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Dr. ZHANG is in charge of overall management, business, strategic development and scientific research and development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals.

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 enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to December 31, 2020. In addition, the Company is not aware of any noncompliance of the Model Code by the senior management of the Group during the period from the Listing Date and December 31, 2020.

BOARD OF DIRECTORS

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

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 23 to 35 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.

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 became listed on May 15, 2020. The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to relevant Board or Board Committee for comments and records.

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

Due to the fact that the Company was listed on May 15, 2020, three Board meetings, one Audit Committee meeting, no Remuneration Committee meeting and no Nomination Committee were held during the period from the Listing Date and up to December 31, 2020. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

BOARD MEETINGS AND COMMITTEE MEETINGS (CONT'D)

A summary of the attendance record of the Directors at Board meetings and committee meetings during the period from the Listing Date and up to December 31, 2020 is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the period from the Listing Date and up to December 31, 2020			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Dr. Yi ZHANG	3/3	N/A	N/A	0/0
Mrs. Ping Ye ZHANG	3/3	N/A	N/A	N/A
Ms. Hong YE	3/3	N/A	N/A	N/A
Non-executive Directors:				
Dr. Zhiyun YU	3/3	N/A	0/0	N/A
Mr. Jifeng GUAN	3/3	1/1	N/A	N/A
Mr. Fei CHEN	3/3	N/A	N/A	0/0
Mr. Bing SHANG *(Note 1)*	1/3	N/A	0/0	N/A
Mr. Jun YANG *(Note 2)*	2/3	N/A	N/A	N/A
Independent Non-executive Directors:				
Dr. Stephen Newman OESTERLE	3/3	N/A	0/0	0/0
Mr. Robert Ralph PARKS	3/3	1/1	0/0	N/A
Mr. Wayne WU	3/3	1/1	0/0	0/0
Mr. Wai Ming YIP	3/3	1/1	N/A	0/0

Notes:

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

2. Mr. Jun YANG has been appointed as a non-executive Director on August 12, 2020.

Apart from the regular Board Meetings, the chairman of the Board also held a meeting on March 29, 2021 with all independent non-executive Directors without the presence of executive Directors.

GENERAL MEETING

The Company became listed on May 15, 2020. No general meeting was held after the Listing.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Mr. Jun YANG, who was appointed as a non-executive Director on August 12, 2020 and continuing until the coming annual general meeting of the Company, upon which Mr. Jun YANG shall stand for re-election by the Shareholders as a non-executive Director. Subject to approval at the coming annual general meeting of the Company, Mr. Jun YANG shall serve as a non-executive Director for a term of 3 years commencing from the date of the coming annual general meeting of the Company.

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

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

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

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

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

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

BOARD COMMITTEES

Audit Committee

The Company has established an Audit Committee on April 28, 2020 (effective from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 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. Wayne WU, 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 period from the Listing Date to December 31, 2020, the Audit Committee convened one meeting. The attendance record of the Directors at meetings of the Audit Committee is set out in the table on page 65.

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, 2020 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 B.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. Wayne WU, 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. Wayne WU. Mr. Bing SHANG has resigned as a non-executive Director and a member of the Remuneration Committee on August 12, 2020.

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

BOARD COMMITTEES (CONT'D)

Remuneration Committee (cont'd)

During the period from the Listing Date to December 31, 2020, no Remuneration Committee meeting was held. One set of written resolutions was passed by all members of the Remuneration Committee on August 12, 2020 in relation to the appointment of Mr. Jun YANG as an non-executive Director.

On August 12, 2020, the Remuneration Committee reviewed the background and experience of Mr. Jun YANG according to the Company's policy and structure for the remuneration of all the Directors and senior management of the Company to determine and made recommendation to the Board on remuneration package of Mr. Jun YANG act as an non-executive Director.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2020 are set out in Note 8 to the consolidated financial information.

The remuneration of the members of senior management by band for the year ended December 31, 2020 is set out below:

Remuneration bands (RMB)	Number of persons
10,000,000-20,000,000	1
1,000,000-10,000,000	7
0-1,000,000	1
Total	9

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 A.5 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. Wayne WU 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, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board; developing the criteria, process and procedures for identifying and assessing the qualifications of and evaluating candidates for directorship, including standards for determining Director independence and criteria for the evaluation of Director performance; assessing the independence of independent non-executive Directors; making recommendations to our Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman of the Board and the chief executive of the Company.

During the period from the Listing Date to December 31, 2020, no Nomination Committee meeting was held. One set of written resolutions was passed by all members of the Nomination Committee on August 12, 2020 in relation to the appointment of Mr. Jun YANG.

BOARD COMMITTEES (CONT'D)

Nomination Committee (cont'd)

On August 12, 2020, according to the criteria, process and procedures adopted by the Company's Directors nomination policy, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of Mr. Jun YANG as an non-executive Director. The Nomination Committee also reviewed and discussed the Board diversity policy and discussed all measurable objectives set for implementing the policy and the progress made towards meeting the measurable objective in the policy. In this regards, the Nomination Committee reviewed the background and experience of Mr. Jun YANG, the time commitment required from the non-executive Director and fulfilled duties as required aforesaid, and made recommendations to the Board on the appointment of Mr. Jun YANG as an non-executive Director.

Board Diversity Policy

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

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

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

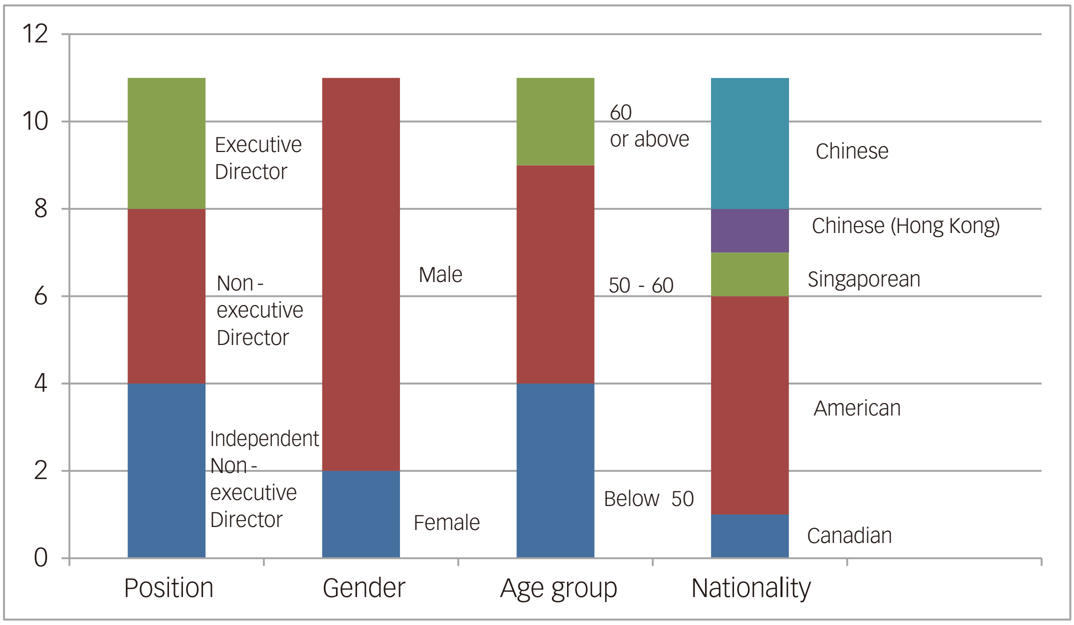
The Nomination Committee is responsible for reviewing the diversity of the Board, and it will continue to monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee reviews the implementation of the Board Diversity,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

Currently, the Board comprises eleven members, including three executive Directors, four non-executive Directors and four independent non-executive Directors. Our Directors have a balanced mix of gender knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including business administration, applied physics, biological sciences, English language and literature, and philosophy. Furthermore, the Board possesses members spanning a wide range of ages, from 40 years old to 77 years old.

BOARD COMMITTEES (CONT'D)

Board Diversity Policy (cont'd)

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 23 to page 35 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.

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. There is no assurance that dividends of any amount will be declared to be distributed in any year.

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 D.3.1 of the Corporate Governance Code to the Audit Committee.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2020 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 A.6.5 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 A.6.1 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 period from the Listing Date and up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Dr. Yi ZHANG, Mrs. Ping Ye ZHANG, Ms. Hong YE, Dr. Zhiyun YU, Mr. Jifeng GUAN, Mr. Fei CHEN, Mr. Bing SHANG (prior to his resignation), Dr. Stephen Newman OESTERLE, Mr. Robert Ralph PARKS, Mr. Wayne WU and Mr. Wai Ming YIP, 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.

Prior to the Listing, each of the aforesaid Directors have attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Mr. Jun YANG, a non-executive Director appointed on August 12, 2020, has attended the training courses conducted by the legal adviser of the Company. The content of such training related to the duties of director and on-going obligations of listed companies.

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

AUDITOR'S REMUNERATION

Details of the remuneration paid or payable to the external auditors of the Company, in respect of audit services and non-audit services for the year ended December 31, 2020 are set out in the table below:

Services rendered for the Company	Fees paid or payable RMB'000
Audit services:	3,471
Non-audit services (including tax and other advisory services):	1,558
Total	5,029

Note: The total amount of Auditor's Remuneration as disclosed in note 7 to the consolidated financial information is RMB5,116,000 which comprises audit services provided by other auditors in the total amount of RMB87,000.

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:

RISK MANAGEMENT AND INTERNAL CONTROLS (CONT'D)

- The Board receives regular updates from the management team and reviews the Group's business plan, financial results, and investment strategies to ensure that business risks are identified and managed;
- The management team supervises the Group's business performance on an on-going basis via regular meetings with the respective departments and project teams to identify potential risks and develop strategies to address such risks;
- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors. The Company also works with external legal, accounting, tax, and other professional consultants at various jurisdictions to ensure that it is in compliance with relevant laws and regulations;
- We have put in place an internal audit charter that clearly states the objectives, organization, functions, responsibilities and work scope of our internal audit functions. We have established an internal audit department that is responsible for internal auditing and conducts independent review on operational activities, and reports to the senior management;
- Our Code of Conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. We also put in place anti-money laundering policies and a working group that is responsible for monitoring and supervising the implementation of the policies as well as the code of conduct.

The Board and its Audit Committee hear reporting of the management with regard to risk management and internal control on an annual basis; they also work together to review the effectiveness of the relevant systems and identify any monitoring and control errors and material 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, 2020, which covers financial, operational, compliance procedural and risk management functions, and considers them efficient and adequate. Upon review, the Board was also of the view that there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

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

SHAREHOLDERS' RIGHTS

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

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

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

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

(2) Procedures for putting forward proposals at general meeting

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

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

(3) Enquiries to the Board

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

Address: 8 Zhongtian Street, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC
Attention: Ms. Yilin Deng
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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS (CONT'D)

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

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

We hereby release the 2020 Environmental, Social and Governance Report ("ESG report") to disclose the Group's ESG strategies, measures and performances from January 1, 2020 to December 31, 2020 (hereinafter referred to as the "Reporting Period").

This report is prepared in compliance with the "ESG Reporting Guide" in Appendix 27 of the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited ("HKEx"). Unless otherwise stated, this report covers the Transcatheter Valve Therapeutic Business primarily operated by the subsidiaries of the Company mainly comprising of Peijia Suzhou and Peijia Shanghai and the Neurointerventional Business primarily operated by Achieva. Key Performance Indicators ("KPIs") in environmental area cover the offices and factories of the Group in Suzhou and Shanghai.

This report is prepared in accordance with the following reporting principles:

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

Quantitative: Quantitative information in environmental and social areas is presented in the ESG report, accompanied by a narrative, explaining its purpose and impacts. The comparative data will be provided in the future ESG reports.

Consistency: This is our first ESG report and we will use consistent methodologies to disclose ESG information in the following years for meaningful comparison.

Balance: Following the principle of balance, this report provides an unbiased picture of the Group's performance on ESG management in 2020.

1. ESG GOVERNANCE

1.1 ESG strategy

Peijia Medical is a leading domestic player for interventional procedural medical device market in China. Following the corporate vision of "Devoted to heart, Care for life", we are committed to:

1. Deliver advanced medical technologies and products to places where they are most needed;

2. Create miracles on lives by synergizing as much resources as possible.

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

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

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

1. ESG GOVERNANCE (CONT'D)

1.2 ESG management

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

The Board of Directors of the Group (the "Board") is the highest decision-making body of the ESG management of the Group. The Board is responsible for formulating the Group's ESG strategy and objectives, and consistently evaluate, prioritize and manage material ESG-related issues and risks. The Board also regularly reviews the performances of ESG management system and the progress of achieving ESG objectives.

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

1.3 Stakeholder engagement

We maintain strong relationships with our stakeholders, and have built several communication mechanisms to understand the expectations and requirements of them in order to enhance our business model in a sustainable way.

Stakeholders	Expectations and Requirements	Communication Mechanisms
Shareholders and investors	• Corporate governance • Return of investment • Risk management • Information Disclosure	• Shareholder and investor meetings • Mandatory information disclosure • Road show • Investor relations website
Employees	• Healthy and safe working environment • Labour rights • Welfare and benefits • Promotion and training	• Employee communication • Regular employee activities and benefits • Training programs
Governments and regulators	• Support for the local government • Tax payment • Compliance with the laws and regulations • Product quality and safety	• Active participation of government's projects • Compliance management • Conferences and meetings • Registration communication • Adverse event reporting
Doctors and patients	• High quality products and services • Privacy protection	• Company hotline and email • Conferences and meetings
Partners and suppliers	• Compliance procurement • Win-win cooperation	• Business visits and meetings • Audit and performance evaluation

1. ESG GOVERNANCE (CONT'D)

1.3 Stakeholder engagement (cont'd)

Stakeholders	Expectations and Requirements	Communication Mechanisms
Communities	• Community development • Support for community welfare	• Official website • Public welfare activities
Peer companies and industrial associations	• Fair competition • Contribution to industrial development	• Industrial conferences • Industrial associations
Media	• Quality products and services • Business impact on society	• Press release and information disclosure • Interviews

1.4 Materiality Assessment

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

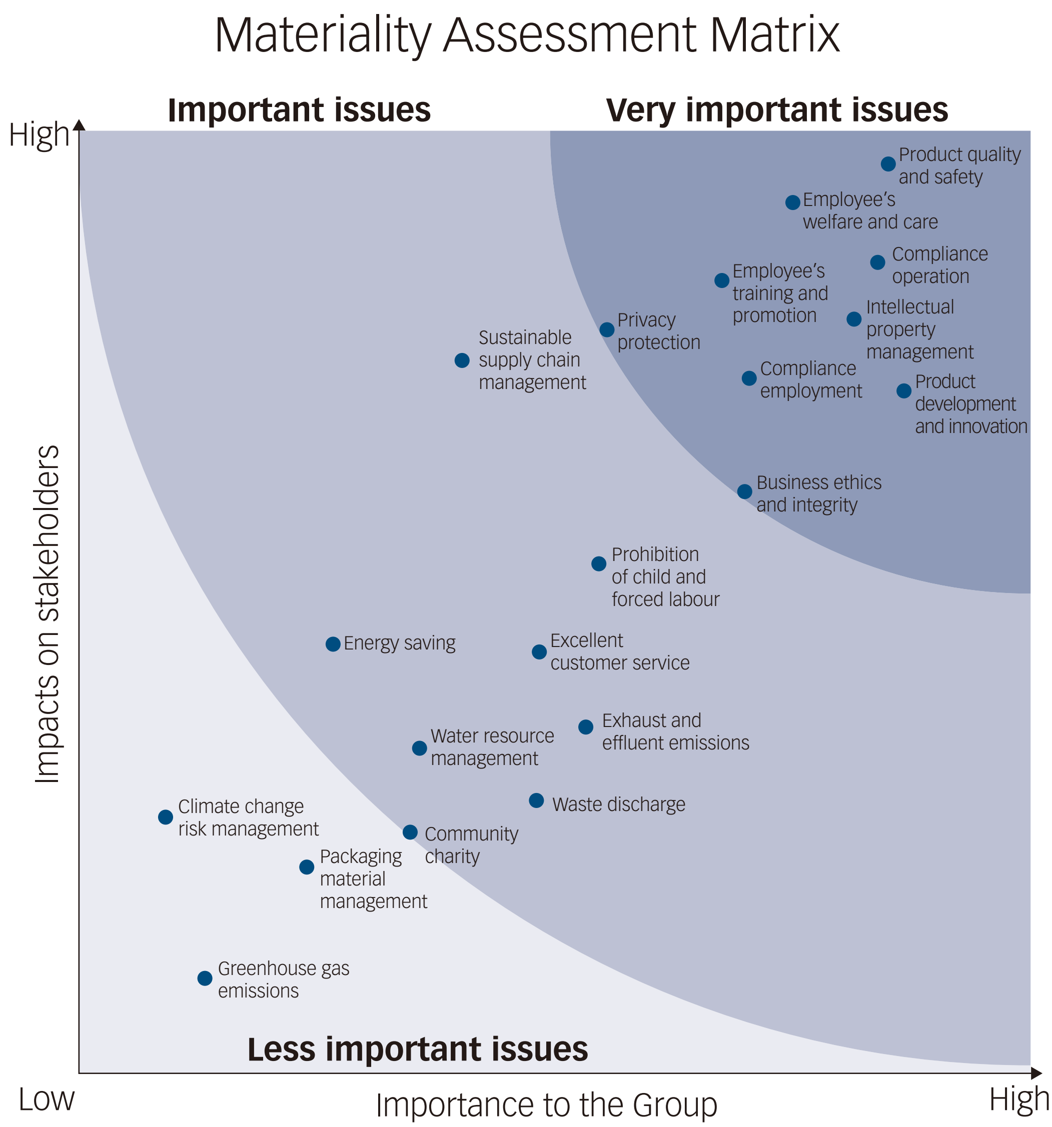
Step 1: Identification: In according to the requirements of the ESG Reporting Guide, and taking great consideration into our business model and industrial trends, we have identified 20 ESG issues for assessment.

Step 2: Assessment: Through the online survey questionnaire, we invited stakeholders to assess the "importance to the Group" and "impact on stakeholders" of each ESG issue and formulated the Materiality Assessment Matrix.

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

1. ESG GOVERNANCE (CONT'D)

1.4 Materiality Assessment (cont'd)



2. COMMITMENT TO PATIENT

As more trust we receive, the greater responsibilities we are conferred with. We have embedded a lifecycle quality monitoring system for our products and are committed to deliver safe and high-quality products to our patients.

2.1 Supply chain management

We focus on the sustainable development of supply chain, strictly abide by the *Law of the People's Republic of China on Tenders and Bids《中華人民共和國招投標法》*, and other laws and regulations. We have established internal documents and procedures such as the *Procurement Control Procedures《採購控制程序》*, the *Supplier Performance Evaluation Procedure《供應商績效評估程序》* for Peijia Suzhou and the *Management Procedures for Supplier Selection and Evaluation《供方選擇和評價管理規程》* for Achieva, so as to standardize the processes of supplier selection, evaluation and elimination to ensure the quality of our products and services.

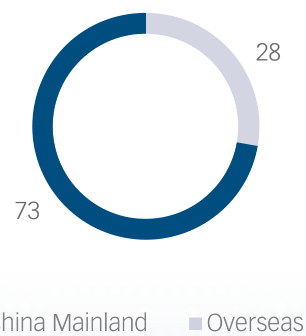
We search for suitable suppliers according to the market demand of products and services, and preliminarily screen suppliers through Tianyancha, Qichacha and other platforms. Through document audit, sample approval, on-site audit and other methods, we review suppliers from perspectives of business qualification, quality management, registration documents, production environment, production process etc. Suppliers that successfully pass the review will be added to the Approved Supplier List (ASL). In 2020, 29 new suppliers were added to the ASL following this process.

We conduct the comprehensive evaluation for suppliers under ASL annually, and manage the suppliers by categories (A to E) according to the evaluation results. We will be more inclined to guarantee purchase contracts with suppliers receiving excellent scores. The suppliers with low scores are required to take measures to make rectifications and get re-evaluated within a specified period of time. We will terminate cooperation relationship for the suppliers who fail to pass the re-evaluation and those who can not meet our minimum score requirements.

We attach great importance to the communication with suppliers and maintain interaction with them through hotline, business negotiations, irregular field visits and supplier conferences.

As of December 2020, we had 101 suppliers of raw materials and important services, and most of them were from China mainland:

Number of suppliers by geographical region



2. COMMITMENT TO PATIENT (CONT'D)

2.2 Product responsibility

2.2.1 Quality management

As a global service provider of innovative medical products and solutions, 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》*, *Measures for the Supervision and Administration of Medical Device Production《醫療器械生產督管理辦法》*, *Good Manufacturing Practices for Medical Devices《醫療器械生產質量管理規範》* and other laws and regulations. We take a holistic view of quality across our organization and beyond, and consistently improve our quality management system striving for excellent quality for our products and services. Our quality management system is established in accordance with GMP standards and the ISO 13485:2016 Medical devices – Quality management systems and have both received certifications in China and Brazil. Our Peijia Suzhou Testing Center is certified by China National Accreditation Service for Conformity Assessment in accordance with ISO/IEC 17025:2017 General Requirements for the Competence of Testing and Calibration Laboratories. As the member of Suzhou Association for Medical Device Industry (蘇州醫療器械行業協會) and Yangtze River Delta Quality Talent Committee (長三角地區質量人才專委會), we actively communicate with peers on quality management and improvement.


bsi.

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 13485:2016

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

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

Holds Certificate No: MD 718898

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

Design, Development, Production and Distribution of Transcatheter Aortic Valve Implantation System.

For and on behalf of BSI:

Gary E Slack, Senior Vice President - Medical Devices

Original Registration Date: 2020-07-31 Effective Date: 2020-07-31

Latest Revision Date: 2020-07-31 Expiry Date: 2023-07-30

Page: 1 of 1

...making excellence a habit.

ISO 13485 certificate


China National Accreditation Service for Conformity Assessment

LABORATORY ACCREDITATION CERTIFICATE

(Registration No. CNAS L13482)

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

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

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

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

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

Effective Date: 2020-08-26

Expiry Date: 2026-08-25

Signed on behalf of China National Accreditation Service for Conformity Assessment

ISO/IEC 17025 certificate

2. COMMITMENT TO PATIENT (CONT'D)

2.2 Product responsibility (cont'd)

Quality assurance

We have established a 4-layer top-down quality management system, including the *Quality Manual*《質量手冊》, procedure document, quality control documents, forms and records. According to the quality principles, we set quality control targets every year to continuously meet needs of customers and requirements of regulations. We appointed the Management Representatives, under the leadership of CEO and COO, to ensure that the procedures required by the management system are established, implemented and maintained. Our Human Resources Department, Quality Department, Marketing Department etc. are the implementation branches of the Group's quality principles and targets and serve important roles of the life-cycle quality management system.

We have established a dedicated team responsible for quality assurance. In order to verify the compliance and effectiveness of the Group's quality management system, we hold internal and external audits annually to find out the weaknesses of the system and urge us for continuous improvement. In 2020, we held 8 external audits and 7 internal audits.

We provide internal and external education and training, based on key post skills, current regulatory requirements, product knowledge etc., to all our employees who have responsibilities for product quality.

Quality control

Our quality control and regulatory team is involved in every aspect of our daily operations to ensure the quality control of our products. We implement quality control measures throughout our manufacturing phases, including the procurement phase, the design phase, the production phase and the product launch phase, and primarily consist of the following:

Procurement phase:
According to the relevant procurement procedures, our procurement staff and supply quality engineers (SQE) together will conduct meticulous due diligence methods such as document audit, sample approval, on-site audit on our suppliers. The Quality Agreement will be signed with suppliers with complex production process and high safety risks to enhance the quality management. We constantly inspect samples from each batch of raw materials to make sure there are no quality or safety issues. The raw material label tracking system implemented also help us facilitate the traceability of raw materials.

Design phase:
In order to meet the applicable laws and regulations of the product design and development process, we have also established an internal control protocol for the design and development of new medical devices, with reference to the risk management standards under ISO014971:2007. We formulated the *Design & Development Control Procedure*《設計開發控制程序》 to standardize and monitor a number of product design stages such as design input, design output, design validation and design change. We also develop the *Risk Management and Control Procedures*《風險管理控制程序》, arrange risk control measures for each stage of the product life cycle, and use scientific tools to identify, analyze, evaluate and control risks, so as to minimize product quality issues and safety hazards.

2. COMMITMENT TO PATIENT (CONT'D)

2.2 Product responsibility (cont'd)

Quality control

Production phase:

According to the *Product Monitoring and Measurement Control Procedure《產品監視和測量控制程序》*, our products need to go through the processes of incoming inspection, process inspection, finished product inspection, etc.,. The quality control inspectors need to inspect our products in accordance with our product inspection manual, including testing the capability and measurement of our products, verifying the product labels and manuals as well as confirming that the products are properly packaged and sterilized. The inspection results will be documented and the non-conforming products will be disposed or destroyed. In 2020, we have upgraded the inspection process with automatic detection functions, making the inspection process more intelligent and efficient. According to the corresponding product release procedures, we will check the product inspection records, and only products that free of quality issues can be released to the market.

Product launch phase:

After the launch of our products, we will appoint specialists to provide doctors with knowledge training on medical device theory and operation practice.

The Group pays great attention to the quality and safety of products and the monitoring and reporting of adverse events of medical devices. According to the Measures for the Management of t*he Monitoring and Reevaluation of Medical Device Adverse Events《醫療器械不良事件監測和再評價管理辦法》*and other laws and regulations, we formulated the control procedures for monitoring and evaluation of adverse product events to effectively monitor and control health risks of medical products after commercialization. Our adverse event monitoring team publishes email, telephone, fax and other channels to receive adverse reaction reports on its official website, mobile app and other platforms. The relevant departments of the Group analyze and evaluate the adverse reaction reports, and then report to the regulatory authorities in time. Meanwhile, we will carry out safety research of medical devices, conduct risk analysis and assessment, and take measures such as suspending production and sales of related products, as well as product recall to minimize product health risks.

The Group has established the recall control procedures to standardize the recall management process in accordance with the *Measures for the Recall Management of Medical Devices《醫療器械召回管理辦法》*. If the product recall is necessary, we will formulate a detailed recall plan, and complete the recall process within a limited time period. Subsequently, we will take measures to modify, replace or destroy the recalled products, and report the recall case to the regulatory authorities. In 2020, we were not involved in any product recall cases due to safety and health reasons.

2. COMMITMENT TO PATIENT (CONT'D)

2.2 Product responsibility (cont'd)

2.2.2 Clinical trial

We strictly abide by the *Standard for Quality Management of Medical Device Clinical Trials《醫療器械臨床試驗質量管理規範》*, and established policies such as the *Clinical Evaluation Procedures for Medical Devices《醫療器械臨床評估程序》* to ensure the safety and compliance of the clinical trial processes. We meet GCP and ICH-GCP standards for all clinical results and practices.

To start the clinical trials, we will select a number of leading hospitals which have been approved as clinical trial center by the NMPA. We select our candidates based on credentials, expertise, technology, equipment and patient demographics etc. Then, we and the institution generally enter into a new agreement setting out the clinical trial's purpose, timeline, structure, procedures, methods and risks. Following the approval of clinical trial protocol by the institution's ethics committee, we will conduct the feasibility trials and the confirmatory trials for our products before commercialization. We also meet with physicians to discuss the clinical trial's details and provide them with technical trainings so they can operate smoothly.

In the process of clinical trials, according to the *Reporting Process of Severe Adverse Events《嚴重不良事件上報流程》*, we continuously monitor whether there are adverse reactions or quality problems of the medical device, and will timely follow up and adjust the trials in case of relevant situations, so as to ensure the safety of trial participants.

Every participants need to sign the *Informed Consent Form《知情同意書》* before the clinical trial starts, in which, they are entitled to know the background of the trail, have free choice of the trial and have the right for privacy. Participants will also have the rights to use our products for free and to be compensated by us if there is any health damage taking place in the trial.

2.2.3 Customer Complaints

We abide by the *Law of the People's Republic of China* on *the Protection of the Rights and Interests of Consumers《中華人民共和國消費者權益保護法》* and enacted the *Complaint Handling Control Procedure《投訴處理控制程序》* for Peijia Suzhou and the *Customer Feedback Procedures《投訴處理控制程序》* for Achieva to ensure complaints are properly handled. For Achieva, our customers are the distributors who further sell our products to hospitals. They constantly visit hospitals to investigate usage of our products on a regular basis and collect product complaints from our patients. In 2020, we received 19 complaints all of which were properly settled by us.

According to the *Distributor Management Procedures《經銷商管理規程》*, we select our distributors based on their experience in the medical device industry and their working relationship with hospitals. Furthermore, they must hold the necessary business licenses and permits to sell medical devices in the region where they conduct activities. Before we enter into an agreement with new distributors, we review their qualification documents to ensure that they have the appropriate license and background.

In 2020, we carried out a distributor satisfaction survey and received feedbacks from 86 distributors who gave advices on areas we are doing well and issues we need to make improvements on, so we know how to better serve our customers.

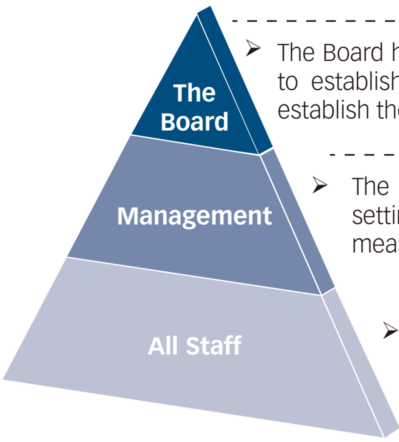
3. COMMITMENT TO COMPLIANCE

We are committed to build a culture of compliance at our group that engages all our employees for ethical behavior.

3.1 Business ethics

Business ethics is the foundation of how we run our business practices. We strictly adhere to the *Criminal Law of the People's Republic of China《中華人民共和國刑法》*, *Interim Provisions on Banning Commercial Bribery《關於禁止商業賄賂行為的暫行規定》*, and other applicable anti-corruption and bribery laws and regulations. We formulated the *Anti-fraud Policy《反舞弊制度》*, to layout the reporting, prevention and control, and investigation mechanisms against any unethical behaviors. In 2020, we were not involved in any violation incidents related to corruption, bribery, extortion, fraud or money laundering.

We have developed a sound governance structure for business ethics management:



- The Board has the responsibility to supervise and guide the anti-fraud office to establish an anti-fraud cultural environment within the company and establish the internal control system preventing fraudulent activities.
- The management is responsible for maintaining the internal control system, setting up reporting channel, implementing control measures and taking remedial measures to reduce the chance of fraudulent activities within the company.
- All staff shall abide by the company's code of conduct and relevant national and industrial laws and regulations, and report fraudulent activities to anti-fraud office through proper channels.

Our internal employees and external stakeholders can use e-mail, suggestion boxes and other channels to report unethical behaviors. Our anti-fraud office conducts investigations on relevant reports and submit investigation results to the Board. Any discrimination or retaliation against reporters will not be tolerated, and the reporters will be protected in assisting the investigation.

If fraud cases are identified, we will take remedial measures to rectify the internal control of the affected business units. For the employees who are confirmed to have fraud, we will punish them according to our internal regulations; for those who violate the law, we will transfer them to the judicial organs for further handling.

We carried out anti-fraud training covering all-level staff aiming to eliminate phenomenon harmful to our business such as abusing power for personal gain, dereliction of duty and taking bribes.

3. COMMITMENT TO COMPLIANCE (CONT'D)

3.2 Intellectual property (IP)

Our business is "inspired by ingenuity, originated from innovation", hence, protecting our IP is essential for us to maintain competitiveness in the market. We strictly abide by the *Patent Law of the People's Republic of China《中華人民共和國專利法》*, the *Trademark Law of the People's Republic of China《中華人民共和國商標法》* and other laws and regulations. We formulated the *Intellectual Property Management Policy《知識產權管理制度》* with the intent to develop a culture that protects our IPs from growing external threats, promotes internal staff IP protection training, strengthens the application of R&D achievements, and ensures that we do not infringe property rights of others. According to the *Incentive Measures for Employees' Inventions and Creations《員工發明創造獎勵辦法》*, our employees are encouraged to engage in inventive activities with relevant rewards. Our management participates in the regular review of patent proposals and gives instruction on patent application. In 2020, we held 4 patent proposal review meetings and 3 intellectual property training sessions. 24 people won the Invention and Creation Awards, and 3 people won the Annual Technological Innovation Awards. As of December 2020, we had 56 registered patents and 46 registered trademarks.

3.3 Compliance marketing

The Group strictly abides by the *Advertising Law of the People's Republic of China《中華人民共和國廣告法》*, and *Criterions for the Examination and Publication of Medical Apparatus Advertisements《醫療器械廣告審查發佈標準》*. We use trademarks, images, labels and other information properly, and strictly manage the authenticity, accuracy and compliance of the marketing information applied in the whole marketing process. We also pay attention to the compliance of sales staff's marketing behaviors and held related training for them in 2020.

3.4 Data security and privacy protection

The Group adheres to 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》. Following the *Regulations on the Management of Information Security《信息安全管理規程》*, we strengthen the internal information security management of the company by means of authority management, remote disaster backup, firewall, anti-virus software, password strategy, etc, ensuring the normal operation of the company's information system. We also respect the privacy of patients, customers and employees and ensure that individual information will not be leaked and abused. We sign confidentiality agreement with our partner hospitals on clinical and experimental data, to protect our patients' privacy.

4. COMMITMENT TO EMPLOYEE

Our innovative solutions to address unmet needs of patients are supported by our hard-working and talented employees. We are committed to listen to our employees' needs, provide them with good care and competitive compensation, and guarantee them unparallel development opportunities to help them reach potential.

4.1 Compliance employment

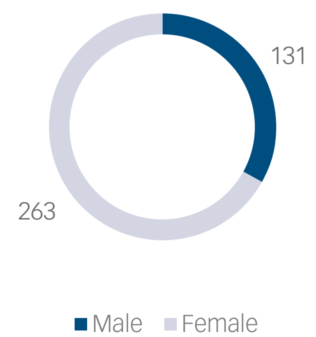
The Group strictly abides by the *Labor Law of the People's Republic of China*《中華人民共和國勞動法》, the *Labor Contract Law of the People's Republic of China《中華人民共和國勞動合同法》* and other laws and regulations, and has established the *Employee Handbook《員工手冊》* which details standards covering compensation and dismissal, recruitment and promotion, working hours and rest periods, labor standards and diversity and other benefits and welfare for our employees.

4. COMMITMENT TO EMPLOYEE (CONT'D)

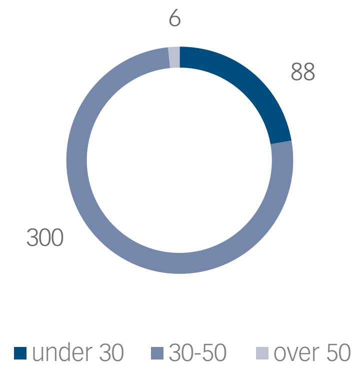
4.1 Compliance employment (cont'd)

As of 31 December 2020, we had 394 employees, including 389 full-time employees and 5 contractors, and details of whom are as follows:

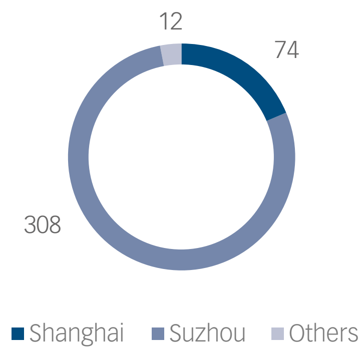
Total workforce by gender



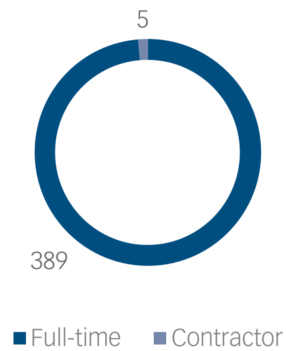
Total workforce by age group



Total workforce by geographical region



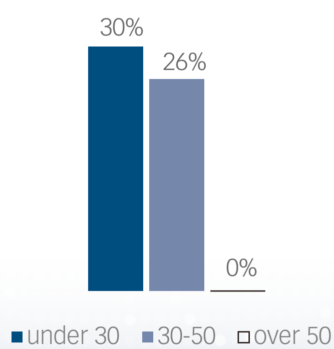
Total workforce by employee type



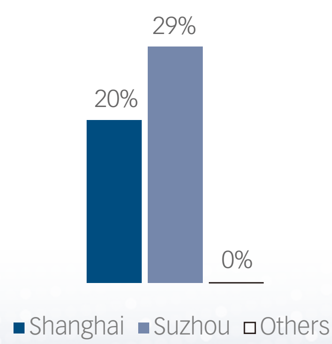
We strictly follow relevant laws and regulations to implement dismissal process. As of 31 December 2020, the employee turnover rate in 2020 was as follows:

Employee turnover rate by gender

Employee turnover rate by age group



Employee turnover rate by geographical region



4. COMMITMENT TO EMPLOYEE (CONT'D)

4.1 Compliance employment (cont'd)

4.1.1 Recruitment and promotion

In light of our core values and recruitment principle, we evaluate the education background, work experience and skills of applicants and select talents through talent market, online platforms, on-campus job fair, internal recommendations and other channels to build our employer brand that can meet the needs of our business.

We have set up different career paths for the management, general and technical personnel with corresponding different promotion channels. We assess each talent according to the performance appraisal result and skill sets, combined with measures such as talent review, various training programs to provide equal and consistent opportunities for them to achieve career ambitions.

We have a performance appraisal system, and regularly conduct comprehensive appraisal assessment on the staff's work performance, work ability and work attitude. Through a set of closed-loop performance management system, employees can continuously improve their work performance, work ability and professional skills. The assessment results will affect the promotion, salary adjustment and dismissal arrangements of employees.

We regularly conduct comprehensive talent review, from dimensions of "Performance" and "Ability", to understand the current situation of talents, identify high potential talents in enterprises, and establish a perfect talent development system, which provide sufficient decision-making basis for the selection, recruitment, education and retention of talents.

4.1.2 Compensation and benefits

We provide market-competitive compensation, the level of which our employees receive will be driven by their qualification, experience, potential and performance. In addition to offering the social insurance such as endowment insurance, medical insurance, maternity insurance, employment injury insurance, unemployment insurance and housing provident fund, we also compensate partial expense of supplementary commercial insurance for our employees. Moreover, our additional benefits include annual physical examination, festival welfare, wedding gift, childbirth gift, condolence visit and so on.

4.1.3 Working hours and holidays

We implement the standard working hours system requiring employees to work eight hours a day and five days a week. Employees who need to work overtime should fill in the overtime application form, which will take effect after being reviewed by the department head and countersigned by the Human Resources Department.

In addition to legal holidays, employees are entitled to annual leave, personal leave, sick leave, marriage leave, maternity leave, bereavement leave, work-related injury leave, etc.

4. COMMITMENT TO EMPLOYEE (CONT'D)

4.1 Compliance employment (cont'd)

4.1.4 Employee care

We are committed to provide our employees with a warm and safe working environment and take a holistic approach to employee well-being. We offer programs that support healthy work-life harmony, promote employee communication, and encourage employees to make suggestions for the improvement of the Group.

Case: Appointment with senior management

In September 2020, we invited Dr. Chen Jianfeng of the Innovative Products Department to join our employees and enjoy the "first cup of milk tea in autumn". Dr. Chen congratulated and appreciated the successful completion of the new TAVR product.

Case: New employee forum

On December 3, 2020, Peijia Medical held the New Employee Forum event, where more than 30 representatives of new employees attended the meeting on-site and online. Zhang Yi, chairman and CEO of the Group, listened carefully and answered questions of our new employees most concerned about such as career planning, working experience, corporate culture and so on.

Case: Employee team building

On October 17, 2020, the Human Resources Department initiated and organized all the staff of the Group to participate in the autumn tour group building activity of 2020. The activity was divided into four routes: Shanghai Happy Valley, Oriental Salt Lake City, Suzhou Paradise and Suzhou Huayi Brothers Film and Television City.

4. COMMITMENT TO EMPLOYEE (CONT'D)

4.1 Compliance employment (cont'd)

4.1.4 Employee care (cont'd)

Case: Badminton competition

On November 14, 2020, the 5th "Medpark & Hengrui Medical" Cup Badminton Competition of Suzhou Medical Equipment Industry Association was hosted in the badminton hall of Olympic Sports Center in Suzhou Industrial Park. We sent 12 badminton loving employees to participate in the competition.

Case: Birthday party

We hold birthday party every month for employees to celebrate together. The Human Resource Department will carefully arrange the birthday party scene in advance and give out birthday cards and gifts. Employees who stay with us for more than two years will also get a silver coin of Chinese zodiac.

4.1.5 Labour standards and diversity inclusion

We strictly abide by the *Labor Law of the People's Republic of China《中華人民共和國勞動法》*, *Provisions on the Prohibition of Using Child Labor《禁止使用童工規定》* and other laws and regulations, and prohibit any forms of child labor and forced labour. With the consent of candidate, we conduct background investigation and identity verification. In 2020, we do not have any cases of child and forced labour.

We treat every employee equally in recruitment, promotion, training etc., and have zero tolerance in any discrimination and unfair treatment in the workplace due to gender, nationality, race, marital status, age or religious belief.

4. COMMITMENT TO EMPLOYEE (CONT'D)

4.2 Health and safety

The health and safety of our employees is a priority for us. We strictly follow relevant laws and regulations on occupational health and safety, including the *Work Safety Law of the People's Republic of China《中華人民共和國安全生產法》* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases《中華人民共和國職業病防治法》*, and have established the *Rules for the Administration of Safe Production《安全生產管理規程》* to manage work safety and occupational health of our employees. We do not have any work-related fatalities occurred in the past three years and the lost days due to work injury in 2020 were 169 days.

Measures for occupational health and safety include:

- Provide personal protective equipment for employees, such as respirator, eye mask, double-layer gloves, protective clothing, earplugs, etc., so as to reduce or prevent the injury caused by occupational risk factors.

- Post warning signs or instructions at eye-catching positions on equipment with high healthy risks in various workplaces, so employees can easily see and read.

- Establish Safety Operation Guidelines to securely handle chemicals, cutting machine, polishing machine, heat treatment furnace, dryer etc. to strengthen the safety awareness of employees and reduce operational risks.

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

- Conduct the fire drill every year to enhance staff's awareness of fire prevention and safety accident response ability.

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

4. COMMITMENT TO EMPLOYEE (CONT'D)

4.2 Health and safety (cont'd)

Case: Relieve workers' fatigue

We advocate healthy working style and organize front-line staff to carry out physical exercise between work break (e.g. during lunch break). Although short, but under a very cheerful and happy atmosphere, our employees get to relax and relieve the fatigue from hard work. We also provide eye drops to front-line staff every month to reduce intraocular pressure and eye fatigue.

Case: 5S[1] safety production management

We follow the 5S safety production management principle in the production process and bring the safety management rules into the monthly plan. In 2020, we have upgraded some equipment to improve safety performance.

[1] 5S refers to Sort (Seiri), Set in Order (Seiton), Shine (Seisou), Standardize (Seiketsu), and Sustain (Shitsuke)

4. COMMITMENT TO EMPLOYEE (CONT'D)

4.2 Health and safety (cont'd)

Before Upgrade:
The temperature of high temperature sterilization furnace is very high, which may cause scald.

After Upgrade:
Install the hazard warning lamp. Once the equipment is in operation, the hazard warning lamp will remind the personnel to pay attention to avoid contact and prevent scald.

Before Upgrade:
The gloves to operate salt bath furnace are too thick to use.

After Upgrade:
Replaced by soft-material anti-high-temperature gloves which are safe and easier to operate the salt bath furnace.

In order to do a solid job in COVID-19 pandemic prevention and control and help employees to get back to work, we established a pandemic control leading group and formulated the *Epidemic Response Manual《疫情應對手冊》* for our employees. We consolidated disinfection measures, carried out disease prevention training for employees and purchased emergency supplies ensuring that we can survive this crisis.

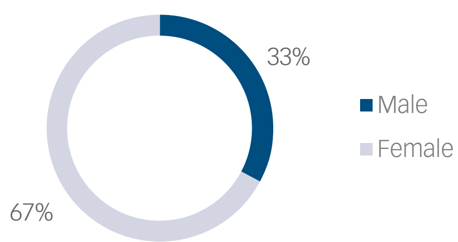
Case: Giving out emergency supplies to our employees
We paid close attention to the health status of our employees as the COVID-19 outbroke in the beginning of 2020. Our Human Resource Department distributed suppliers, such as masks, hand sanitizers, milk and yoghurt to colleagues every month during this critical period.

4. COMMITMENT TO EMPLOYEE (CONT'D)

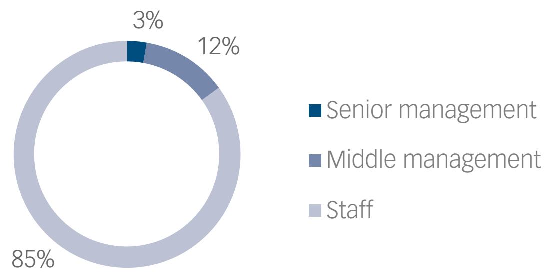
4.3 Development and training

Developing our people professionally is one of the most important things to us. We have standardized employee training in the *Employee Handbook《員工手冊》* and developed the learning platform for employees in accordance with the *Employee Training Control Procedure《員工培訓控制程序》* and business needs. In 2020, the training status of our employees was as follows:

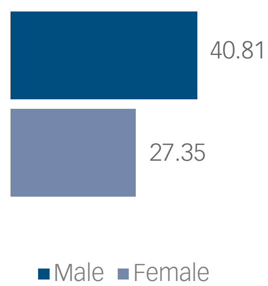
Percentage of employees trained by gender



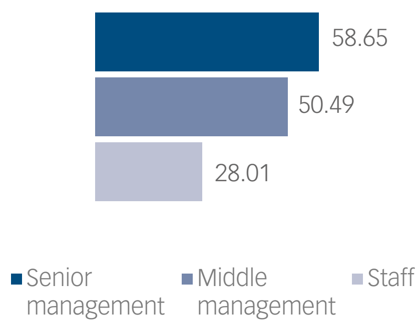
Percentage of employees trained by employee category



Average training hours completed per employee by gender



Average training hours completed per employee by employee category



4. COMMITMENT TO EMPLOYEE (CONT'D)

4.3 Development and training (cont'd)

We have developed diversified training programs to help our employees improve their working abilities and experience:

- **New employee training:** carried out by the Human Resource Department during the process of new employee onboarding, to provide employees basic knowledge such as company culture, post responsibility, company business, etc. necessary to start their work.

- **Management skills training:** designed for management level employees, to deepen the management's understanding of corporate culture, and improve leadership, promoting sustainable development of the Group.

Case: "Gold medal" interviewer

In September 2020, the Human Resource Department organized the "training for gold medal interviewers" to help managers of all departments improve their interview skills, so as to improve the efficiency and quality of recruitment.

Case: 4C[2] team coach training

In October 2020, the "4C team coach training" was organized for the Human Resource Department and the Secretary Office of the Group to empower our own management team, therefore better preparing for future organizational change and cultural change.

[2] 4C refers to Common View, Connection, Courage, Co-create

4. COMMITMENT TO EMPLOYEE (CONT'D)

4.3 Development and training (cont'd)

- **Professional skills training:** cover areas including special operations, procurement, marketing, finance, etc. to build employees' professional capacities.

Case: Medical device knowledge seminar
In October 2020, in order to improve the medical knowledge of products and deepen the understanding of cardiac structure and clinical application, Mr. Wang Yanchi, manager of the Medical Department, was invited to hold the "overview of cardiac anatomy and TAVR operation process" seminar for our employees.

Case: Patent knowledge training
In April 2020, in order to standardize and improve the efficiency of patent application process, we invited Dr. Chen Jianfeng of the Innovative Products Department, to teach our employees how to conduct patent search and writing.

Case: Intellectual property training
In September 11, 2020, we invited lawyers from Shanghai Hengtai Law Offices to give a lecture on intellectual property to deepen employees' understanding of intellectual rights and condensed their determination to safeguard intellectual property.

4. COMMITMENT TO EMPLOYEE (CONT'D)

4.3 Development and training (cont'd)

- **General skills training:** intended to improve general knowledge, such as time management, communication skills, Office skills, etc.

Case: Microsoft Office skills training
In 2020, we held two Microsoft Office training sessions to help employees establish skills of PPT design and Excel data statistical analysis methods, so that they can use these tools to improve daily work efficiency.

- **Management System training:** cover areas including On the Job Training, job transfer, SOP, internal policies, legal training etc.

Case: Microbiology knowledge training
We train employees involved in product quality every year about basic microbiology knowledge according to the requirement of quality management systems for medical devices.

Case: ISO 13485 system internal auditor training
In September 2020, we invited third party BSI lecturer to hold a two-day ISO 13485 system internal auditor training for 30 employees from relevant departments. The training was closed with on-site assessment, and the trainees who passed the assessment obtained the internal auditor qualification certificate issued by BSI.

5. COMMITMENT TO ENVIRONMENT

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

5.1 Emissions

The Group has established the *Waste Treatment Management Process《廢棄物處理管理流程》* and enhance employees' awareness to reduce emissions in our daily operational processes, consistently improve production methods and efficiency, and ensure that wastes are properly handled and treated. We reduce emissions in the following ways:

- ➢ The domestic wastes generated in the office areas and non-hazardous wastes generated in the production process are collected, classified by cleaning staff and finally treated by the Municipal Sanitation Department.

- ➢ The hazardous wastes are collected and stored in the hazardous waste warehouse, then entrusted with qualified hazardous waste treatment companies for proper treatment.

- ➢ The Group has obtained the pollutant discharge permit approved by the Environmental Protection Agency and the domestic wastewater is discharged to the municipal wastewater network for treatment.

- ➢ Greenhouse gas emissions (GHG emissions) are mainly from direct greenhouse gas emissions generated by gasoline consumption of vehicles (Scope 1) and indirect greenhouse gas emissions generated by purchased electricity (Scope 2). Therefore, energy saving measures are taken to reduce the GHG emissions.

Types of emissions	**2020**
GHG emissions in total (tCO_2e)[1]	853.53
Direct GHG emission (Scope 1) (tCO_2e)	2.12
Energy indirect GHG emission (Scope 2) (tCO_2e)	851.41
Intensity of GHG emissions (tCO_2e/m^2)	0.07
Effluent in total (tonnes)	8,989.10
Hazardous waste produced in total (tonnes)[2]	9.97
Intensity of hazardous waste (tonnes/staff)	0.03
Non-hazardous waste produced in total (tonnes)[3]	94.06
Intensity of non-hazardous waste (tonnes/staff)	0.24

Notes:

1. 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》* 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》*.

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

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

5. COMMITMENT TO ENVIRONMENT (CONT'D)

5.2 Resource management

Posters are put up in the production and office areas to remind employees to save water and electricity. Security personnel are arranged to inspect the use of water and electricity equipment in office, production and lab areas to reduce unnecessary waste. The Group also take technical measures to reduces the energy and water use.

- In 2020, we upgraded the air conditioner and purification system of the Clean Workshop. After the upgrade, the system will turn on and off automatically to reduce unnecessary power consumption.

- In 2020, we optimized the workshop lighting and completed the replacement of ordinary fluorescent lamps with LED bulbs in the production workshop of Achieva. More than 6,000 kWh of electricity can be saved every year.

- In 2020, we introduced a water for injection system for Peijia Suzhou. The water for injection used in the production process can be generated and used at any time according to the demands of the production process, so as to reduce the wasted water for injection caused by over purchasing.

- The purity water from the production process is collected and used as cleaning water for public areas for Achieva. Using this method, 260 tons of water can be saved every year.

Types of resources[1]	2020
Energy consumption in total (MWh) [2]	1,218.92
Total direct energy consumption (MWh)	8.68
Total indirect energy consumption (MWh)	1,210.24
Intensity of energy consumption (MWh/m^2)	0.106
Water consumption in total (tonnes) [3]	10,338.00
Intensity of water consumption (tonnes/m^2)	0.898

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. Energy consumption is presented in MWh and mainly consists of the consumption of purchased electricity and gasoline. The conversion factors for gasoline comes from the default values of relevant parameters of 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.

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

4. As of the end of the Reporting Period, products from Transcatheter Valve Therapeutic Business haven't officially commercialized, thus we will not disclose KPI A2.5 (Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced).

5. COMMITMENT TO ENVIRONMENT (CONT'D)

5.3 Climate change risk management

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

6. COMMITMENT TO COMMUNITY

Peijia Medical fulfills its responsibilities as a corporate citizen and strives to provide maximum value and social wellness for the community where we operate and the whole society. We support all kinds of charitable donations, cooperate with industrial associations and actively participate in the COVID-19 pandemic relief actions. In 2020, we donated nearly RMB730,000 to the society.

- In February 2020, we donated RMB600,000 to the Charity Association of Suzhou Industrial Park to combat COVID-19 pandemic.

- "Care Plan" is a public welfare activity initiated by Achieva in 2012 to give back to the society. Every year, Achieva will allocate special funds to help the poor patients who can not accept the interventional treatment of aneurysms because of the lack of a small portion of funds by giving them free Jasper Neurovascular Embolization Detachable Coil.

- The Second China Neural Intervention Internet Live Conference held in June 19 set the good tone of our academic promotion events in 2020. Since then, we have held a variety of forums and workshops to promote industrial know-how exchanges, innovative technologies and at the same time enhance the exposure of our brand to the market.

- Yushu Tibetan Autonomous Prefecture is located in the plateau with extremely cold climate and backward economic development where one city and five counties were listed as deep poverty areas. Since Achieva established the "Yumiao" foundation with the Donation Charter in 2017, we have brought supplies to the people in Yushu for the fourth consecutive years.

- In September 2020, 38 medical companies, including us, officially launched the "Suzhou Biomedical Industry Landmark Promotion Alliance" to promote the high-quality development of biomedical industry chain.

6. COMMITMENT TO COMMUNITY (CONT'D)

Yushu Public Welfare Activities

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") set out on pages 110 to 189, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 a summary of significant accounting policies.

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 2020, 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 ready 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 ready for use	
Refer to notes 2.7, 2.8 and 17 to the consolidated financial statements. The Group has goodwill and intangible assets not ready for use, arising from acquisition of Achieva Medical Limited, amounted to RMB51,658,000 and RMB42,560,000 respectively as at 31 December 2020. The Group is required to perform impairment test of goodwill and intangible assets not ready 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 ready for use. The recoverable amounts are based on the value in use or fair value less cost to sell using cash flow projections based on a financial budget. Management established the impairment assessment model with the involvement of external independent valuer and prepared a recoverable amount calculation to estimate the future cash flows taking into account key assumptions, including estimated revenue growth rate, gross profit margin and discount rate, and management considered no impairment loss was considered necessary as at 31 December 2020 based on the impairment assessment performed.	We performed the following audit procedures on the impairment assessment of goodwill and intangible assets not ready for use: 1) Obtaining an understanding of the management's internal control and assessment process and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity; 2) Evaluating the competence, capabilities and objectivity of the independent valuer engaged by management; 3) Evaluating the appropriateness of management's identification of CGU to which the goodwill is allocated; 4) Assessing whether the management's impairment assessment model is appropriate with the involvement of our valuation specialists by reference to industry practices and valuation techniques; 5) Assessing the reasonableness of the key assumptions used in the future cash flow forecast, including the estimated revenue growth rate and gross profit margin, by comparing them with the historical financial performance and future forecast of the CGU;

KEY AUDIT MATTERS (CONT'D)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets not ready 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 judgements and assumptions used in the impairment assessment of goodwill and intangible assets not ready for use were supported by the audit evidences we obtained.
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 2020, the Group incurred significant research and development expenses of RMB 103,365,000 which mainly consisted of employee benefits expenses, raw materials used in research and development activities, testing and clinical trial fees and depreciation and amortization expenses. We considered this is a key audit matter because the amount of the research and development expenses incurred is significant to the consolidated financial statements, and significant audit effort involved in auditing the research and development expenses.	We performed the following audit procedures on research and development expenses: 1) Understanding, evaluating and testing the key controls related to research and development expenses; 2) Testing research and development expenses, on a sample basis, to supporting evidence such as contracts, invoices and payment slips; 3) For the service fees paid to outsourced service providers, reading the key terms set out in research agreements and evaluating the completion status with reference to the progress reported by outsourced service providers, 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 research and development expenses tested were supported by the audit evidences we obtained.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the Year ended 31 December 2020

		Year ended 31 December	
	Note	**2020**	2019
		RMB'000	RMB'000
Revenue	*6*	**38,655**	18,699
Cost of sales	*7*	**(13,432)**	(6,686)
Gross profit		**25,223**	12,013
Selling and distribution expenses	*7*	**(21,126)**	(7,482)
Administrative expenses	*7*	**(117,972)**	(173,367)
Research and development expenses	*7*	**(103,365)**	(55,134)
Other income	*9*	**12,435**	4,049
Other losses – net	*10*	**(198,912)**	(7,002)
Operating loss		**(403,717)**	(226,923)
Finance income	*11*	**33,604**	3,944
Finance costs	*11*	**(23,017)**	(823)
Finance income – net		**10,587**	3,121
Fair value change in financial instruments issued to investors	*26*	**(1,675,526)**	(308,175)
Loss before income tax		**(2,068,656)**	(531,977)
Income tax expense	*12*	**–**	–
Loss for the year and attributable to owners of the Company		**(2,068,656)**	(531,977)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
– Fair value change relating to preferred shares due to own credit risk	*26*	**–**	15,856
Other comprehensive income for the year, net of tax		**–**	15,856
Total comprehensive loss for the year and attributable to owners of the Company		**(2,068,656)**	(516,121)
Loss per share attributable to owners of the Company			
Basic and diluted loss per share (in RMB per share)	*13*	**(4.43)**	(2.33)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*14*	**18,133**	6,394
Property, plant and equipment	*15*	**89,217**	70,241
Investment properties	*16*	**8,090**	22,460
Intangible assets	*17*	**213,720**	219,308
Prepayments and other receivables	*18*	**8,026**	3,455
Total non-current assets		**337,186**	321,858
Current assets			
Inventories	*19*	**25,285**	11,163
Financial assets at fair value through profit or loss	*20*	**3,262**	15,000
Prepayments and other receivables	*18*	**57,355**	26,836
Cash and cash equivalents	*21*	**2,458,161**	504,627
Total current assets		**2,544,063**	557,626
Total assets		**2,881,249**	879,484
EQUITY AND LIABILITIES			
Equity attribute to owners of the Company			
Share capital and share premium	*22*	**5,512,758**	79,563
Treasury shares held in a trust	*23*	**(23,126)**	–
Other reserves	*24*	**54,409**	35,298
Accumulated losses		**(2,730,786)**	(673,067)
Total equity		**2,813,255**	(558,206)

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Financial instruments issued to investors	*26*	**–**	1,362,309
Lease liabilities	*14*	**–**	1,129
Deferred tax liabilities	*27*	**20,320**	20,320
Deferred income	*28*	**3,284**	3,591
Trade and other payables	*29*	**–**	154
Total non-current liabilities		**23,604**	1,387,503
Current liabilities			
Lease liabilities	*14*	**9,129**	1,233
Trade and other payables	*29*	**34,552**	47,641
Contract liabilities	*6*	**709**	1,313
Total current liabilities		**44,390**	50,187
Total liabilities		**67,994**	1,437,690
Total equity and liabilities		**2,881,249**	879,484

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

The consolidated financial statements on pages 110 to 189 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf.

Yi ZHANG
Chairman, Chief Executive Officer, Executive Director

Hong YE
Board Secretary, Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2020

	Note	**Share capital and share premium** RMB'000	**Other reserves** RMB'000	**Treasury shares held in a trust** RMB'000	**Accumulated losses** RMB'000	**Total equity** RMB'000
Balance at 1 January 2019		50,627	(3,874)	–	(141,090)	(94,337)
Comprehensive loss:						
Loss for the year		–	–	–	(531,977)	(531,977)
Other comprehensive income		–	15,856	–	–	15,856
Total comprehensive loss		–	15,856	–	(531,977)	(516,121)
Transactions with owners in their capacity as owners:						
Issuance of ordinary shares	22	21,567	–	–	–	21,567
Shares bought back and cancelled	22	(5,572)	–	–	–	(5,572)
Ordinary shares issued and stock options granted as consideration for business combination	22	143,513	5,935	–	–	149,448
Re-designation of ordinary shares to preferred shares	22	(130,572)	–	–	–	(130,572)
Share-based payments	25	–	17,381	–	–	17,381
Balance at 31 December 2019		79,563	35,298	–	(673,067)	(558,206)
Balance at 1 January 2020		**79,563**	**35,298**	**–**	**(673,067)**	**(558,206)**
Comprehensive loss:						
Loss for the year		**–**	**–**	**–**	**(2,068,656)**	**(2,068,656)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**
Total comprehensive loss		**–**	**–**	**–**	**(2,068,656)**	**(2,068,656)**
Transactions with owners in their capacity as owners:						
Automatic conversion of preferred shares upon global offering	22	**3,060,761**	**(10,937)**	**–**	**10,937**	**3,060,761**
Exercise of share options	22,24	**29,604**	**(5,084)**	**–**	**–**	**24,520**
Shares issued upon global offering	22	**2,032,011**	**–**	**–**	**–**	**2,032,011**
Exercise of over-allotment option	22	**310,913**	**–**	**–**	**–**	**310,913**
Acquisition of shares under the RSU Scheme	23	**–**	**–**	**(24,746)**	**–**	**(24,746)**
Restricted share units granted	23,25	**(94)**	**–**	**1,620**	**–**	**1,526**
Share-based payments	25	**–**	**35,132**	**–**	**–**	**35,132**
Balance at 31 December 2020		**5,512,758**	**54,409**	**(23,126)**	**(2,730,786)**	**2,813,255**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash used in operations	*30(a)*	**(190,395)**	(102,705)
Interest received		**9,383**	239
Interest paid	*11*	**(88)**	(124)
Net cash used in operating activities		**(181,100)**	(102,590)
Cash flows from investing activities			
Payments for property, plant and equipment		**(25,254)**	(13,471)
Payments for intangible assets	*17*	**(696)**	(55)
Payments for right-of-use assets	*14*	**(1,990)**	–
Payments for financial assets at fair value through profit or loss	*20*	**(677,262)**	(137,710)
Proceeds from disposals of financial assets at fair value through profit or loss	*20*	**689,000**	122,710
Interest income received from financial assets at fair value through profit or loss	*9*	**3,698**	629
Cash acquired from acquisition of subsidiaries		**–**	59,622
Proceeds from disposal of property, plant and equipment		**20**	232
Net cash (used in)/generated from investing activities		**(12,484)**	31,957
Cash flows from financing activities			
Capital contribution from shareholders		**4**	21,567
Payments for shares bought back		**–**	(19,217)
Proceeds from issuance of financial instruments issued to investors	*26*	**–**	495,386
Net proceeds from issue of ordinary shares		**2,351,059**	–
Proceeds from exercise of share options		**24,520**	–
Acquisition of shares under the RSU Scheme	*23*	**(24,746)**	–
Payments for listing expenses		**(4,500)**	(3,635)
Interest paid to borrowings from related parties	*33(b)*	**(2,301)**	(300)
Repayment of borrowings from related parties	*33(b)*	**(691)**	(16,620)
Principal elements of lease payments	*14*	**(1,233)**	(1,444)
Net cash generated from financing activities		**2,342,112**	475,737
Net increase in cash and cash equivalents		**2,148,528**	405,104
Cash and cash equivalents at beginning of the year		**504,627**	94,762
Exchange (losses)/gains on cash and cash equivalents		**(194,994)**	4,761
Cash and cash equivalents at end of the year	*21*	**2,458,161**	504,627

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 of transcatheter valve therapeutic medical devices ("**Transcatheter Valve Therapeutic Business**") and (ii) research and development of neurointerventional procedural medical devices ("**Neurointerventional Business**") in the People's Republic of China (the "**PRC**") and other countries. Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Medical Technology (Suzhou) Co., Ltd. ("**Peijia Suzhou**") and Peijia Medical Technology (Shanghai) Co., Ltd. ("**Peijia Shanghai**"), and Neurointerventional Business is primarily operated by Achieva Medical Limited ("**Achieva Medical**") together with its subsidiaries ("**Achieva Group**").

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

The Company's shares have been listed on the main board of the Stock Exchange of Hong Kong Limited since 15 May 2020 (the "**Listing Date**").

These consolidated financial statements are presented in thousands of Renminbi Yuan (RMB), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 3	Definition of a business
Amendments to IFRS 9, IFRS 7 and IAS 39	Interest rate benchmark reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments to standards and interpretations did not have any impact on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

(b) New standards and interpretations not yet adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the year are as follows:

		Effective date
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Amendments to IFRSs	Annual improvements to IFRS standards 2018-2020 cycle	1 January 2022
Amendments to IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group's operation.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest ("NCI") in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified is as equity not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Subsidiaries (cont'd)

2.2.1 Consolidation (cont'd)

(a) Business combinations (cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "Other losses – net" in the consolidated statements of comprehensive loss.

2.5 Property, plant and equipment

Property, plant and equipment, are stated at historical cost or acquisition cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	Years	Residual rate
–Buildings	20	5%
–Furniture	5	5%
–Electronic equipment	3	5%
–Machinery	10	5%
–Vehicles	5	5%
–Leasehold improvements	5-10	5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, plant and equipment (cont'd)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other losses – net" in the consolidated statements of comprehensive loss.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at historical cost or acquisition cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as interest expenses during the periods of construction and installation, minus the government grants received as a compensation to the interest expense spent. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and intangible assets and depreciated in accordance with the policy as stated above.

2.6 Investment properties

Investment properties comprise buildings, held for long-term rental yields or for capital appreciation or both and not occupied by the Group, and is measured initially at its cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 years, and amortisation of land use right is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 50 years.

The investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An investment property's carrying amount is written down immediately to its recoverable amount if the investment property's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the profit and loss.

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 17 Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Intangible assets (cont'd)

(b) Technologies

Technologies acquired in a business combination are recognised at fair value at the acquisition date. Technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technologies over their estimated useful lives of 15 years from the point at which the asset is ready for use. The Group determined the acquired technologies to have a useful life of 15 years based on periods that acquired technologies can generate economic benefits under current business needs.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 3 years. Costs associated with maintaining computer software programs are recognised as expense as incurred.

(d) Research and development expenditures

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved high end medical instruments) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the medical instruments so that it will be available for use or sale;
- management intends to complete the medical instruments, and use or sell it;
- the ability to use or sell the medical instruments;
- it can be demonstrated how the medical instruments will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the medical instruments; and
- the expenditure attributable to the medical instruments during its development phase can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets

Goodwill and intangible assets not available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each year.

2.9 Financial assets and liabilities

2.9.1 Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss.

2.9.2 Classification and subsequent measurement

Financial assets

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

(i) amortised cost;

(ii) fair value through other comprehensive income; or

(iii) fair value through profit or loss

The classification requirements for debt instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.2 Classification and subsequent measurement (cont'd)

A debt instrument shall be measured at amortised cost if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at financial assets at fair value through profit or loss.

The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is measured using the effective interest rate method.

A debt instrument shall be measured at fair value through other comprehensive income if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at fair value through profit or loss.

When the financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is measured using the effective interest rate method and recognised in profit or loss.

A debt instrument shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first year following the change.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.2 Classification and subsequent measurement (cont'd)

Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

In both the current and prior years, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives, and financial liabilities designated as fair value through profit or loss. The Group shall present a gain or loss on those financial liabilities designated as at fair value through profit or loss as follows: the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability shall be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

2.9.3 Derecognition

(a) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheets) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets and liabilities (cont'd)

2.9.3 Derecognition (cont'd)

(b) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability.

2.9.4 Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost, and at fair value through other comprehensive income, contract assets and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

The measurement of ECL reflects: An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories including raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventories are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of prepayments and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and banks, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds. Preferred Shares are classified as financial liabilities based on the respective contract terms (see Note 2.16).

2.15 Trade and other payables

Trade and other payables mainly represent the obligations to pay for goods, services or construction that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the year.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares and convertible loans. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

Preferred Shares

From 2016 to 2019, the Company entered into a series of share purchase agreements with financial investors and issued Series A, Series B, Series A-1, Series C, Series C-1 and New Series C-1 preferred shares, respectively (collectively, "Preferred Shares").

Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering ("IPO") of the Company or agreed by at least two-thirds of the holders as detailed in Note 26.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the profit or loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

On 15 May 2020, all Preferred Shares were automatically converted into ordinary shares upon the IPO of the Company (Note 26).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the year in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Pension, housing funds, medical insurances and other social insurances obligations

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(b) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee benefits (cont'd)

(c) Share-based compensation benefits of the Group

(i) Equity-settled share-based payment transaction

The Group operates stock options granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

(ii) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue recognition

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is a description of the accounting policy for the principal revenue stream of the Group.

Revenue of the Group arose from sale of neurointerventional procedural medical devices by Achieva Group. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location where the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2.21 Interest income

Interest income is recognized on a time-proportion basis taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases as leasee

The Group leases properties and land use rights in the PRC as leasee. Rental contracts of properties are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Land use right is made for fixed periods of 42 to 50 years.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The consideration paid to lease the state-owned or collectively-owned land in the PRC are treated as prepayment for land use rights and included in right of use assets, which are stated at cost less accumulated amortization and impairment loss, if any. Land use rights are amortized over the lease period using straight-line method.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases as leasee (cont'd)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

Extension options are only included in the lease term if the lease is reasonably certain to be extended. The Group determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Where the grants relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset on straight-line basis or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Provisions (cont'd)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group. The Group currently does not use any derivative financial instruments to hedge certain risk exposure.

(a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' Functional Currency. Functional Currency of the Group's entities are RMB.

Certain bank balances and cash, other receivables, financial instruments issued to investors and trade and other payables are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in USD and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. As at 31 December 2020 and 31 December 2019, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB114,005,665 lower/higher and RMB34,033,436 higher/lower, respectively.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk

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

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade and other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group has applied simplified approach for the Group's trade receivables using a lifetime expected loss provision. As of 31 December 2020 and 31 December 2019, there was no remaining balance in respect of trade receivables. Thus no loss allowance provision for trade receivables was recognised.

Management has assessed that during the year, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The directors of the Company do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2020:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Trade and other payables *(Note 29)*	**19,590**	–	–	–	**19,590**
Lease liabilities *(Note 14)*	**9,159**	–	–	–	**9,159**
	28,749	–	–	–	**28,749**

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2019:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Trade and other payables *(Note 29)*	27,914	–	154	–	28,068
Lease liabilities *(Note 14)*	1,322	1,159	–	–	2,481
	29,236	1,159	154	–	30,549

The Group recognises the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates (Note 26).

Trade and other payables exclude accrued taxes other than income tax and staff salaries and welfare payables. Lease liabilities have taken the impact of interest into consideration.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and share premium, other reserves, and Preferred Shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation

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

The Group applies IFRS 13 for financial instruments that are measured in the consolidated balance sheet at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

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

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Financial assets at fair value through profit or loss				
– Unlisted investment *(Note 20)*	–	–	**3,262**	**3,262**

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation (cont'd)

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

	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				
– Wealth management products (Note 20)	–	–	15,000	15,000
Liabilities:				
Financial instruments				
– Preferred Shares (Note 26)	–	–	1,362,309	1,362,309

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques for the year ended 31 December 2020 (2019: same).

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements for the year ended 31 December 2020.

The changes in level 3 instruments for the years ended 31 December 2020 and 2019 are presented in Note 26.

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

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

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation (cont'd)

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

The investment in unlisted entity mainly represent interest in a convertible note issued by an unlisted investee. The principle amount of convertible note is USD500,000(equivalent to RMB3,262,000), and the interest rate is 12% per annum. The Company has the right to convert the outstanding balance of the convertible note into equity securities of the investee under certain circumstances. The fair value of the unlisted investment has been determined using valuation techniques such as discount cash flow method. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include estimated time of next financing date, etc. The fair value of the unlisted investment is not significant to the Group.

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

The Group issued Preferred Shares to investors, which were classified as financial liabilities and designed as financial liabilities at fair value through profit or loss (Note 26). They are initially recognised at fair value, and subsequently stated at fair value with changes in fair value and own credit risk recognised in the consolidated statements of comprehensive loss.

If the fair values of financial assets and liabilities at fair value through profit or loss held by the Group had been 10% higher/lower, the loss before income tax for the years ended 31 December 2020 and 2019 would have been approximately RMB326,200 higher/lower and RMB134,730,900 higher/lower, respectively.

4 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also need to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill and acquired technologies

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit ("**CGU**") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

The Group is required to test intangible assets not available for use on an annual basis. Intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (I) timing of commercialisation, productivity and market size; (II) revenue compound growth rate; (III) costs and operating expenses; and (IV) the selection of discount rates to reflect the risks involved.

4 CRITICAL ACCOUNTING ESTIMATES (CONT'D)

(b) Fair value of financial instruments

The financial instruments issued by the Group including Preferred Shares and convertible loan which are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Group and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 26. All Preferred Shares of the Company had been converted into ordinary shares of the Company upon its initial public offering on 15 May 2020.

(c) Recognition of share-based compensation expenses

As mentioned in Note 25, equity-settled share-based compensation plans were granted to the Group's employees. The Company has engaged an independent valuer to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the discount rate, risk-free interests rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the Group in applying the discounted cash flow method.

(d) Estimated useful lives and residual values of property, plant and equipment and technologies

The Group's management determines the estimated useful lives, residual values and related depreciation and amortisation charges for the Group's property, plant and equipment and technologies with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortisation charges in future periods.

5 SEGMENT

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

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

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

Transcatheter Valve Therapeutic Business

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

Neurointerventional Business

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

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

The revenue is mainly generated in China.

5 SEGMENT (CONT'D)

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

	Year ended 31 December 2020		
	Transcatheter Valve Therapeutic Business RMB'000	Neurointerventional Business RMB'000	Total RMB'000
Revenue	–	38,655	38,655
Cost of sales	–	(13,432)	(13,432)
Selling and distribution expenses	–	(21,126)	(21,126)
Administrative expenses	(87,883)	(30,089)	(117,972)
Research and development expenses	(57,291)	(46,074)	(103,365)
Segment loss	(145,174)	(72,066)	(217,240)

	Year ended 31 December 2019		
	Transcatheter Valve Therapeutic Business RMB'000	Neurointerventional Business[(a)] RMB'000	Total RMB'000
Revenue	–	18,699	18,699
Cost of sales	–	(6,686)	(6,686)
Selling and distribution expenses	–	(7,482)	(7,482)
Administrative expenses	(156,047)	(17,320)	(173,367)
Research and development expenses	(32,219)	(22,915)	(55,134)
Segment loss	(188,266)	(35,704)	(223,970)

(a) The information of Neurointerventional Business for the year ended 31 December 2019 represented the post-acquisition financial information of Neurointerventional Business.

6 REVENUE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue from sales of goods – at a point in time	**38,655**	18,699

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities	**709**	1,313

Contract liabilities are recognised when payments are received before the transfer of goods. As of 31 December 2020 and 31 December 2019, there are no material unsatisfied performance obligations resulting from contracts.

7 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefits expenses *(Note 8)*	**107,425**	52,125
Listing expenses	**25,942**	11,837
Testing and clinical trial fees for research and development	**22,154**	13,823
Raw materials and consumables used		
– Research and development expenses	**19,137**	11,884
– Cost of sales	**7,362**	3,174
Depreciation of property, plant and equipment *(Note 15)*	**10,849**	7,317
Professional service fees	**9,969**	25,558
Utilities and office expenses	**8,993**	5,238
Entertainment expense	**8,202**	2,532
Amortisation of intangible assets *(Note 17)*	**6,472**	3,533
Meeting expenses	**6,143**	2,316
Advertisement Fee	**5,365**	652
Travelling and transportation expenses	**4,980**	3,219
Auditor's remuneration		
– audit service	**3,558**	52
– non-audit service	**1,558**	368
Depreciation of right-of-use assets *(Note 14)*	**1,229**	1,418
Depreciation of investment properties *(Note 16)*	**928**	1,071
Share-based compensation expenses related to re-designation of ordinary shares to preferred shares *(Note 25)*	**–**	73,538
Share-based compensation expenses related to repurchase of ordinary shares *(Note 25)*	**–**	15,994
Share-based compensation expenses related to re-designation of preferred shares within different series *(Note 25)*	**–**	6,837
Others	**5,629**	183
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**255,895**	242,669

8 EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**62,056**	28,539
Social security costs and housing benefits (a)	**4,295**	5,461
Employee welfare	**4,416**	744
Share-based compensation expenses *(Note 25)*	**36,658**	17,381
	107,425	52,125

(a) The employees of the Group in the PRC are members of state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2019: two directors) for the year ended 31 December 2020. Their emoluments are reflected in the analysis presented below. The emoluments payable to the remaining three individuals (2019: three individuals) for the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**3,230**	2,275
Social security costs and housing benefits	**55**	100
Share-based compensation expenses	**16,747**	8,588
	20,032	10,963

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

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

The emoluments fell within the following bands:

	Year ended 31 December	
	2020	2019
Emolument bands		
Nil – HKD1,000,000	–	–
HK$1,000,001-HK$2,000,000	1	1
HK$2,000,001-HK$3,000,000	–	–
HK$3,000,001-HK$4,000,000	–	–
HK$4,000,001-HK$5,000,000	–	–
HK$5,000,001-HK$6,000,000	–	2
HK$6,000,001-HK$7,000,000	–	–
HK$7,000,001-HK$8,000,000	–	–
HK$8,000,001-HK$9,000,000	1	–
HK$9,000,001-HK$10,000,000	–	–
HK$10,000,001-HK$11,000,000	–	–
HK$11,000,001-HK$12,000,000	–	–
HK$12,000,001-HK$13,000,000	1	–
	3	3

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(c) Benefits and interests of directors

The remuneration of each director and chief executive for the years ended 31 December 2020 and 2019 is set out below:

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
For the year ended 31 December 2020						
Chairman of the Board and Chief Executive Officer						
Yi ZHANG	–	1,402	–	2,593	13	4,008
Non-executive directors						
Zhiyun YU	–	–	–	–	–	–
Fei CHEN (ii)	–	–	–	–	–	–
Jifeng GUAN (iii)	–	–	–	–	–	–
Bing SHANG (vi)	–	–	–	–	–	–
Jun YANG (vii)	–	–	–	–	–	–
Stephen Newman OESTERLE (v)	524	–	–	133	–	657
Robert Ralph PARKS (v)	435	–	–	170	–	605
Wayne WU (v)	197	–	–	–	–	197
Wai Ming YIP (v)	197	–	–	–	–	197
Executive directors						
Hong YE	–	501	–	6,432	10	6,943
Ping Ye ZHANG	–	172	–	–	8	180
	1,353	2,075	–	9,328	31	12,787

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(c) Benefits and interests of directors (cont'd)

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
For the year ended 31 December 2019						
Chairman of the Board and Chief Executive Officer						
Yi ZHANG	–	556	–	2,708	3	3,267
Non-executive directors						
Zhiyun YU	–	–	–	–	–	–
Quan SHEN (i)	–	–	–	–	–	–
Fei CHEN (ii)	–	–	–	–	–	–
Jifeng GUAN (iii)	–	–	–	–	–	–
Jian LIU (iv)	–	–	–	–	–	–
Bing SHANG (vi)	–	–	–	–	–	–
Executive directors						
Hong YE	–	427	–	2,987	34	3,448
Ping Ye ZHANG	–	58	–	–	14	72
	–	1,041	–	5,695	51	6,787

(i) Mr.Quan SHEN was appointed as a director since August 2018 and resigned as a director in June 2019.

(ii) Mr. Fei CHEN was appointed as a director since June 2019.

(iii) Mr. Jifeng GUAN resigned as a director in September 2019 and was reappointed as a director since October 2019.

(iv) Mr. Jian LIU resigned as a director in October 2019.

(v) Mr. Stephen Newman OESTERLE, Robert Ralph PARKS, Wayne WU and Wai Ming YIP were appointed as a director since May 2020.

(vi) Mr. Bing SHANG resigned as a director in August 2020.

(vii) Mr. Jun YANG was appointed as a director since August 2020.

8 EMPLOYEE BENEFITS EXPENSES (CONT'D)

(d) Directors' retirement benefits

None of the directors received or will receive any retirement benefits save as disclosed in table above for the year ended 31 December 2020 (2019: Nil).

(e) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 December 2020 (2019: Nil).

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

For the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available directors' services.

(g) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors for the year ended 31 December 2020 (2019: Nil).

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

Except as disclosed in Note 33(d), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year ended 31 December 2020.

9 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Other income		
Rental income	**762**	1,719
Government grants	**7,975**	1,701
Interest income on financial assets at fair value through profit or loss	**3,698**	629
	12,435	4,049

10 OTHER LOSSES – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Foreign exchange losses – net	**(198,312)**	(6,612)
Losses on disposal of property, plant and equipment	**(379)**	(289)
Others	**(221)**	(101)
	(198,912)	(7,002)

11 FINANCE INCOME – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income:		
Bank interest income	**33,604**	1,527
Exchange gains on financial instruments issued to investors *(Note 26)*	**–**	2,417
	33,604	3,944
Finance costs:		
Exchange losses on financial instruments issued to investors *(Note 26)*	**(22,926)**	–
Interest expense on lease liabilities *(Note 14(b))*	**(88)**	(124)
Interest expense on borrowings from a related party *(Note 33(b))*	**(3)**	(699)
	(23,017)	(823)
Finance income – net	**10,587**	3,121

12 INCOME TAX EXPENSE

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

(a) Cayman Islands

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

(b) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% or 8.25% as the Group has no estimated assessable profit.

(c) Mainland China

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

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

12 INCOME TAX EXPENSE (CONT'D)

(d) A reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax is as follow:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss before income tax	**(2,068,656)**	(531,977)
Tax calculated at statutory tax rates applicable to each group entity	**(68,097)**	(21,324)
Tax effect of:		
Expenses not deductible for tax purpose *(Note (i))*	**2,680**	671
Super deduction for research and development expenses	**(13,464)**	(10,300)
Unrecognised tax losses carried forward *(Note (ii))*	**78,881**	30,953
Income tax expense	**–**	–

(i) Expenses not deductible for tax purpose primarily include expenses not related to business activities, welfare and entertainment expenses exceeding the tax deduction limits under the Corporate Income Tax Law.

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

Tax losses carried forward

	As at 31 December	
	2020	2019
	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	**37,126**	37,126
2028	**50,841**	51,584
2029	**128,878**	128,878
2030	**315,524**	–
	557,139	242,358

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 31 December 2020 and 2019.

	Year ended 31 December	
	2020	2019
Loss for the year and attributable to owners of the Company (RMB'000)	**2,068,656**	531,977
Weighted average number of ordinary shares in issue (thousand)	**466,994**	228,257
Basic loss per share (RMB)	**4.43**	2.33

(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 31 December 2020, the Company had one category of potential ordinary shares: the stock options granted to employees (Note 25) (2019: the Company had two category of potential ordinary shares: the Preferred Shares (Note 26) and the stock options granted to employees (Note 25)). As the Group incurred losses for the years ended 31 December 2020 and 2019, 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 31 December 2020 and 2019 is the same as basic loss per share of the respective years.

14 RIGHT-OF-USE ASSETS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
– Land use rights(a)	**17,145**	4,312
– Buildings(b)	**988**	2,082
	18,133	6,394

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

(a) Land use rights

(i) The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the remaining lease term is 30-46 years. The movements of land use rights are analysed as follows:

	Land use rights RMB'000
At 1 January 2019	
Cost	–
Accumulated amortisation	–
Net book value	–
Year ended 31 December 2019	
Opening net book value	–
Acquisition of subsidiaries	4,390
Amortisation charge *(Note 7)*	(78)
Closing net book value	4,312
At 31 December 2019	
Cost	4,390
Accumulated amortisation	(78)
Net book value	4,312
Year ended 31 December 2020	
Opening net book value	4,312
Additions	9,990
Transferred in from investment properties *(Note 16)*	2,978
Amortisation charge *(Note 7)*	(135)
Closing net book value	17,145
At 31 December 2020	
Cost	17,856
Accumulated amortisation	(711)
Net book value	17,145

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

(a) Land use rights (cont'd)

(ii) Lease liabilities recognised in the consolidated balance sheet

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Lease liabilities		
– current	**8,000**	–

(iii) Amortisation of land use rights has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Administrative expenses *(Note 7)*	**135**	78

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

(b) Buildings

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

	Buildings RMB'000
At 1 January 2019	
Cost	4,533
Accumulated depreciation	(2,084)
Net book value	2,449
Year ended 31 December 2019	
Opening net book value	2,449
Acquisition of subsidiaries	973
Depreciation charge *(Note 7)*	(1,340)
Closing net book value	2,082
At 31 December 2019	
Cost	5,506
Accumulated depreciation	(3,424)
Net book value	2,082
Year ended 31 December 2020	
Opening net book value	2,082
Depreciation charge *(Note 7)*	(1,094)
Closing net book value	988
At 31 December 2020	
Cost	4,366
Accumulated depreciation	(3,378)
Net book value	988

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

(b) Buildings (cont'd)

(ii) Lease liabilities recognised in the consolidated balance sheet

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Lease liabilities		
– current	**1,129**	1,233
– non-current	**–**	1,129
	1,129	2,362

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets *(Note 7)*	**1,094**	1,340
Interest expense *(Note 11)*	**88**	124

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture RMB'000	Electronic equipment RMB'000	Machinery RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2019								
Cost	103	946	2,411	8,257	153	645	8,002	20,517
Accumulated depreciation	(5)	(316)	(963)	(755)	(54)	–	(2,929)	(5,022)
Net book value	98	630	1,448	7,502	99	645	5,073	15,495
Year ended 31 December 2019								
Opening net book value	98	630	1,448	7,502	99	645	5,073	15,495
Transferred in from construction in progress	–	130	–	687	–	(4,489)	3,672	–
Transfer to intangible assets *(Note 17)*	–	–	–	–	–	(119)	–	(119)
Additions	138	499	2,277	4,133	19	4,268	638	11,972
Acquisition of subsidiaries	39,528	778	1,588	4,131	128	1,008	3,570	50,731
Disposals	–	(15)	(2)	(504)	–	–	–	(521)
Depreciation charge *(Note 7)*	(1,842)	(399)	(1,519)	(1,317)	(59)	–	(2,181)	(7,317)
Closing net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241
At 31 December 2019								
Cost	39,769	2,305	6,234	16,487	300	1,313	15,882	82,290
Accumulated depreciation	(1,847)	(682)	(2,442)	(1,855)	(113)	–	(5,110)	(12,049)
Net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings RMB'000	Furniture RMB'000	Electronic equipment RMB'000	Machinery RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2020								
Cost	39,769	2,305	6,234	16,487	300	1,313	15,882	82,290
Accumulated depreciation	(1,847)	(682)	(2,442)	(1,855)	(113)	–	(5,110)	(12,049)
Net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241
Year ended 31 December 2020								
Opening net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241
Transferred in from construction in progress	1,209	–	–	336	–	(3,428)	1,883	–
Transferred in from investment properties *(Note 16)*	10,464	–	–	–	–	–	–	10,464
Transfer to intangible assets *(Note 17)*	–	–	–	–	–	(188)	–	(188)
Additions	–	252	3,693	10,324	2,183	3,357	139	19,948
Disposals	–	(4)	(14)	(381)	–	–	–	(399)
Depreciation charge *(Note 7)*	(2,717)	(549)	(2,251)	(2,122)	(252)	–	(2,958)	(10,849)
Closing net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217
At 31 December 2020								
Cost	53,528	2,513	9,832	26,656	2,483	1,054	17,904	113,970
Accumulated depreciation	(6,650)	(1,191)	(4,612)	(3,867)	(365)	–	(8,068)	(24,753)
Net book value	46,878	1,322	5,220	22,789	2,118	1,054	9,836	89,217

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales	**808**	493
Selling and distribution expenses	**29**	23
Administrative expenses	**4,919**	3,876
Research and development expenses	**5,093**	2,925
Total *(Note 7)*	**10,849**	7,317

16 INVESTMENT PROPERTIES

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
At 1 January 2019			
Cost	12,550	3,476	16,026
Accumulated depreciation and amortisation	(1,142)	(389)	(1,531)
Net book value	11,408	3,087	14,495
Year ended 31 December 2019			
Opening net book value	11,408	3,087	14,495
Acquisition of subsidiaries	8,405	631	9,036
Depreciation and amortisation charge *(Note 7)*	(990)	(81)	(1,071)
Closing net book value	18,823	3,637	22,460
At 31 December 2019			
Cost	20,955	4,107	25,062
Accumulated depreciation and amortisation	(2,132)	(470)	(2,602)
Net book value	18,823	3,637	22,460

16 INVESTMENT PROPERTIES (CONT'D)

	Buildings RMB'000	Land use rights RMB'000	Total RMB'000
Year ended 31 December 2020			
Opening net book value	**18,823**	**3,637**	**22,460**
Transferred out to property, plant and equipment *(Note 15)*	**(10,464)**	**–**	**(10,464)**
Transferred out to right-of-use assets *(Note 14)*	**–**	**(2,978)**	**(2,978)**
Depreciation and amortisation charge *(Note 7)*	**(873)**	**(55)**	**(928)**
Closing net book value	**7,486**	**604**	**8,090**
At 31 December 2020			
Cost	**8,405**	**631**	**9,036**
Accumulated depreciation and amortisation	**(919)**	**(27)**	**(946)**
Net book value	**7,486**	**604**	**8,090**

(i) As at 31 December 2020 and 31 December 2019, the fair values of the investment properties of the Group were RMB8,347,000 and RMB23,773,000 respectively, determined by an independent professional valuation firm.

Depreciation and amortisation have been charged to "administrative expenses" amounted to RMB928,000 for the year ended 31 December 2020 and RMB1,071,000 for the year ended 31 December 2019 respectively.

(ii) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	**582**	1,365
Between 1 and 2 years	**582**	810
Between 2 and 3 years	**582**	83
	1,746	2,258

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Technologies RMB'000	Computer Software RMB'000	Total RMB'000
At 1 January 2019				
Cost	–	–	286	286
Accumulated amortisation	–	–	(17)	(17)
Net book value	–	–	269	269
Year ended 31 December 2019				
Opening net book value	–	–	269	269
Transferred in from construction in progress *(Note 15)*	–	–	119	119
Acquisition of subsidiaries	51,658	170,740	–	222,398
Additions	–	–	55	55
Amortisation charge *(Note 7)*	–	(3,390)	(143)	(3,533)
Closing net book value	51,658	167,350	300	219,308
At 31 December 2019				
Cost	51,658	170,740	460	222,858
Accumulated amortisation	–	(3,390)	(160)	(3,550)
Net book value	51,658	167,350	300	219,308
Year ended 31 December 2020				
Opening net book value	51,658	167,350	300	219,308
Transferred in from construction in progress *(Note 15)*	–	–	188	188
Additions	–	–	696	696
Amortisation charge *(Note 7)*	–	(6,077)	(395)	(6,472)
Closing net book value	51,658	161,273	789	213,720
At 31 December 2020				
Cost	51,658	170,740	1,344	223,742
Accumulated amortisation	–	(9,467)	(555)	(10,022)
Net book value	51,658	161,273	789	213,720

17 INTANGIBLE ASSETS (CONT'D)

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Administrative expenses *(Note 7)*	**6,472**	3,533

(b) Goodwill

	As at 31 December	
	2020	2019
	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 2020. For the purpose of impairment review, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering an eight-year period, which includes a period of 2 to 3 years for further development of currently ongoing projects, and a period of 5 to 6 years with production and sales of the future products of these projects. Cash flows beyond the eight-year period are extrapolated using the estimated terminal growth rates stated below.

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

	Gross margin	Growth rate of the first eight years	Terminal growth rate	Pre-tax discount rate
As at 31 December 2020	**61.37%-67.81%**	**9.85%-109.15%**	**3%**	**22.49%**
As at 31 December 2019	58.18%-63.76%	10.12%-229.01%	3%	27.06%

The growth rate for the first 8 years and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development. The terminal growth rate used does not exceed the industry growth forecast for the market in which the Group operates. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was RMB129,595,676 as at 31 December 2020 (2019: RMB209,209,210). 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.

17 INTANGIBLE ASSETS (CONT'D)

(b) Goodwill (cont'd)

The Group performs the sensitivity analysis based on the assumptions that revenue amount or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue amount decreases by 10%	**56,262**	140,619
Terminal value decreases by 10%	**104,234**	180,552
Discount rate increases by 5%	**90,737**	161,921

(c) Technologies

Technologies acquired in a business combination are recognised at fair value at the acquisition date, which includes technologies in use and technologies under research and development.

As at 31 December 2020, the balance of technologies under research and development were RMB42,560,000(2019: RMB102,950,000). Technologies under research and development is not available for use and is tested for impairment on an annual basis. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Fair value was estimated using the discounted cash flow approach. For the discounted cash flow, the estimated revenue was based on the management's expected timing of the product candidates' commercialization, productivity and sales volume. The management estimated the product candidates' sales volume based on market conditions and the state of technology development. The management then adjusted the estimated revenue by applying a percentage of costs and operating expenses to the revenue, which was based on the current operating margin levels of comparable companies, with adjustments made based on the management's industry experience as well as the research and development plans. Finally, the management estimated the discount rate based on the uncertain success rate of commercialization for the applicable product candidates.

17 INTANGIBLE ASSETS (CONT'D)

(c) Technologies (cont'd)

The key assumptions used as at 31 December 2020 are as follows.

	Gross margin	Growth rate	Percentage of costs and operating expenses	Post-tax discount rate
As at 31 December 2020	**50.8%-68.0%**	**–36.5%-1,551.2%**	**60.1%-913.4%**	**22.0%**
As at 31 December 2019	40.2%-77.9%	–72.3%-218.6%	46.5%-354.4%	27.0%

Based on the result of impairment assessment, the recoverable amount of technologies under research and development is estimated to exceed the carrying amount as at 31 December 2020 by RMB15,640,000 (2019: RMB48,820,000). Considering there was still sufficient headroom based on the assessment, the Directors and management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the technologies under research and development to exceed its recoverable amount.

The recoverable amount of technologies under research and development would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant, and the Directors and management believe that the key assumptions would not likely to change as follows:

	As at 31 December	
	2020	2019
Gross margin	**–10.89%**	–12.45%
Revenue amount	**–17.96%**	–23.83%
Percentage of costs and operating expenses	**11.91%**	9.72%
Post-tax discount rate	**19.20%**	19.81%

18 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Other receivables from related parties *(Note 33 (c))*	**–**	4
Other receivables from third parties	**118**	637
Prepayments to:		
– equipment not received	**8,026**	3,455
– listing expenses	**300**	3,635
– third parties	**14,312**	7,606
Value-added tax recoverable	**10,676**	12,571
Interest receivables	**25,509**	1,288
Deposits	**2,143**	854
Others	**4,297**	241
	65,381	30,291
Less: non-current portion	**(8,026)**	(3,455)
Current portion	**57,355**	26,836

19 INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Raw materials	**19,179**	8,864
Finished goods	**4,223**	1,540
Work in progress	**1,883**	759
	25,285	11,163

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Unlisted investment (i)	**3,262**	–
Wealth management products (ii)	**–**	15,000
	3,262	15,000

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	**–**	–
Additions	**3,262**	–
Disposals	**–**	–
Closing balance	**3,262**	–

Unlisted investment represents the interest in a convertible note issued by an unlisted investee. The principle amount of convertible note is USD500,000(equivalent to RMB3,262,000), and the interest rate is 12% per annum. The Company has the right to convert the outstanding balance of the convertible note into equity securities of the investee under certain circumstances.

(ii) The movements in the carrying value of the wealth management products of FVTPL for the year are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	**15,000**	–
Additions	**674,000**	137,710
Disposals	**(689,000)**	(122,710)
Closing balance	**–**	15,000

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

21 CASH AND CASH EQUIVALENTS

	As at 31 December 2020 RMB'000	2019 RMB'000
Cash in bank	**2,458,161**	504,627

	As at 31 December 2020 RMB'000	2019 RMB'000
Cash and cash equivalents are denominated in:		
– USD	**1,723,493**	493,233
– HKD	**531,327**	364
– RMB	**203,341**	11,030
	2,458,161	504,627

22 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Issued:				
As at 1 January 2019	9,125,000	6	50,621	50,627
Shares bought back and cancelled	(241,793)	(0.2)	(5,572)	(5,572)
Issuance of ordinary shares	241,793	0.2	21,567	21,567
Issuance of ordinary shares as consideration for business combination	3,833,476	3	143,510	143,513
Re-designation of ordinary shares to preferred shares	(1,505,264)	(1)	(130,571)	(130,572)
As at 31 December 2019	11,453,212	8	79,555	79,563
As at 1 January 2020	11,453,212	8	79,555	79,563
Exercise of share options *(i)*	532,715	–	29,604	29,604
Automatic conversion of Preferred Shares upon global offering *(ii)*	217,812,460	155	3,060,606	3,060,761
Shares issued pursuant to Capitalisation Issue *(iii)*	227,732,613	162	(162)	–
Shares issued upon global offering *(iv)*	152,511,000	108	2,031,903	2,032,011
Exercise of over-allotment option *(v)*	22,876,000	16	310,897	310,913
Restricted share units granted under the trust *(Note 23)*	–	–	(94)	(94)
As at 31 December 2020	632,918,000	449	5,512,309	5,512,758

22 SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

(i) In March 2020, Yi ZHANG, Chairman of the Board, Hong YE, Board Secretary, and Kongrong PAN, Chief Operating Officer, exercised stock options granted to them in 2017 and 2019, and 261,636, 48,579 and 222,500 Shares were issued to them, respectively.

(ii) All the issued Preferred Shares were re-designated as ordinary shares on 1:1 basis upon the global offering on 15 May 2020. The principal amount of these Preferred Shares and the cumulative changes in fair value are capitalised as share capital and share premium accordingly.

(iii) On 15 May 2020, pursuant to the resolution passed by the shareholders on 28 April 2020, 434,654,450 shares were allotted and issued without payment and as fully paid shares to existing shareholders after the conversion of the Preferred Shares and prior to the completion of the initial public offering (the "**Capitalisation Issue**").

(iv) On 15 May 2020, the Company issued a total of 152,511,000 ordinary shares of US$0.0001 each at the price of HK$15.36 per share by means of global offering.

(v) On 7 June 2020, the Company issued a total of 22,876,000 ordinary shares of US$0.0001 each at the price of HK$15.36 per share by means of fully exercise of the over-allotment option relating to the global offering.

23 TREASURY SHARES HELD IN A TRUST

	Number of treasury shares	Amount RMB'000
As at 1 January 2020	–	–
Acquisition of shares under restricted share units plan *(i)*	(1,140,000)	(24,746)
Restricted share units granted under the trust *(ii)*	62,531	1,620
At 31 December 2020	(1,077,469)	(23,126)

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

During the year ended 31 December 2020, the Nominee made on-market purchases of 1,140,000 shares according to the Company's instruction. The shares held in the trust are accounted for as treasury shares of the Company.

(ii) During the year ended 31 December 2020, 62,531 restricted share units were granted to selected person.

24 OTHER RESERVES

	Share-based compensation reserve RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2019	1,296	(5,170)	(3,874)
Share-based compensation expenses *(Note 25)*	17,381	–	17,381
Changes in fair value of Preferred Shares attribute to own credit risk *(Note 26)*	–	15,856	15,856
Stock options granted as consideration for business combination	5,935	–	5,935
As at 31 December 2019	24,612	10,686	35,298
As at 1 January 2020	24,612	10,686	35,298
Share-based compensation expenses	35,132	–	35,132
Exercise of options	(5,084)	–	(5,084)
Transfer of gains in fair value of Preferred Shares attribute to retained earnings	–	(10,937)	(10,937)
As at 31 December 2020	54,660	(251)	54,409

25 SHARE-BASED PAYMENTS

(a) Stock options

(i) Stock options granted to employees in 2017

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

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

25 SHARE-BASED PAYMENTS (CONT'D)

(a) Stock options (cont'd)

(ii) Stock options granted to employees in 2019

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

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

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

(iii) The financial impact of stock options in 2017 and in 2019 is as follows:
Movements in the number of stock options granted in 2017 and in 2019 are as follows:

	Year Ended 31 December	
	2020	2019
At the beginning of year	**2,900,989**	462,500
Granted before Capitalisation Issue	**–**	2,461,330
Exercised before Capitalisation Issue	**(532,715)**	–
Forfeited before Capitalisation Issue	**(4,600)**	(22,841)
Capitalisation Issue	**44,909,806**	–
Forfeited after Capitalisation Issue	**(380,000)**	–
At the end of year	**46,893,480**	2,900,989

As at 31 December 2020, 20,017,683 outstanding options were exercisable (2019: 931,055, before Capitalisation Issue).

In March 2020, Yi ZHANG, Hong YE, and Kongrong PAN exercised stock options granted to them in 2017 and 2019, and 261,636, 48,579 and 222,500 Shares were issued to them, respectively.

No options expired during the year ended 2020 (2019: nil).

The total expense recognised in the consolidated statements of comprehensive loss for the above stock options granted are RMB35,586,519 for the year ended 31 December 2020 (2019: RMB17,381,498).

25 SHARE-BASED PAYMENTS (CONT'D)

(a) Stock options (cont'd)

(iv) The fair value of the stock options granted have been valued by an independent qualified valuer using Binomial valuation model as at the grant date. Key assumptions are set as below:

Risk-free interest rate	1.85%-3. 99%
Volatility	35.71%-47.15%
Dividend yield	0.00%

The directors estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the life of stock option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the stock option. Dividend yield is based on the directors' estimation at the grant date.

(b) Restricted share units

During the year ended 31 December 2020, a restricted share award scheme (the "**RSU Scheme**") was approved and adopted pursuant to a resolution passed on 28 April 2020. The directors of the Company may, from time to time, at its absolute discretion grant restricted share units to selected person in accordance with the RSU Scheme. The overall limit on the number of restricted share units under the RSU Scheme is 6,100,420 shares and the maximum number of shares which may be awarded to any selected person under the RSU Scheme shall not exceed 1% of the issued share capital of the Company as at 28 April 2020.

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

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

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

The total expense recognise in the consolidated statement of profit or loss for the year ended 31 December 2020 for the restricted share units granted is RMB1,072,000.

25 SHARE-BASED PAYMENTS (CONT'D)

(b) Restricted share units (cont'd)

The following table summarised the Group's restricted share units and movement for the years ended 31 December 2020 and 2019:

	Year Ended 31 December	
	2020	2019
At the beginning of year	**–**	–
Granted during the year	**62,531**	–
Vested during the year	**(6,780)**	–
At the end of year	**55,751**	–

As at 31 December 2020, 55,751 restricted share units remained unvested.

25 SHARE-BASED PAYMENTS (CONT'D)

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

	Year Ended 31 December	
	2020	2019
	RMB'000	RMB'000
Stock options		
Research and development expenses	**17,117**	6,024
Administrative expenses	**16,618**	10,514
Selling and distribution expenses	**1,540**	494
Cost of sales	**311**	349
	35,586	17,381
Restricted share units		
Administrative expenses	**303**	–
Research and development expenses	**769**	–
	1,072	–
Repurchase of ordinary shares		
Administrative expenses *(Note 7)*	**–**	15,994
Re-designation of ordinary shares to Preferred Shares		
Administrative expenses *(Note 7)*	**–**	73,538
Re-designation of Preferred Shares within different series		
Administrative expenses *(Note 7)*	**–**	6,837
Total	**36,658**	113,750

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Preferred Shares	**–**	1,362,309

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(a) The key terms of these financial instruments

Series A preferred shares

The Company issued 1,700,000 shares of Series A preferred shares at cash consideration of USD8,500,000 (equivalent to RMB55,223,000) in March 2016. In June 2016, the Company further issued 300,000 shares of Series A preferred shares at cash consideration of USD1,500,000 (equivalent to RMB9,949,000).

Series B preferred shares

The Company issued 1,527,110 shares of Series B preferred shares at cash consideration of USD19,873,962 (equivalent to RMB136,173,973) in August 2018.

Series A – 1 preferred shares

In March 2019, pursuant to the Share Swap Acquisition (Note 35), the Company issued 2,145,238 shares of Series A-1 preferred shares, as well as ordinary shares and stock options in exchange of the assets and liabilities of Achieva Group (Note 35).

Series C preferred shares

In September 2019, the Company issued 1,367,443 shares of Series C preferred shares at cash consideration of USD25,000,000 (equivalent to RMB176,801,000).

Series C – 1 preferred shares

In October 2019, the Company issued 1,024,326 Series C-1 preferred shares to Hillhouse at cash consideration of USD19,651,816.87 (equivalent to RMB139,113,264). Simultaneous with the subscription of the Series C-1, Hillhouse purchased 903,589 ordinary shares, 57,034 Series A-1 preferred shares and 100,000 Series A preferred shares from the existing shareholders, or holders of Preferred Shares, respectively, the aforementioned shares were then re-designated as Series C-1 preferred shares.

New Series C-1 preferred shares

In addition, the Company further issued 1,321,242 shares of new Series C-1 preferred shares at cash consideration of USD25,348,183 (equivalent to RMB179,130,595) in late October 2019. Simultaneous with the subscription of the new Series C-1, a total number of 601,675 ordinary shares was transferred between certain existing shareholders. The purchasing unit price was the same as that of Series C preferred shares. These 601,675 ordinary shares were then re-designated as Series C preferred shares.

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(a) The key terms of these financial instruments (cont'd)

Terms of Preferred Shares

(i) Dividends rights

The holders of Preferred Shares shall be entitled to receive dividends, out of any funds legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares. No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until all dividends have been paid in full on the Preferred Shares (on an as-converted basis).

(ii) Conversion feature

(1) Optional conversion

Any Preferred Share may, at the option of the holder thereof, be converted at any time into fully-paid ordinary shares based on the then-effective applicable conversion price. The conversion price shall initially equal the original issue price of each of the series of Preferred Shares, and each shall be adjusted from time to time as provided in below situation.

The initial conversion ratio for each series of the Preferred Shares to ordinary shares shall be 1:1. No adjustment in the applicable conversion price shall be made in respect of the issuance of additional ordinary shares unless the consideration for any additional ordinary share issued or deemed to be issued by the Company is less than the applicable conversion price in effect on the date of and immediately prior to such issue. In the event that the Company shall issue additional ordinary shares without consideration or for a consideration per share received by the Company (net of any selling concessions, discounts or commissions) that is less than the applicable conversion price in effect on the date of and immediately prior to such issue, then and in such event, the applicable conversion price shall be reduced, concurrently with such issue, to the consideration per share for which the new securities are issued.

(2) Automatic conversion

Without any action being required by the holder of such share and whether or not the certificates representing such share are surrendered to the Company or its transfer agent, each Preferred Share shall automatically be converted, based on the then-effective applicable conversion price, into ordinary shares upon the closing of a qualified IPO, or upon the written approval of the holders of at least two-thirds (2/3) of the Series A preferred shares then outstanding to convert all Series A preferred shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series A-1 preferred shares then outstanding to convert all Series A-1 preferred shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series B preferred shares then outstanding to convert all Series B preferred shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series C preferred shares then outstanding to convert all Series C preferred shares into ordinary shares.

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(a) The key terms of these financial instruments (cont'd)

Terms of Preferred Shares (cont'd)

(iii) Liquidation preferences

Upon any liquidation, dissolution or winding up of the Company and/or any of the subsidiaries of the Company ("**Group Company**"), either voluntary or involuntary (each a "**Liquidation Event**"), distributions to the members of the Company shall be made in the following manner: first to holders of Series C preferred shares, second to Series B preferred shares, third to Series A-1 preferred shares and fourth to Series A preferred shares.

After distribution or payment in full of the amount distributable or payable on the Preferred Shares pursuant to the order agreed in the above paragraph, the remaining assets of the Company available for distribution to holders of Junior Shares shall be distributed ratably among the holders of outstanding Junior Shares.

If any holder of Preferred Shares fails to receive the amounts set forth in above paragraph in full for whatever reason, each holder of ordinary shares (excluding the ordinary shares converted from the Preferred Shares) shall severally and jointly transfer all of the assets or cash it received from the Company in such Liquidation Event or Deemed Liquidation Event until all the amount set forth in above paragraph have been fully paid to such holder of Preferred Shares.

The aforementioned series of Preferred Shares are recognised as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

(iv) Special repurchase right

One subscriber of Series A preferred shares agreed with the Company regarding a special repurchase right, whereas management shareholders were entitled to buy back up to 50 percent of the preferred shares from this subscriber with a fixed simple interest rate per annum at the end of the first or the third anniversary after the issuance through the companies held by those management shareholders ("**Repurchase Right**"). The Repurchase Right was redeemed at the first anniversary in 2017. The Repurchase Right was valued at the date of issuance and was then amortised through the estimated life to other reserves.

(v) Cornerstone subscription right

One Subscriber of Series C – 1 preferred shares, Hillhouse agreed with the Company regarding a cornerstone subscription right, whereas Hillhouse shall have the right to and shall undertake to, as a cornerstone investor, purchase or direct its Affiliate to purchase, at such per share price equal to the per share price offered by the Company in its initial public offering.

26 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (CONT'D)

(b) The movements of Preferred Shares for the years ended 31 December 2020 and 2019 are set out below:

	Preferred Shares RMB'000
At 1 January 2019	220,589
Issuance for cash	495,386
Issuance of preferred shares as consideration for business combination	145,484
Re-designation of ordinary shares to preferred shares	204,111
Re-designation of preferred shares within different series	6,837
Fair value losses	308,175
Changes in fair value of Preferred Shares attribute to own credit risk	(15,856)
Foreign exchange gains *(Note 11)*	(2,417)
At 31 December 2019	1,362,309
At 1 January 2020	1,362,309
Fair value losses	1,675,526
Foreign exchange losses *(Note 11)*	22,926
Automatic conversion to ordinary shares upon the global offering *(Note 22 (ii))*	(3,060,761)
At 31 December 2020	–

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

27 DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and deferred tax liabilities for the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balanced within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses RMB'000
As at 1 January 2019	–
Business combinations	25,410
Charge to consolidated statements of comprehensive loss	(1,064)
As at 31 December 2019	24,346
As at 1 January 2020	24,346
Charge to consolidated statements of comprehensive loss	(1,736)
As at 31 December 2020	22,610

Deferred tax liabilities

	Property, plant and equipment acquired in business combination RMB'000	Investment property acquired in business combination RMB'000	Land use rights acquired in business combination RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
As at 1 January 2019	–	–	–	–	–
Business combinations	1,824	744	477	42,685	45,730
Credit to consolidated statements of comprehensive loss	(173)	(35)	(9)	(847)	(1,064)
As at 31 December 2019	1,651	709	468	41,838	44,666
As at 1 January 2020	1,651	709	468	41,838	44,666
Credit to consolidated statements of comprehensive loss	(159)	(47)	(11)	(1,519)	(1,736)
As at 31 December 2020	1,492	662	457	40,319	42,930

27 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax liabilities (cont'd)

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Deferred tax liabilities		
– to be recovered within 12 months	**1,736**	1,347
– to be recovered more than 12 months	**41,194**	43,319
	42,930	44,666

28 DEFERRED INCOME

	As at 31 December 2020 RMB'000	2019 RMB'000
Government grants –		
Asset-related grants *(a)*	**1,281**	1,311
Cost-related grants *(b)*	**2,003**	2,280
	3,284	3,591

(a) The asset-related grants are subsidies received from the government for the purpose of compensation for purchase of the Group's land use rights. The estimated useful life of the land use rights is 50 years and the aforementioned grants are amortised based on the remaining useful life of the land.

(b) The cost-related grants are subsidies received from the government as support on expenses relating to certain projects. When the required criteria set by the government for such grants are met, the portion of the qualified funds is recognised as "other income" and the remaining balance is recorded as deferred income.

29 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables – third party	**8,125**	6,043
Other payables		
– a related party *(Note 33 (c))*	**–**	691
– third parties	**11,465**	19,036
Staff salaries and welfare payables	**11,324**	6,422
Interest payables – related party	**–**	2,298
Accrued taxes other than income tax	**3,638**	13,305
	34,552	47,795
Less: non-current position	**–**	(154)
Current position	**34,552**	47,641

The aging analysis of trade payables at the respective balance sheet dates is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**8,120**	6,043
Between 1 year and 2 years	**5**	–
	8,125	6,043

30 CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to cash used in operations

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year before income tax	**(2,068,656)**	(531,977)
Adjustments for:		
– Depreciation of property, plant and equipment and investment properties *(Note 7)*	**11,777**	8,388
– Amortisation/depreciation of intangible assets and right-of-use assets *(Note 7)*	**7,701**	4,951
– Losses on disposal of property, plant and equipment *(Note 10)*	**379**	289
– Share-based compensation expenses *(Note 25)*	**36,658**	113,750
– Fair value change on financial instruments issued to investors *(Note 26)*	**1,675,526**	308,175
– Interest income received from financial assets at fair value through profit or loss *(Note 9)*	**(3,698)**	(629)
– Finance costs/(income) – net	**14,921**	(1,833)
– Net exchange differences	**194,994**	–
	(130,398)	(98,886)
Changes in working capital:		
– Increase in inventories	**(14,122)**	(4,140)
– (Increase)/Decrease in prepayments and other receivables	**(35,145)**	23,530
– Decrease in trade and other payables	**(10,423)**	(23,179)
– Decrease in deferred income	**(307)**	(30)
	(59,997)	(3,819)
Cash used in operations	**(190,395)**	(102,705)

(b) Non-cash investing and financing activities

During the year ended 31 December 2020, all Preferred Shares were converted into ordinary shares upon the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. For details, please refer to Note 26. This transaction did not affect the Group's cash flows (2019: Nil).

30 CASH USED IN OPERATIONS (CONT'D)

(c) Changes in liabilities from financing activities

	Short-term Liabilities	Long-term Liabilities		
	Lease Liabilities	Lease Liabilities	Borrowings from a related party	Financial instruments issued to investors
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,399	1,090	–	220,589
Cash flows	(1,444)	–	(16,620)	495,386
Impact of changes in foreign exchange rate	–	–	–	(2,417)
Other non-cash movements	1,278	39	17,311	356,432
Changes in fair value	–	–	–	292,319
At 31 December 2019	1,233	1,129	691	1,362,309

	Short-term Liabilities	Long-term Liabilities		
	Lease Liabilities	Lease Liabilities	Borrowings from a related party	Financial instruments issued to investors
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,233	1,129	691	1,362,309
Increase of right of use assets *(Note 14)*	9,990	–	–	–
Cash flows	(3,223)	–	(691)	–
Impact of changes in foreign exchange rate	–	–	–	22,926
Other non-cash movements	1,129	(1,129)	–	(3,060,761)
Changes in fair value	–	–	–	1,675,526
At 31 December 2020	9,129	–	–	–

31 COMMITMENTS

Capital commitments

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	**7,496**	3,872

32 BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**2,762,665**	532,668
Current assets			
Financial assets at fair value through profit or loss		**3,262**	–
Prepayments and other receivables		**5,744**	6,470
Cash and cash equivalents		**561,950**	472,857
Total current assets		**570,956**	479,327
Total assets		**3,333,621**	1,011,995
EQUITY AND LIABILITIES			
Equity attribute to owners of the Company			
Share capital and share premium	22	**5,512,758**	79,563
Other reserves		**54,660**	35,549
Treasury shares held in the trusts	23	**(23,126)**	–
Accumulated losses		**(2,258,512)**	(495,863)
Total equity		**3,285,780**	(380,751)
Liabilities			
Non-current liabilities			
Financial instruments issued to investors		**–**	1,362,309
Current liabilities			
Trade and other payables		**47,841**	30,437
Total liabilities		**47,841**	1,392,746
Total equity and liabilities		**3,333,621**	1,011,995

The balance sheet of the Company was approved by the Board of Directors on 29 March 2021 and were signed on its behalf.

Yi ZHANG
Chairman, Chief Executive Officer, Executive Director

Hong YE
Board Secretary, Executive Director

32 BALANCE SHEET OF THE COMPANY (CONT'D)

(a) Reserve movement of the Company

	Note	Share capital and share premium RMB'000	Other reserves RMB'000	Treasury shares held in a trust RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2019		50,627	(3,623)	–	(51,513)	(4,509)
Comprehensive loss:						
Loss for the year		–	–	–	(444,350)	(444,350)
Other comprehensive income		–	15,856	–	–	15,856
Total comprehensive loss		–	15,856	–	(444,350)	(428,494)
Transactions with owners in their capacity as owners:						
Issuance of ordinary shares	22	21,567	–	–	–	21,567
Shares bought back and cancelled	22	(5,572)	–	–	–	(5,572)
Ordinary shares issued and stock options granted as consideration for business combination	22	143,513	5,935	–	–	149,448
Re-designation of ordinary shares to preferred shares	22	(130,572)	–	–	–	(130,572)
Share-based payments	25	–	17,381	–	–	17,381
Balance at 31 December 2019		79,563	35,549	–	(495,863)	(380,751)
Balance at 1 January 2020		79,563	35,549	–	(495,863)	(380,751)
Comprehensive loss:						
Loss for the year		–	–	–	(1,773,586)	(1,773,586)
Other comprehensive income		–	–	–	–	–
Total comprehensive loss		–	–	–	(1,773,586)	(1,773,586)
Transactions with owners in their capacity as owners:						
Automatic conversion of Preferred Shares upon global offering	22	3,060,761	(10,937)	–	10,937	3,060,761
Exercise of share options	22	29,604	(5,084)	–	–	24,520
Shares issued upon global offering	22	2,032,011	–	–	–	2,032,011
Exercise of over-allotment option	22	310,913	–	–	–	310,913
Acquisition of shares under restricted share units plan	23	–	–	(24,746)	–	(24,746)
Restricted share units granted under the trust	23, 25	(94)	–	1,620	–	1,526
Share-based payments	25	–	35,132	–	–	35,132
Balance at 31 December 2020		5,512,758	54,660	(23,126)	(2,258,512)	3,285,780

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2020 and 2019 respectively, and balances arising from related party transactions as at 31 December 2020 and 2019 respectively.

(a) Name and relationship with related parties

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

(b) Transactions with related party

(i) Repayment of related party's loan

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Hong YE	**691**	16,620

(ii) Repayment of interest on loan from a related party

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Hong YE	**2,301**	300

(iii) Interest expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Hong YE	**3**	699

33 RELATED PARTY TRANSACTIONS (CONT'D)

(c) Balances with related parties

(i) Receivables from related parties

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Xin Yue International Limited	–	3
Hong YE	–	1
	–	4

(ii) Loan from related party

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Hong YE	–	691

(iii) Interest payable to a related party

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Hong YE	–	2,298

(d) Key management compensation

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, wages and bonuses	**10,026**	5,658
Housing fund, medical insurance and other social insurance	**310**	242
Share-based compensation expenses	**25,484**	14,561
	35,820	20,461

34 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended 31 December 2020 (2019: Nil).

35 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 December 2020 and 2019 are set out below:

Company name	Country/place and date of incorporation/ establishment	Issued and paid up capital or registered capital	Effective interests held by the Group % 31 December 2020	31 December 2019	Direct or Indirect	Principle activities
Marvel Finder Limited	HK, 25 August 2017	HKD10,000	100%	100%	Direct	Holding
Peijia Suzhou	PRC, 4 March 2013	RMB2,300,000,000	100%	100%	Indirect	Research and development of transcatheter valve therapeutic devices
Peijia Shanghai	PRC, 24 February 2012	RMB15,500,000	100%	100%	Indirect	Research and development of transcatheter value therapeutic devices
Achieva Medical	Cayman Islands, 2 November 2005	USD33,227,887	100%	100%	Direct	Holding
Achieva Medical HK Limited	HK, 25 March 2009	HKD1	100%	100%	Indirect	Holding
Achieva Medical (Shanghai) Co., Ltd	PRC, 21 March 2006	USD58,680,000	100%	100%	Indirect	Research and development, manufacturing and sales of neurointerventional procedural medical devices
Achieva Medical (Suzhou) Co., Ltd.	PRC, 29 November 2016	RMB121,000,000	100%	100%	Indirect	Research and development, manufacturing and sales of neurointerventional procedural medical devices
Jiangxi Zhisheng Medical Equipment Co., Ltd.	PRC, 3 April 2018	RMB5,000,000	100%	100%	Indirect	Trading

36 SUBSEQUENT EVENTS

On 22 January 2021, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, an aggregate of 33,800,000 placing shares to not less than six placees at a price of HK$29.38 per placing share, representing 5.1% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing.

On 29 January 2021, all conditions of the placing have been fulfilled and the completion of the placing took place.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years (Note 1) is set out below:

	For the year ended December 31, 2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Operating Results			
Revenue	**38,655**	18,699	–
Operating loss	**(403,717)**	(226,923)	(70,222)
Loss before income tax	**(2,068,656)**	(531,977)	(82,876)
Loss for the year and attributable to owners of the Company	**(2,068,656)**	(531,977)	(82,625)
Total comprehensive loss for the year and attributable to owners of the Company	**(2,068,656)**	(516,121)	(78,006)
Loss per share			
Basic and diluted loss per share (RMB)	**(4.43)**	(2.33)	(0.45)

	As at December 31, 2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Financial Position			
Non-current assets	**337,186**	321,858	33,368
Current assets	**2,544,063**	557,626	140,996
Total assets	**2,881,249**	879,484	174,364
Non-current liabilities	**23,604**	1,387,503	224,174
Current liabilities	**44,390**	50,187	44,527
Total liabilities	**67,994**	1,437,690	268,701
Total equity/(deficit)	**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.