TARGET

Intelligence Report

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PEIJIA MEDICAL LTD:

THIS COMPANY IS A GAMBLE, WITHOUT QUESTION,

BUT IT IS HIGHLY UNLIKELY TO OFFER REWARDS

IN THE FORSEEABLE FUTURE … IF AT ALL !

Having scanned the 569-Page Global Offering Prospectus of Peijia Medical Ltd () (Code: 9996, Main Board, The Stock Exchange of Hongkong Ltd), there is, in the opinion of this medium, but one word to describe this Company: That word is a '***gamble***'.

Whether or not this Company will ever be in a position to record a profit of materiality from its core activities is questionable, however, it is well known that a virile youth, imbued as he so often is by the natural urges, sparked and delivered from the fruits of loins, becomes the victim of an unwanted premature climax.

The Business Of Peijia Medical Ltd

Peijia Medical Ltd is a Company, engaged in research and development of transcatheter valve therapeutic medical devices.

The definition of this term is, in the simplest, possible terms, a device that is used in the treatment of valvular heart diseases, using a cardiovascular interventional technique by implanting a prosthetic valve through an artery.

The Company has taken aim at trying to fill a niche market of the **P**eople's **R**epublic of **C**hina (**PRC**).

It makes the claim, at Page 150 of the Global Offering Prospectus, as being '*a leading domestic player in each of the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical market in China.*'

Of course, if one is known to be the only game in town, then, one might rightly describe oneself in similar terms as in the above-stated paragraph.

At Pages 183 and 184 of the Global Offering Prospectus, one was treated to a business '***OVERVIEW***' of Peijia Medical Ltd in just six paragraphs:

'*We focus 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.*

- '***Transcatheter valve therapeutic medical devices**: We are one of only four domestic players in the China market with TAVR* (**T**ranscatheter **A**ortic **V**alve **R**eplacement) *products at the clinical trial or more advanced stage, and ranked third in the China transcatheter valve medical device market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, according to Frost & Sullivan. We are in the process of completing the confirmatory clinical trial for TaurusOne®, our first-generation TAVR product, and expect to receive the NMPA* (the **N**ational **M**edical **P**roducts **A**dministration of the PRC []) *approval for and launch TaurusOne® in the first or second quarter of 2021. We are also developing our second-and third-generation TAVR products incorporating innovative features. Our product pipeline includes transcatheter devices for aortic, mitral and tricuspid valves.*

- '***Neurointerventional procedural medical devices**: We ranked first among domestic players in the China market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, and were the first domestic player to commercialize an embolization coil product in China, according to Frost & Sullivan.*

'Our products and product candidates target large, fast-growing and under-penetrated markets with high entry barriers. According to Frost & Sullivan, heart diseases and neurovascular diseases are among the top causes of death, both in China and globally. Interventional therapies, especially catheter-based interventional therapies, can effectively treat such diseases, but the markets for transcatheter valve therapeutic and neurointerventional procedural medical devices in China are still at an early stage of development with

considerable potential for growth.

'According to Frost & Sullivan, the global TAVR product market is expected to increase from US$4.1 billion in 2018 to US$10.4 billion in 2025 at a CAGR (**C**ompound **A**nnual **G**rowth **R**ate) *of 14.3%. China's TAVR product market is also estimated to grow significantly from RMB196.6 million in 2018 to RMB6,332.6 million in 2025 at a CAGR of 64.2%. Only approximately 1,000 TAVR procedures were conducted in China in 2018, representing a penetration rate of approximately 0.1%, indicating huge unmet demand and growth potential. It is estimated that the TAVR penetration rate in China will continue to grow, reaching 4.7% in 2025. The TMVR and TTVR* (**T**ranscatheter **T**ricuspid **V**alve **R**eplacement) *markets in China are also still in their early stages of development, with significant growth potential. According to Frost & Sullivan, a few domestic companies are enjoying leading positions in the transcatheter valve therapeutic medical device market in China, but there is not yet any single dominating player in the market. The ability to develop advanced products with features tailored to the needs of Chinese patients and physicians is expected to be one of the key distinguishing factors for competing in this market, according to Frost & Sullivan.*

'Similarly, the neurointerventional procedural medical device market in China has also been growing rapidly. Specifically, the embolization coil market in China is estimated to expand to RMB2,646.7 million in 2025 at a CAGR of 12.3% from 2018 to 2025, and the intracranial aneurysm stent market is estimated to expand to RMB812.2 million in 2025 at a CAGR of 15.0% from 2018 to 2025. According to Frost Sullivan, the neurointerventional procedural medical device market in China is currently dominated by several international medical device giants, but a number of domestic players are expected to gradually increase their market shares over the next few years, thanks to the progress of their technology advancements, the improvements in their products, as well as more favorable policies encouraging the development of domestic brands. The ability to develop a comprehensive product portfolio tailored to the needs of Chinese patients and physicians is expected to be one of the major factors for domestic players to differentiate from multinational players in the market, according to Frost & Sullivan.

'We have a comprehensive portfolio of interventional procedural medical device products and product candidates focusing on these two fields. As of the Latest Practicable Date (April 26, 2020)*, we had developed six registered products, and had 20 product candidates in various stages of development.'*