杭州啓明醫療器械股份有限公司

Venus Medtech (Hangzhou) Inc.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2500)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of the Group has not been completed. In the meantime, the Board is pleased to announce the unaudited consolidated results of the Group reviewed by the Audit Committee for the Reporting Period, together with audited comparative figures for the same period of 2018.

FINANCIAL HIGHLIGHTS

	Year ended December 31, 2019 (Unaudited) ***RMB'000***	Year ended December 31, 2018 (Audited) *RMB'000*	Year-to-year change
Revenue	**233,272**	115,348	102%
Gross Profit	**194,665**	98,980	97%
Loss before tax	**(381,543)**	(299,620)	27%
Loss for the year	**(380,765)**	(300,518)	27%
Loss attributable to owners of the parent	**(380,723)**	(300,421)	27%
Loss per Share attributable to ordinary equity holders of the parent			
Basic and diluted	**RMB(1.22)**	RMB(1.03)	18%

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended December 31, 2019 (Unaudited)** *RMB'000*	Year ended December 31, 2018 (Audited) *RMB'000*
REVENUE	*4*	**233,272**	115,348
Cost of sales		**(38,607)**	(16,368)
Gross profit		**194,665**	98,980
Other income and gains	*4*	**15,384**	13,152
Selling and distribution expenses		**(124,567)**	(66,865)
Research and development costs		**(200,531)**	(104,774)
Administrative expenses		**(197,608)**	(223,864)
Other expenses		**(44,794)**	(11,351)
Impairment losses on financial assets, net		**(2,172)**	(1,674)
Finance costs	*6*	**(21,920)**	(3,224)
LOSS BEFORE TAX	*5*	**(381,543)**	(299,620)
Income tax credit/(expense)	*7*	**778**	(898)
LOSS FOR THE YEAR		**(380,765)**	(300,518)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the foreign operations		**7,197**	7,248
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**256**	1,387
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**7,453**	8,635
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(373,312)**	(291,883)

	Note	Year ended December 31, 2019 (Unaudited) RMB'000	Year ended December 31, 2018 (Audited) RMB'000
Loss attributable to:			
Owners of the parent		**(380,723)**	(300,421)
Non-controlling interests		**(42)**	(97)
		(380,765)	(300,518)
Total comprehensive loss attributable to:			
Owners of the parent		**(373,270)**	(291,786)
Non-controlling interests		**(42)**	(97)
		(373,312)	(291,883)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB(1.22)**	RMB(1.03)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at December 31, 2019 (Unaudited) *RMB'000***	As at December 31, 2018 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**60,381**	46,731
Goodwill		**479,626**	471,857
Other intangible assets		**185,145**	191,120
Deferred tax assets		**2,800**	2,711
Equity investments designated at fair value through other comprehensive income		**29,740**	29,484
Prepayments, other receivables and other assets		**6,665**	1,840
Total non-current assets		**764,357**	743,743
CURRENT ASSETS			
Inventories		**24,789**	16,685
Trade receivables	*10*	**162,200**	80,646
Prepayments, other receivables and other assets		**303,462**	27,617
Due from related parties		**–**	90
Pledged deposits		**746**	686
Cash and cash equivalents		**2,413,254**	164,914
Total current assets		**2,904,451**	290,638
CURRENT LIABILITIES			
Trade payables	*11*	**1,452**	983
Lease liabilities		**8,992**	5,959
Other payables and accruals		**396,590**	380,819
Due to a related party		**685**	681
Interest-bearing bank borrowings		**120,000**	80,000
Government grants, current		**24,046**	14,950
Contract liabilities		**2,392**	1,399
Refund liabilities	*4(c)*	**12,362**	5,480
Tax payable		**1,939**	5,859
Total current liabilities		**568,458**	496,130
NET CURRENT ASSETS/(LIABILITIES)		**2,335,993**	(205,492)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,100,350**	538,251

	Note	As at December 31, 2019 (Unaudited) RMB'000	As at December 31, 2018 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		**17,312**	15,355
Contract liabilities		**–**	983
Deferred tax liabilities		**37,292**	38,726
Government grants, non-current		**–**	12,813
Total non-current liabilities		**54,604**	67,877
Net assets		**3,045,746**	470,374
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**404,469**	300,000
Reserves		**2,632,509**	161,564
		3,036,978	461,564
Non-controlling interests		**8,768**	8,810
Total equity		**3,045,746**	470,374

NOTES

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**"). The registered office of the Company is located at Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, PRC.

During the year, the Group was principally engaged in research and development, and the manufacturing and sale of bioprosthetic heart valves.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 10, 2019.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which include all standards and interpretations approved by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Group throughout the reporting period. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income which have been measured at fair value. They are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2.2. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after January 1, 2020
2 Effective for annual periods beginning on or after January 1, 2021
3 Effective for annual periods beginning on or after January 1, 2022
4 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**231,704**	113,737
Other	**1,568**	1,611
	233,272	115,348

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**62,231**	43,564
USA	**20,572**	21,229
Israel	**168,216**	174,408
	251,019	239,201

The non-current asset information above is based on the locations of the assets and excluded goodwill, deferred tax assets, equity investments designated at fair value through other comprehensive income and financial assets at amortised cost.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Customer A	**39,092**	17,048
Customer B	**36,509**	19,177
Customer C	**25,296**	15,231

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Revenue from contracts with customers		
Sale of medical devices	**233,272**	115,348

Revenue from contracts with customers

(a) Disaggregated revenue information

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Geographical markets		
Mainland China	**231,704**	113,737
Other	**1,568**	1,611
Total revenue from contracts with customers	**233,272**	115,348
Timing of revenue recognition		
Goods transferred at a point in time	**233,272**	115,348

(b) Performance obligations

There was no revenue recognised during the year that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, are as follows:

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**2,392**	1,399
After one year	**–**	983
	2,392	2,382

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of medical devices, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

(c) Refund liabilities

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Refund liabilities arising from sales rebates	**12,362**	5,480

	Note	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Other income			
Government grants	*a*	**9,189**	2,037
Bank interest income		**6,163**	434
Other interest income		**–**	447
Investment income		**–**	32
Others		**32**	37
Gains			
Foreign exchange gains, net		**–**	10,165
Other income and gains		**15,384**	13,152

Note:

a *The government grants mainly represent incentives received from the local governments for the purpose of compensation for expenditure arising from research activities and clinical trial activities and awards for new valve product development and expenditure incurred on certain projects.*

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Cost of inventories sold*	**35,884**	15,244
Research and development costs**	**200,531**	104,774
Depreciation of property, plant and equipment	**7,946**	4,318
Depreciation of right-of-use assets	**7,977**	2,024
Amortisation of other intangible assets***	**12,983**	3,701
Impairment of trade receivables	**2,165**	1,314
Impairment of other receivables	**7**	361
Impairment of inventories	**592**	577
Auditor's remuneration	**2,068**	302
Government grants	**(9,189)**	(2,037)
Other interest income	**–**	(447)
Bank interest income	**(6,163)**	(434)
Investment income	**–**	(32)
Donation	**32,525**	10,509
Listing expenses	**24,587**	10,091
Loss on disposal of items of property, plant and equipment, net	**35**	284
Lease payments not included in the measurement of lease liabilities	**939**	794
Foreign exchange differences, net	**11,087**	(10,165)
Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration):		
Wages and salaries	**135,787**	35,134
Pension scheme contributions	**1,838**	1,905
Staff welfare expenses	**13,826**	6,565
Equity-settled share award expense	**91,764**	57,731
	243,215	101,335

* The cost of sales includes RMB19,493,000 (2018: RMB9,846,000) relating to employee benefit expense, depreciation and amortisation, which is also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB63,743,000 (2018: RMB17,731,000) relating to employee benefit expense, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets, which are also included in the respective total amounts disclosed above for each type of expenses.

*** The amortisation of other intangible assets is included in "Cost of sales", "Selling and distribution expenses", "Administrative expenses" and "Research and development costs" in the unaudited consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Interest on bank loans	**7,758**	2,329
Interest portion of lease liabilities	**1,256**	895
Finance charge for guarantee	**12,906**	–
	21,920	3,224

7. INCOME TAX

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatment is available to the Company, since it was recognised as High and New Technology Enterprises as at December 4, 2019, and was entitled to a preferential tax rate of 15% during the year (2018: 25%).

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (2018: 21%) on the taxable income arising in the USA during the year.

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at 23% (2018: 23%) on the taxable income arising in Israel during the year.

UK

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% (2018: up to 19%) on the taxable income arising in the UK during the year.

The income tax (credit)/expense of the Group during the year is analysed as follows:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Current – USA		
Charge for the year	**1,704**	898
Current – Israel		
Charge for the year	**269**	–
Current – UK		
Charge for the year	**97**	–
Deferred tax	**(2,848)**	–
	(778)	898

8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2018: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 311,037,000 (2018: 290,423,000) in issue during the year. The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon transformation into a joint stock company in November 2018.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic loss per share is based on:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**(380,723)**	(300,421)

	Number of shares	
	2019	2018
	(Unaudited)	(Audited)
Shares		
Weighted average number of shares in issue during the year	**311,037,000**	290,423,000

10. TRADE RECEIVABLES

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**166,002**	82,283
Impairment	**(3,802)**	(1,637)
	162,200	80,646

The Group's trading terms with its customers are mainly on credit. The credit period is generally six months to one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 6 months	**122,109**	63,872
7 to 12 months	**36,216**	15,803
Over 12 months	**3,875**	971
	162,200	80,646

11. TRADE PAYABLES

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

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**1,419**	859
3 to 6 months	**30**	5
6 to 12 months	**1**	27
Over 12 months	**2**	92
	1,452	983

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

12. SHARE CAPITAL

Shares

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Issued and fully paid:		
404,468,943 (2018: 300,000,000) ordinary shares	**404,469**	300,000

A summary of movements in the Company's share capital is as follows:

	Numbers of ordinary shares	**Share capital**
	Shares	*RMB'000*
At January 1, 2018 (Audited)	–	–
Issue of ordinary shares upon conversion into a joint stock company *(a)*	300,000,000	300,000
As at December 31, 2018 and January 1, 2019 (Audited)	300,000,000	300,000
Issue of ordinary shares *(b)*	14,150,943	14,151
Issue of H Shares from initial public offering *(c)*	90,318,000	90,318
As at December 31, 2019 (Unaudited)	404,468,943	404,469

Notes:

(a) *In November 2018, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, other reserves and accumulated losses, amounting to RMB499,672,000, were converted into 300,000,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium.*

(b) *In May 2019, the Company issued 14,150,943 shares in total with par value of RMB1.00 each to Jiangsu Zhaoyin Modern Production Shareholding Investment Fund Phase I (Limited Partnership), Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership), Taizhou Huitianjin Investment Partnership (Limited Partnership), Start New Limited and Huzhou Muxin Health Production Investment Partnership (Limited Partnership). Proceeds of RMB308,643,000 were received during the year, with approximately RMB14,151,000 and RMB294,492,000 credited to the Company's share capital and share premium, respectively.*

(c) *In connection with the Company's initial public offering, 90,318,000 H Shares of RMB1.00 each were issued at a price of HK$33.00 per share for a total cash consideration, before expenses, of approximately HK$2,980,494,000 (equivalent to RMB2,678,521,000). Dealings in these shares on the Stock Exchange commenced in December 2019.*

I. BUSINESS OVERVIEW

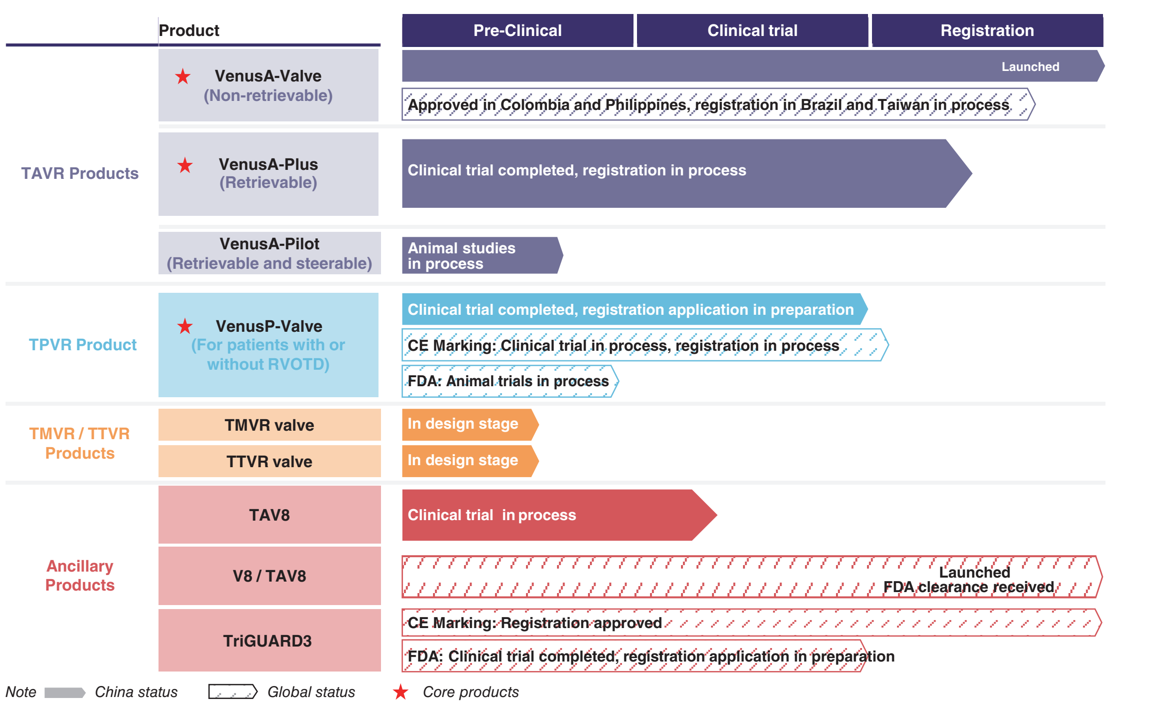
Overview

We operate in a large untapped and fast-growing transcatheter heart valve market in China and globally. Our products and product candidates are designed for transcatheter implantation to replace dysfunctional heart valves (i.e. TAVR, TPVR, TMVR and TTVR) mainly associated with aortic stenosis and pulmonic, mitral and tricuspid regurgitation.

Our Products and Product Pipeline

Our heart valve portfolio comprises of six self-developed products and product candidates, including one marketed TAVR product (VenusA-Valve), one registration stage TAVR product (VenusA-Plus), one pre-clinical stage TAVR product (VenusA-Pilot), one clinical stage TPVR product (VenusP-Valve), one TMVR product in design stage and one TTVR product in design stage. In addition to heart valve systems, we offer key ancillary products compatible with transcatheter heart valve replacement procedures, including marketed valvuloplasty balloon products (V8 and TAV8) and a clinical stage CEP device (TriGUARD3).

The following chart summarizes the development status of our products and product candidates as of the date of this announcement:



"Retrievable" function allows physicians to retrieve the valve during a TAVR procedure
"Steerable" function allows physicians to steer the position of the valve during a TAVR procedure
"Patients without RVOTD" refers to patients without RVOTD but have symptoms similar to those of RVOTD that can be treated with TPVR procedures using our VenusP-Valve

VenusA-Valve – Our Core Product

As a leader in TAVR technologies in China, we focus on the development, manufacturing and sale of transcatheter aortic heart valves and their respective delivery systems. We currently have one product on the market, VenusA-Valve, our first-generation TAVR device, which is used to treat severe aortic stenosis using a catheter-based approach. VenusA-Valve received marketing approval from the NMPA in April 2017, and was subsequently commercialized in August 2017, which marked the first NMPA-approved TAVR product and the first TAVR product commer-cialized in China. Moreover, we registered VenusA-Valve in Colombia in April 2018 and we commercialized VenusA-Valve in Philippines in the third quarter of 2019. We also submitted the GMP application of the manufacturing system of VenusA-Valve in Brazil in August 2018. We are currently applying for product registration for VenusA-Valve in Brazil. We are also applying for the registration of VenusA-Valve in Taiwan.

For the year ended December 31, 2019, our revenue generated from the sales of VenusA-Valve amounted to RMB232.1 million (unaudited), representing an increase of 104.1% compared to RMB113.7 million (audited) for the year ended December 31, 2018.

VenusA-Valve has been used to treat patients with severe aortic stenosis. According to Frost & Sullivan, there is an increasing population of aortic stenosis patients worldwide and in China, and the TAVR procedure in China has been applied to patients ineligible for surgeries and patients with intermediate to high surgical risk. As the FDA approved the application of certain transcatheter aortic heart valve products in TAVR procedures that treat low surgical risk patients, TAVR procedure is expected to be approved by the NMPA to be applied to patients with low to intermediate surgical risk in China in the future. Similarly in Philippines and other markets where we have launched or are preparing to launch our TAVR products, the application of TAVR procedure is expected to be approved for severe aortic stenosis patients with low to intermediate surgical risk.

As of December 31, 2019, more than ten TAVR products in the global market had received FDA approval or CE Marking, and the major competitors are Edwards Lifesciences and Medtronic. There are also eight known TAVR pipeline products globally.

As of December 31, 2019, in China, there were three TAVR products approved for marketing by the NMPA in China, including VenusA-Valve of our Company, J-Valve of Jiecheng and VitaFlow-Valve of MicroPort. There were several TAVR pipeline products in China at clinical trial stage.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET VENUSA-VALVE IN BRAZIL AND TAIWAN SUCCESSFULLY.

VenusA-Plus – Our Core Product

VenusA-Plus is an upgraded product based on VenusA-Valve. Compared to VenusA-Valve, VenusA-Plus contains a DCS with retrieving function. In May 2018, we submitted to the NMPA an application for VenusA-Plus as an amendment to the VenusA-Valve registration we have obtained, and supplemented the application with further information in November 2019. Given (i) the application was expected to expire three months after our provision of further information, (ii) the outbreak of COVID-19 in the PRC since December 2019 and the travel restrictions and quarantine measures implemented in response were expected to affect the review process of the application by the NMPA, we voluntarily withdrew the application in early February 2020. We currently expect to re-submit the application to the NMPA at an appropriate timing, depending on the COVID-19 situation and other business, market and regulatory considerations.

Once VenusA-Plus is launched in the market, we believe it could be the first retrievable TAVR product in China.

Driven by the increasing number of patients with severe aortic stenosis and regurgitation, the number of TAVR procedures and the size of TAV market is expected to continue to grow. As of December 31, 2019, VenusA-Plus was one of the two TAVR product candidates with retrievable function at clinical trial stage in China. For details, see "– VenusA-Valve – Our Core Product" above.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET VENUSA-PLUS SUCCESSFULLY.

VenusA-Pilot

VenusA-Pilot is our next product for TAVR treatment, which makes further improvements to the DCS function of VenusA-Plus. The DCS of VenusA-Pilot is designed to have retrieving and steering functions, which can improve the accuracy of positioning the valve.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET VENUSA-PILOT SUCCESSFULLY.

VenusP-Valve – Our Core Product

VenusP-Valve is a transcatheter pulmonary valve system, which is designed for percutaneous implantation via cardia catheterization into the RVOT to treat RVOTD including pulmonary valve backflow as a result of treatment for patients with congenital heart disease. We have completed the clinical trial in China for VenusP-Valve. In April 2019, VenusP-Valve was approved by the NMPA to be eligible for the Special Approval Procedures of Innovative Medical Devices promulgated by the NMPA. We submitted the application for the CE Marking in April 2019. Once launched, VenusP-Valve is expected to become the first TPVR product in China, the first TPVR product for patients with RVOTD after receiving TAP treatment globally, and the first self-expanding TPVR product globally.

VenusP-Valve is designed to treat patients with pulmonary regurgitation, which is mainly caused by degeneration of RVOT from a previous repair to treat ToF patients and other congenital heart diseases. With the increasing number of ToF and other RVOTD patients, demand for TPVR products such as VenusP-Valve is expected to increase. Considering the high prevalence of newborns with congenital heart defects every year in China and global market, TPVR treatment may become reimbursable under governmental medical insurance in the future, which will increase its accessibility and affordability. Meanwhile, the improved safety and efficacy of TPVR procedure over SPVR procedure will increase the acceptance among patients and physicians. Therefore, we expect the market adoption of our VenusP-Valve will increase.

As of the date of this announcement, there were three FDA or CE approved TPVR products including Sapien and Sapien XT from Edwards Lifesciences and Melody from Medtronic, and there were five product candidates at the clinical trial stage. More than 85% of ToF patients in China that went through RVOT enlargement procedures are treated with the transvalvular patch method, and the diameter of their pulmonary valve ring is larger than 22mm, making VenusP-Valve the only viable option among the three competing products, according to Frost & Sullivan.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET VENUSP-VALVE SUCCESSFULLY.

Venus Mitral Valve

We are in the process of designing our product, Venus Mitral Valve, for TMVR treatment of mitral regurgitation patients. Our design-stage animal studies for Venus Mitral Valve are currently on-going, and we are in the process of refining our design based on the animal studies. For the sales of Venus Mitral Valve in China, similar to the registration of VenusA-Valve, we will submit our clinical trial results to the NMPA for its approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET VENUS MITRAL VALVE SUCCESSFULLY.

Venus Tricuspid Valve

We are in the process of designing our product, Venus Tricuspid Valve, for TTVR treatment of tricuspid regurgitation patients. Our design-stage animal studies for Venus Tricuspid Valve are currently ongoing, and we are in the process of refining our design based on the animal studies. For the sales of Venus Tricuspid Valve in China, similar to the registration of VenusA-Valve, we will submit our clinical trial results to the NMPA for its approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET VENUS TRICUSPID VALVE SUCCESSFULLY.

V8 and TAV8

A balloon aortic valvuloplasty catheter system is designed to be used in stand-alone balloon aortic valvuloplasty procedures and the dilatation of aortic valve leaflets prior to and after TAVR procedure. InterValve has developed two generations of bicuspid aortic valve catheter system, V8 and TAV8, both of which have received FDA 510(k) clearance and CE Marking. In November 2016, InterValve assigned V8 and TAV8 related patents and transferred related regulatory approvals to us. We applied for an import product license with the NMPA for TAV8 in February 2018.

For the year ended December 31, 2019, our revenue generated from the sales of V8 and TAV8 amounted to RMB1.2 million (unaudited), representing a decrease of 25.0% compared to RMB1.6 million (audited) for the year ended December 31, 2018.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET V8 AND TAV8 SUCCESSFULLY IN THE EU AND CHINA.

CEP Device – TriGUARD3

TriGUARD3 is a CEP device designed to provide coverage of all three major aortic vessels (brachiocephalic artery, left carotid artery, and left subclavian artery) to minimize the risk of cerebral damage during TAVR and other structural heart procedures. It is the only CEP device designed to cover all three major aortic vessels globally according to Frost & Sullivan. TriGUARD3 received CE Marking for use in cardiac procedures on March 4, 2020 and we plan to submit for the FDA registration in the third quarter of 2020.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET TRIGUARD3 SUCCESSFULLY.

Our Platform

As we build our pipeline, we have established a transcatheter heart valve platform with robust R&D, manufacturing and commercialization capabilities.

R&D

Our R&D team, based in China, Israel and the U.S., is led by our COO, Mr. Lim, former CTO of Transcatheter Technologies GmbH and a veteran with more than 15 years' experience in the industry. The R&D team of Keystone is led by Mr. Amit Ashkenazi, who has extensive experience in the R&D of medical devices. We remain at the forefront of heart valve technology by maintaining close contact with leading cardiologists globally, and develop products that specifically address the clinical needs of transcatheter heart valve replacement procedures. Our powerful R&D capabilities are reflected by our strong intellectual property portfolio.

The time required from developing to commercializing a new product varies by product candidate and can be affected by various factors which may be beyond our control, such as clinical trial results and government policies and approvals.

Manufacturing

We have an approximately 3,500 sq.m. facility in Hangzhou, China and an approximately 816 sq.m. facilities in Israel for manufacturing our heart valve products and product candidates. Our manufacturing facilities comply with the GMP requirements in the U.S., the EU and China and follow rigorous manufacturing and quality control standards to ensure high product quality and safety. We conduct all the key valve manufacturing procedures in-house. Over the years, we have accumulated extensive expertise and know-how in manufacturing heart valve products, which sets a solid foundation for our long-term growth.

Commercialization

We have a dedicated in-house sales team with a focus on academic marketing driven by our extensive expertise and clinical resources. As the pioneer in launching the first TAVR product in China, our products have contributed to the underlying clinical experience of leading experts in China in setting up the guidelines for physicians conducting TAVR and TPVR procedures. We have also established a systematic TAVR training program in China to promote our TAVR products as well as TAVR awareness and drive the penetration rate of TAV market in China.

II. FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this announcement.

Revenue

During the Reporting Period, all of our revenue was generated from sales of medical devices. Sales of VenusA-Valve have comprised the major portion of our revenue since its commercialization in August 2017 and are expected to account for a substantial portion of our sales in the near future.

The Group's revenue for the year ended December 31, 2019 was RMB233.3 million (unaudited), representing an increase of 102.3% compared to RMB115.3 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to increase in the sales volume of VenusA-Valve as a result of the broader market acceptance and our continued efforts in marketing and expansion. For the year ended December 31, 2019, revenue from sales of VenusA-Valve accounted for 99.5% (unaudited) of our total revenue, as compared to 98.6% (audited) for the year ended December 31, 2018.

The following table sets forth a breakdown of our revenue by product:

	Year ended December 31, 2019 (Unaudited)		Year ended December 31, 2018 (Audited)	
Revenue	***RMB'000***	***Proportion***	*RMB'000*	*Proportion*
VenusA-Valve	**232,073**	**99.5%**	113,737	98.6%
TAV8	**1,199**	**0.5%**	1,611	1.4%
Total	**233,272**	**100%**	115,348	100%

Cost of Sales

The cost of sales for VenusA-Valve primarily consists of staff costs, raw material costs, depreciation and amortization, utility costs and others. The cost of sales for V8 and TAV8 mainly consists of raw material costs and amortization, since we outsourced the production during the Reporting Period.

The Group's cost of sales for the year ended December 31, 2019 was RMB38.6 million (unaudited), representing an increase of 135.4% compared to RMB16.4 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to the increased staff costs and raw material costs associated with the growth in sales volume of VenusA-Valve.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 96.7% from RMB99.0 million (audited) for the year ended December 31, 2018 to RMB194.7 million (unaudited) for the year ended December 31, 2019. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group decreased from 85.8% (audited) for the year ended December 31, 2018 to 83.5% (unaudited) for the year ended December 31, 2019, mainly due to a slight decrease in average selling price from the previous year.

Other Income and Gains

The Group's other income and gains for the year ended December 31, 2019 was RMB15.4 million (unaudited), representing an increase of 16.7% compared to RMB13.2 million (audited) for the year ended December 31, 2018.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended December 31, 2019 was RMB124.6 million (unaudited), representing an increase of 86.2% compared to RMB66.9 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to the fact that the increase in selling and distribution expenses was in line with that of the sales revenue for the corresponding period, mainly including increase in market development expense and staff cost as a result of increase in the sales staff.

R&D Costs

The Group's R&D costs for the year ended December 31, 2019 was RMB200.5 million (unaudited), representing an increase of 91.3% compared to RMB104.8 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to the consolidation of the financial statements of Keystone after we acquired it in December 2018, mainly including the staff cost and clinical trial expenses of Keystone.

The following table sets forth a breakdown of R&D costs:

	Year ended December 31, 2019 (Unaudited)	Year ended December 31, 2018 (Audited)
	RMB'000	*RMB'000*
R&D Costs for Core Products		
Staff cost	**8,866**	9,365
Raw material cost	**2,734**	3,697
Third-party contracting cost	**3,500**	1,142
Intellectual property expenses	**2,248**	3,208
Clinical trial expenses	**10,080**	9,339
Others	**9,444**	8,131
R&D Costs for Other Product Candidates		
Staff cost	**38,602**	5,220
Raw material cost	**9,094**	4,026
Third-party contracting cost	**2,216**	2,000
Intellectual property expenses	**6,765**	241
Clinical trial expenses	**35,654**	1,023
Others	**25,604**	7,333

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2019 was RMB197.6 million (unaudited), representing a decrease of 11.7% compared to RMB223.9 million (audited) for the year ended December 31, 2018. The decrease was primarily attributable to a one-off share-based payment in 2018, leading to a decrease in 2019 from 2018.

Other Expenses

The Group's other expenses for the year ended December 31, 2019 was RMB44.8 million (unaudited), representing an increase of 293.0% compared to RMB11.4 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to an increase in charitable donations and foreign exchange losses arising from exchange rate between Hong Kong dollars and Renminbi.

Impairment Losses on Financial Assets, Net

The Group's impairment losses on financial assets, net, for the year ended December 31, 2019 was RMB2.2 million (unaudited), representing an increase of 29.4% compared to RMB1.7 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to an increase in balance of receivables and the corresponding increase in bad debts.

Finance Costs

The Group's finance costs for the year ended December 31, 2019 was RMB21.9 million (unaudited), representing an increase of 584.4% compared to RMB3.2 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to the interest expense as a result of letter of credit issued in January 2019.

Income Tax

The Group's income tax credit for the year ended December 31, 2019 was RMB0.8 million (unaudited), representing a change of 188.9% compared to the income tax expense of RMB0.9 million (audited) for the year ended December 31, 2018. The change was primarily attributable to the amount of deferred tax credited to profit or loss during the current period arising from the acquisition of Keystone.

Non-IFRS Measures

To supplement our unaudited consolidated statement of profit or loss and other comprehensive income which is presented in accordance with the International Financial Reporting Standards ("**IFRS**"), we also use adjusted net loss as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measure when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operational or one-off expenses that do not affect our ongoing operating performance, including share awards and listing expenses. Such non-IFRS measure allows investors to consider metrics used by our management in evaluating our performance.

The following table shows our adjusted net loss and its reconciliation to loss for the periods indicated:

	Year ended December 31, 2019 ***(RMB'000)***	Year ended December 31, 2018 *(RMB'000)*
Loss for the year	**(380,765)**	(300,518)
Add:		
Share awards[1]	**120,705**	235,765
Listing expenses[2]	**24,587**	10,091
Adjusted net loss for the year[3]	**(235,473)**	(54,662)

Notes:

(1) *Share awards expenses are non-operational expenses arising from granting shares to selected executives, employees and R&D consultants, the amount of which may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities.*

(2) *Listing expenses are one-off expenses in relation to the Listing and the Global Offering.*

(3) *We consider share awards and Listing expenses as non-operational or one-off expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the share awards and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period to period.*

The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at December 31, 2019 were RMB2,413.3 million (unaudited), representing an increase of 1,363.5% compared to RMB164.9 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to the proceeds raised through the initial public offering in December 2019.

We rely on capital contributions by our shareholders and bank loans as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized products, including VenusA-Valve, V8 and TAV8. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

Borrowings and Gearing Ratio

The Group's total borrowings, including interest-bearing borrowings, as at December 31, 2019 were RMB120 million (unaudited), representing an increase of 50% compared to RMB80 million (audited) for the year ended December 31, 2018. The increase was primarily attributable to an increase in bank loans provided by commercial banks.

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as at December 31, 2019 was 4.8% (unaudited), representing a decrease of 77.7% compared to 21.5% (audited) for the year ended December 31, 2018.

Net Current Assets

The Group's net current assets, as at December 31, 2019 were RMB2,336.0 million (unaudited), representing a change of 1,236.7% compared to net current liabilities of RMB205.5 million (audited) for the year ended December 31, 2018.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, other receivables, other financial assets, other payables and other financial liabilities are dominated in foreign currencies and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Pledge of Shares

On January 30, 2019, Mr. Zhenjun Zi, one of our controlling shareholders at the time of our Prospectus, provided the Share Pledge of 9,000,000 Shares to Hangzhou Gaoxin Technology Innovation Services Ltd. (杭州高新科技創業服務有限公司), an Independent Third Party, as a counter guarantee for the loan of RMB100 million (i.e. the principal amount) to our Company, at an interest rate of the loan prime rate issued by the National Interbank Funding Centre plus 0.04% per annum, for a term of twelve months, effective from January 30, 2019 to January 29, 2020. For details, please refer to the section headed "Relationship with Our Controlling Shareholders" in the Prospectus.

On February 21, 2020, the Share Pledge was released.

Save as disclosed above, we do not have any pledging of shares by our controlling shareholders.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2019, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital Expenditure

For the year ended December 31, 2019, the Group's total capital expenditure amounted to approximately RMB31.0 million (unaudited), which was used in (i) purchase of property, plant and equipment; (ii) payments related to acquisition of Keystone; and (iii) purchase of other intangible assets.

Charge on Assets

As at December 31, 2019, there was no charge on assets of the Group.

Contingent Liabilities

As at December 31, 2019, we did not have any contingent liabilities.

Subsequent Events

(1) Impact of the outbreak of COVID-19

Since the outbreak of COVID-19 in China and globally from December 2019, the number of TAVR procedures conducted in hospitals in China and globally has reduced. As a result, the demand for the products of the Company used in TAVR procedures has dropped in the first quarter of 2020. In addition, as mentioned in the section headed "Management Discussion and Analysis – I. Business Overview – Our Products and Product Pipeline" in this announcement, as a result of the outbreak of COVID-19, the Company voluntarily withdrew the NMPA application for VenusA-Plus in early February 2020 and currently expects to re-submit the NMPA application at an appropriate timing depending on various factors.

The aforementioned changes may affect the business, operations and financial results of the Company. The Company has taken various measures to address the impact of the outbreak of COVID-19, and will continue to pay close attention to the situation of the outbreak and make timely response and adjustments in the future. We consider the impact of the outbreak of COVID-19 on us to be short-lived, and will continue to strive to become a global leader in the development and commercialization of transcatheter solutions for structural heart diseases.

(2) Proposed Adoption of Restricted Share Incentive Scheme

On March 10, 2020, the Board proposed to adopt a share award scheme, in order to further optimize the governance structure of the Company, maximize the proactiveness of core employees and facilitate the achievement of strategies and sustainable development of the Company. Pursuant to the share award scheme, the Board shall select the scheme participants at its discretion, including Directors, senior management and other key technical talents and core management staff who, in the opinion of the Company, should be awarded, and grant restricted shares to the scheme participants

For further details, please refer to the announcement of the Company dated March 10, 2020.

Save as disclosed above, the Company is not aware of any material subsequent events from December 31, 2019 to the date of this announcement.

Employees and Remuneration Policies

As of December 31, 2019, we had 439 employees in total.

Among the 439 employees, 387 of our employees are stationed in China, and 52 of our employees are stationed overseas primarily in the U.S. and Israel. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three to five years.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

Future Investment Plans and Expected Funding

The Group will continue to expand its markets in the PRC and globally in order to tap its internal potential and maximize shareholders' interest. The Group will continue to grow through self-development, mergers and acquisitions, and other means. We will employ a combination of financing channels to finance capital expenditures, including but not limit to internal funds and bank loans. Currently, the bank credit lines available to the Group are adequate.

III. PROSPECTS

We will continue our mission to become a global leader in the development and commercializa-tion of transcatheter solutions for structural heart diseases. We plan to execute the following strategies to achieve our mission.

Continue to grow sales of VenusA-Valve

Sales of TAVR products in China possess substantial growth potential. We intend to solidify our leadership position in China's TAV market by increasing VenusA-Valve's sales volume. Towards that goal, we plan to substantially increase sales to hospitals with which we have existing relationships as well as expand our sales network to cover more hospitals and further promote TAVR awareness among hospitals, physicians and patients in China.

We believe there are still substantial unmet demands for TAVR products from the hospitals to which we currently sell VenusA-Valve. We also believe there is significant potential to develop new hospitals to perform TAVR procedures. We plan to increase sales efforts to deepen the penetration in hospitals to which we currently sell VenusA-Valve and expand into new hospitals in China by leveraging our direct access to KOLs in cardiac interventional therapy, providing systematic training to physicians, and increasing TAVR awareness among hospitals, physicians and patients. We plan to continue to implement and improve our systematic TAVR training program to expedite the physician education process and to promote our TAVR products.

We also plan to further promote TAVR awareness among patients with structural heart diseases in China, in particular to low surgical risk patients, in order to broaden the patient base of our TAVR products. We cooperate with foundations, such as Bethune Charitable Foundation, to subsidize patients' medical expenses and conduct regular follow-up visits post procedures. We will continue to participate in heart valve conferences and academic events to further promote awareness of our products and TAVR generally. We believe that these marketing activities will strengthen our brand name and enable us to accumulate first-hand know-how for structural heart diseases and keep abreast of the market developments in transcatheter heart valve solutions.

Leverage our experience with VenusA-Valve to commercialize VenusP-Valve and other product candidates in China

We plan to leverage our experience in successfully commercializing VenusA-Valve in China to launch VenusP-Valve and our other product candidates in the Chinese market in the future. We have completed the clinical trial for VenusP-Valve in China in January 2018. We believe our experiences with respect to the regulatory approval will significantly facilitate the approval process of VenusP-Valve. In April 2019, VenusP-Valve was approved by the NMPA to be eligible for the Special Approval Procedures of Innovative Medical Devices. We will benefit from our established network with and direct access to KOLs, hospitals and physicians to introduce our new valve products. We believe that our existing brand and reputation for VenusA-Valve will facilitate our commercialization of VenusP-Valve upon approval. We also plan to replicate our existing training model for TAVR procedures to VenusP-Valve and our other product candidates to educate hospitals and physicians and promote our new products.

Expand our presence in North America, the EU and emerging markets to become a global leader

We plan to broaden our sales and expand our presence globally, especially in North America and the EU, as we believe we will benefit from higher medical expense levels in these developed regions. Medical expense levels in China remain low compared to the U.S. and the EU.

We are in the process of various clinical trials and registration applications in the U.S., the EU and emerging markets. We plan to leverage on the existing brand names of TAV8 and TriGUARD3 to enter the U.S. and the EU markets and subsequently establish our own brand name. With our acquisition of Keystone in December 2018, we plan to have Keystone as our platform for the U.S. and the EU markets which could help us with the clinical trials, registration and promotion of our products in these markets. Keystone has completed the clinical trial procedures and follow-up with the enrolled patients for TriGUARD3 and expects to file for FDA registration in the third quarter of 2020. We believe we can leverage the global experience in product development and clinical trial of Keystone to advance the clinical trials of our other product candidates in the U.S. and the EU in order to obtain approvals and launch our products worldwide. With regard to our valvuloplasty balloon product, TAV8, we plan to relaunch it with a new marketing strategy and sell it as a package with VenusA-Valve and TriGUARD3. We also plan to promote VenusP-Valve in the EU and North America. We are conducting clinical trial of VenusP-Valve for registration in the EU and filed registration application in April 2019. With respect to emerging markets, we registered VenusA-Valve in Colombia in April 2018 and plan to commercialize VenusA-Valve in this market. In Brazil, we are currently applying for registration of VenusA-Valve.

To execute our global expansion strategy, we will continue to participate in international heart valve conferences and academic events to further promote our products and brand.

Continue to advance and strengthen our pipeline products within the structural heart disease space

We plan to advance our existing pipeline products to further expand our coverage within the structural heart disease space, both horizontally covering all four heart valves and vertically from valves, CEP, valvuloplasty balloons to other ancillary devices. We will invest in technological innovation to strengthen our R&D capabilities to develop new products and enhance our competitiveness as we believe innovation is a key factor to achieve our mission to become a global leader of transcatheter solutions for structural heart diseases.

We may selectively form partnerships with complementary product providers to enhance our clinical strengths and market advantages and make acquisitions that have the potential to broaden our product portfolio. We believe our established network with and direct access to KOLs, hospitals and physicians gives us the best knowledge of strategic opportunities which could complement or improve our existing product offerings. As of the date of this announcement, we had not identified any specific acquisition targets.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

For the period from the Listing Date to December 31, 2019, the Company has strictly complied with the provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries to all Directors and Supervisors concerning their compliance with the Model Code. All Directors and Supervisors confirmed that they had strictly observed all standards set out in our Company's code of conduct regarding Directors' and Supervisors' securities transactions for the period from the Listing Date to December 31, 2019.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2019.

Use of Proceeds from the Initial Global Offering

The net proceeds received by the Company from its initial global offering (including the full exercise of the over-allotment option) amounted to HK$2,846 million (equivalent to RMB2,558 million) (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the initial global offering and the over-allotment option).

For the period from the Listing Date to December 31, 2019, the Company has used RMB270.3 million for working capital purpose. The Company intends to use the net proceeds that had not been utilized as of December 31, 2019 in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". For details of the breakdown of the use of proceeds, please refer to the 2019 annual report of the Company to be published in due course.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2019.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The H share register of members of the Company will be closed from Tuesday, April 21, 2020 to Thursday, May 21, 2020, both days inclusive, in order to determine the eligibility of the holder of H shares to attend and vote at the AGM to be held on Thursday, May 21, 2020. The holder of H shares whose names appear on the H share register of members of the Company on Thursday, May 21, 2020 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, April 20, 2020.

REVIEW OF UNAUDITED ANNUAL RESULTS

The unaudited annual results contained herein have not been agreed with the Company's auditors.

The auditing process for the annual results for the year ended December 31, 2019 has not been completed because of the epidemic prevention measures implemented in the PRC to combat the COVID-19 coronavirus outbreak. In particular, owing to the epidemic prevention measures implemented by the Hangzhou local government, auditors and members of staff in the finance department of the Company have had very limited access to the Hangzhou office.

After discussion with the auditor, the Company currently expects the annual results for the year ended December 31, 2019 to be agreed with the auditors no later than April 30, 2020, subject to any further epidemic prevention measures in the PRC. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee which comprises our three independent non-executive Directors, being Mr. Chi Wai Suen (chairman of the Audit Committee), Mr. Ting Yuk Anthony Wu and Mr. Wan Yee Joseph Lau, with terms of reference in compliance with the Listing Rules. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited consolidated financial results of the Group for the year ended December 31, 2019. The Audit Committee considers that the unaudited annual financial results for the year ended December 31, 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

FURTHER ANNOUNCEMENTS

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.venusmedtech.com).

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended December 31, 2019 as agreed by the Company's auditors and the adjustments (if any) to the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The annual report for the year ended December 31, 2019 of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"AGM" or "Annual General Meeting"	annual general meeting of the Company to be held on Thursday, May 21, 2020
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of the Company
"CE Marking"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area

"CEP"	cerebral embolic protection, the function of the devices designed to capture or deflect emboli traveling to the brain during TAVR procedures in order to protect the supra-aortic vessels from embolic debris
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company"	Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司), a limited liability company incorporated in the PRC on July 3, 2009 and converted into a joint stock limited liability company incorporated in the PRC on November 29, 2018, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 2500)
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"COVID-19"	an infectious disease caused by a newly discovered coronavirus, the outbreak of which began in December 2019
"DCS"	delivery catheter system, a catheter system of our products with a pushing handle, outer sheath and a tip to freely pass through guide catheter to deliver the valve to the designated position
"Directors"	the director(s) of the Company
"Edwards Lifesciences"	a U.S. medical equipment company specializing in artificial heart valves and hemodynamic monitoring
"EU"	the European Union
"FDA"	U.S. Food and Drug Administration
"FDA 510(k)"	section 510(k) of the Food, Drug and Cosmetic Act, which requires device manufacturers who must register, to notify the FDA of their intent to market a medical device at least 90 days in advance
"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"	the Company and its subsidiaries

"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"InterValve"	InterValve Medical Inc., a company incorporated in Delaware, the United States on November 18, 2016 and is indirectly wholly-owned by our Company as of the date of announcement
"Keystone"	Keystone Heart Ltd. and its subsidiaries
"KOLs"	acronym for Key Opinion Leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"Listing Date"	December 10, 2019, being the date on which the shares were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Prospectus"	the prospectus published by the Company on November 28, 2019 in relation to its Hong Kong public offering
"R&D"	research and development
"Record Date"	May 21, 2020, being the date when the holder of H shares whose names appear on the H share register of members of the Company will be entitled to attend and vote at the AGM
"Reporting Period"	the one-year period from January 1, 2019 to December 31, 2019

“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of China
“RVOT”	right ventricular outflow tract, an infundibular extension of the ventricular cavity which connects to the pulmonary artery
“RVOTD”	the dysfunction of RVOT
“Share Pledge”	meaning the pledge of 9,000,000 shares provided by Mr. Zhenjun Zi, one of the Company’s controlling shareholders at the time of the Company’s Prospectus to Hangzhou Gaoxin Technology Innovation Services Ltd. (杭州高新科技創業服務有限公司), on January 30, 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SPVR”	surgical pulmonary valve replacement, a treatment of RVOTD through open-chest surgery
“Supervisor(s)”	member(s) of the supervisory committee of the Company
“TAP treatment”	Transannular patching, a type of treatment for ToF that involves closing the ventricular septal defect and placing atransannular patch (a patch across the pulmonary valve connective tissue to enlarge the pulmonary annulus), which helps blood flow from the pulmonary valve
“TAV8”	TAV8 Balloon Aortic Valvuloplasty Catheter, one of our balloon transluminal aortic valvuloplasty catheter system products
“TAVR”	transcatheter aortic heart valve replacement, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve openchest surgery to correct severe aortic stenosis
“TMVR”	transcatheter mitral valve replacement, catheter-based technique to implant a new mitral valve in a minimally invasive procedure that does not involve open-chest surgery
“ToF”	tetralogy of fallot, a congenital abnormality of the heart characterized by pulmonary stenosis, an opening in the interventricular septum, malposition of the aorta over both ventricles, and hypertrophy of the right ventricle
“TPVR”	transcatheter pulmonary valve replacement, a catheter-based technique to implant a new pulmonary valve in a minimally invasive procedure that does not involve open-chest surgery

"TriGUARD3"	TriGUARD3 Cerebral Embolic Protection Device, our CEP product candidate
"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in a minimally invasive procedure that does not involve open-chest surgery
"U.S."	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"V8"	V8, one of our balloon transluminal aortic valvuloplasty catheter system products
"VenusA-Pilot"	VenusA-Pilot System, one of our TAVR product candidates
"VenusA-Plus"	VenusA-Plus System, one of our TAVR product candidates
"VenusA-Valve"	VenusA-Valve System, our TAVR product
"VenusP-Valve"	VenusP-Valve System, our TPVR product candidate

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Venus Medtech (Hangzhou) Inc.
Min Frank Zeng
Chairman of the Board

Hong Kong, March 27, 2020

As at the date of this announcement, the executive Directors are Mr. Min Frank Zeng, Mr. Zhenjun Zi and Mr. Lim Hou-Sen (Lin Haosheng); the non-executive Director is Ms. Nisa Bernice Wing-Yu Leung; and the independent non-executive Directors are Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen.