启明医疗®
VENUSMEDTECH

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

Global Offering

Joint Sponsors

Goldman Sachs 高盛 | CICC 中金公司 | CREDIT SUISSE | CMS 招商證券國際

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs 高盛 | CICC 中金公司 | CREDIT SUISSE | CMS 招商證券國際 | 招銀国际 CMB INTERNATIONAL | 海通國際 HAITONG

Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI | 農銀國際 ABC INTERNATIONAL | HSBC

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**:**	**78,537,500 H shares (subject to the Over-allotment Option)**
Number of Offer Shares in the International Offering	**:**	**70,683,500 H shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**7,854,000 H shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$33.0 per H share, plus 1% brokerage, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.0 per H share**
Stock Code	**:**	**2500**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Hong Kong Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, December 4, 2019 (Hong Kong time) and, in any event, not later than Monday, December 9, 2019 (Hong Kong time). The Offer Price will be not more than HK$33.0 and is currently expected to be not less than HK$29.0 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, December 9, 2019 (Hong Kong time) between the Joint Representatives (on behalf of the Hong Kong Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$33.0 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$33.0.

The Joint Representatives, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this Prospectus (which is HK$29.0 to HK$33.0) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.venusmedtech.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Share" in this Prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of the Company. Such differences and risk factors are set out in the sections headed "Risk Factors," "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. For details, see "Underwriting—Grounds for Termination."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

November 28, 2019

EXPECTED TIMETABLE[1]

If there is any change in the following expected timetable, we will issue an announcement on the respective websites of our Company at **www.venusmedtech.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk**.

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Tuesday, December 3, 2019

Application lists open[3] . . . . . 11:45 a.m. on Tuesday, December 3, 2019

Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Tuesday, December 3, 2019

Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, December 3, 2019

Latest time for giving **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Tuesday, December 3, 2019

Application lists close[3] . . . . . 12:00 noon on Tuesday, December 3, 2019

Expected Price Determination Date[5] . . . . . Wednesday, December 4, 2019

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . . Monday, December 9, 2019

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "*How to Apply for Hong Kong Offer Shares-Publication of Results*" in this Prospectus from . . . . . Monday, December 9, 2019

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.venusmedtech.com** on or before . . . . . Monday, December 9, 2019

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from ..... Monday, December 9, 2019

Despatch/collection of H Share certificates or deposit of the H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7] ..... Monday, December 9, 2019

Despatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[6][7] ..... Monday, December 9, 2019

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at ..... 9:00 a.m. on Tuesday, December 10, 2019

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. **If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close**.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 3, 2019, the application lists will not open on that day. For further details, see "*How to Apply for Hong Kong Offer Shares—Effect of Bad Weather on the Opening of the Application Lists*."

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "*How to Apply for Hong Kong Offer Shares—Applying by Giving Electronic Application Instructions to HKSCC via CCASS*" in this Prospectus for further details.

(5) The Price Determination Date is expected to be on or about Wednesday, December 4, 2019 and, in any event, not later than Monday, December 9, 2019. If, for any reason, the Offer Price is not agreed by Monday, December 9, 2019 between us and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

(6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

(7) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques (if applicable) and/or H Share certificates in person from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Monday, December 9, 2019 or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations who is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to section headed "*How to Apply for the Hong Kong Offer Shares—5. Personal Collection—(iv) If you apply via Electronic Application Instructions to HKSCC*" in this Prospectus for further details.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Uncollected H Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified on the relevant Application Forms.

Further details are set out in the section headed "*How to Apply for the Hong Kong Offer Shares—13. Refund of Application Monies"* and *"How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of H Share Certificates and Refund Monies*" in this Prospectus.

H Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, December 9, 2019 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Tuesday, December 10, 2019. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates or before the H Share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus, respectively.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other person or party involved in the Global Offering. Information contained in our website, located at www.venusmedtech.com does not form part of this Prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. In particular, we are a biotechnology company seeking to list on the Main Board of the Hong Kong Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in companies such as ours. In addition, we have incurred net losses since our inception and we may incur net losses for the foreseeable future. We had negative net cash flow from operating activities during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and may not pay any dividends in the near future. Your investment decision should be made in light of these considerations.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

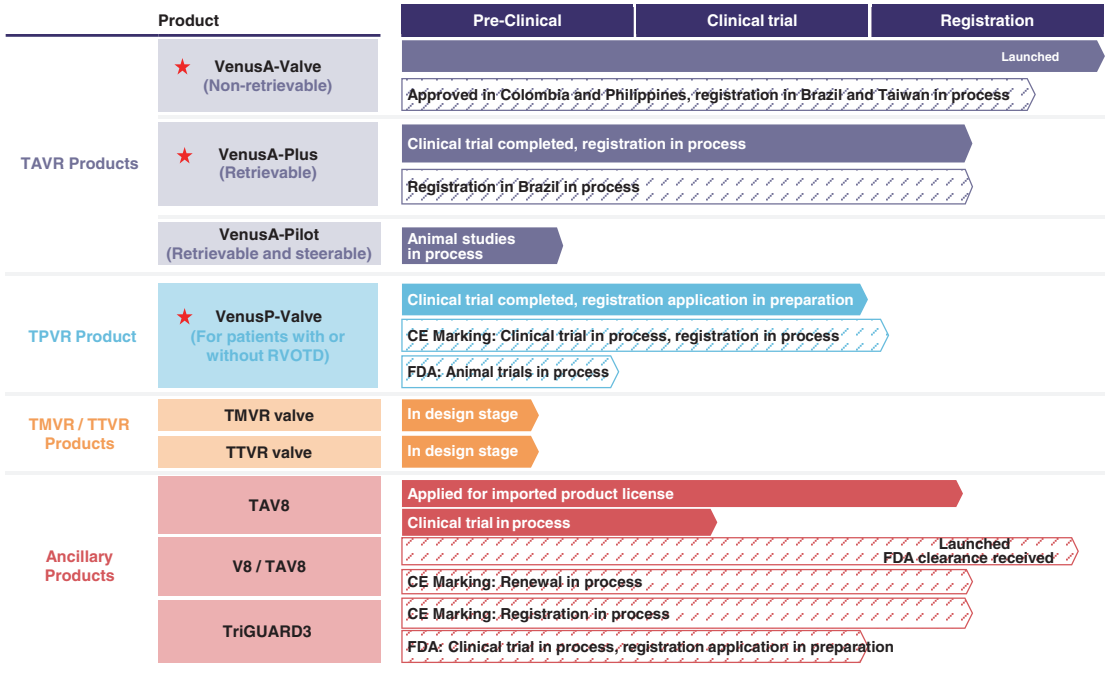
OVERVIEW

We are the leading transcatheter heart valve medical device player in China in terms of implantation volume in 2018. According to Frost & Sullivan, we had a 79.3% market share in China by implantation volume of TAVR products in 2018. Our self-developed product, VenusA-Valve, is the first TAVR product approved by the NMPA and commercialized in China. As the pioneer in the transcatheter heart valve industry in China, we enjoy first mover advantages. We believe that our first mover advantages, together with our comprehensive product pipeline covering all four heart valves, robust intellectual property portfolio with 193 issued patents and 196 patent applications as of the Latest Practicable Date, and visionary management team, will serve as high entry barriers and differentiate us from our peers. Our mission is to become a global leader in the development and commercialization of transcatheter solutions for structural heart diseases.

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. According to Frost & Sullivan, the global TAV market expanded at a CAGR of 27.9% from US$1,500 million in 2014 to US$4,100 million in 2018, and is estimated to reach US$10,400 million in 2025, representing a CAGR of 14.3%. At its early stage of development with the first TAVR product launched in August 2017, China's TAV market is estimated to grow significantly at a CAGR of 65.0% from US$28.7 million in 2018 to US$956.6 million in 2025. The global TPV market is estimated to grow at a CAGR of 14.4% from US$220.4 million in 2018 to US$564.5 million in 2025. China's TPV market is estimated to increase at a CAGR of 57.8% from US$12.1 million in 2020 to US$118.5 million in 2025. As of the Latest Practicable Date, there was no TMVR or TTVR product approved in any market globally. The addressable market of TMVR and TTVR products is considerably larger than that of TAVR and TPVR products, indicating significant growth potential. According to Frost & Sullivan, the global prevalence of mitral regurgitation is estimated to reach 108.6 million in 2025 from 95.1 million in 2018 and the global prevalence of tricuspid regurgitation is expected to reach 55.9 million in 2025 from 48.6 million in 2018.

To capitalize this market opportunity and to address the unmet medical needs in China and globally, we were founded in 2009 to focus on the design, development and commercialization of transcatheter heart valve products. With over 15 years of experience in the medical device industry and as the senior management of several well-known medtech companies, the general manager of our Company, Mr. Zi, and the chairman of the Board, Mr. Zeng, have brought in both global vision and local expertise to every major aspect of our business. Under their leadership, we have developed a comprehensive product portfolio that covers the transcatheter solutions for all four heart valves as well as key ancillary products. Our self-developed product, VenusA-Valve, is the first TAVR product approved by the NMPA and commercialized in China. We expect that our self-developed TPVR product candidate, VenusP-Valve, once launched, to be the first TPVR product approved by the NMPA, the first self-expanding TPVR product globally and the first TPVR product for patients with RVOTD after receiving TAP treatment globally. We also added a key clinical-stage CEP device, TriGUARD3, into our portfolio with our acquisition of Keystone in December 2018. As the forerunner in China's transcatheter heart valve sector over the past ten years, we have accumulated extensive clinical data and established strong relationships with KOLs and leading physicians and hospitals, all of which are expected to differentiate us from our competitors and position us to further solidify our leadership position in the industry.

The following chart summarizes the development status of our products and product candidates as of the Latest Practicable Date:



Note *China status* *Global status* ★ *Core products*

"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

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. Our R&D staff in the U.S. is led by Mr. Zeng, who has over 15 years of experience in the U.S. medical device industry with extensive expertise in product development. 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. As of the Latest Practicable Date, we owned an aggregate of 389 patents and patent applications which consisted of 93 issued patents and 60 patent applications in China and 100 issued patents and 136 patent applications overseas including key markets such as the U.S. and the EU. For details on our intellectual property rights, see "Business – Intellectual Property Right."

- *Manufacturing*. We have an approximately 3,500 sq.m. facility in Hangzhou, China and an approximately 816 sq.m. facility 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. Since we launched VenusA-Valve in August 2017, we generated revenue of RMB18.2 million, RMB115.3 million and RMB86.2 million in 2017, 2018 and the five months ended May 31, 2019, respectively, primarily from the sales of VenusA-Valve.

To accomplish our mission to become a global leader of transcatheter solutions for structural heart diseases, we plan to strengthen our presence in the TAV market in China by growing sales of VenusA-Valve in hospitals that already use our products and penetrating sales into new hospitals with physician education and training. At the same time, we plan to launch our other heart valves and key ancillary products to offer comprehensive transcatheter heart valve solutions and to expand our presence in North America, the EU and emerging markets. We will also consider strategic partnership and acquisition opportunities that have the potential to broaden our product portfolio and strengthen our R&D and manufacturing capabilities.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors.

- Market leader in a large untapped and fast-growing transcatheter heart valve industry in China
- Significant first mover advantages in China enhanced by our focus on innovation
- Comprehensive product portfolio solidifying our leading position and addressing unmet medical needs
- Established transcatheter heart valve platform supported by our global expert network
- Visionary and experienced management and advisory board with a proven track record

OUR STRATEGIES

Our mission is to become a global leader in the development and commercialization 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
- Leverage our experience with VenusA-Valve to commercialize VenusP-Valve and other product candidates in China
- Expand our presence in North America, the EU and emerging markets to become a global leader
- Continue to advance and strengthen our pipeline products within the structural heart disease space

SUMMARY OF KEY FINANCIAL INFORMATION

This summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix IA to this Prospectus, as well as the information set forth in "Financial Information" of this Prospectus. Our financial information was prepared in accordance with IFRS.

Consolidated Statements of Profit or Loss

The table below sets forth our consolidated statements of profit or loss with line items in amounts and as percentages of our revenue for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB '000	% of Revenue	RMB '000	% of Revenue
					(unaudited)			
Revenue	**18,164**	**100**	**115,348**	**100**	**38,315**	**100**	**86,206**	**100**
Cost of sales	(3,077)	(16.9)	(16,368)	(14.2)	(5,380)	(14.0)	(15,042)	(17.4)
Gross profit	15,087	83.1	98,980	85.8	32,935	86.0	71,164	82.6
Other income and gains	5,137	28.3	13,152	11.4	1,731	4.5	608	0.7
Selling and distribution expenses	(35,922)	(197.8)	(66,865)	(58.0)	(18,996)	(49.6)	(40,143)	(46.6)
R&D costs	(117,360)	(646.1)	(104,774)	(90.8)	(37,026)	(96.6)	(82,416)	(95.6)
Administrative expenses	(20,393)	(112.3)	(223,864)	(194.1)	(26,774)	(69.9)	(74,611)	(86.5)
Other expenses	(2,157)	(11.9)	(11,351)	(9.8)	(326)	(0.9)	(5,062)	(5.9)
Impairment losses on financial assets, net	(330)	(1.8)	(1,674)	(1.5)	(767)	(2.0)	(544)	(0.6)
Finance costs	(1,510)	(8.3)	(3,224)	(2.8)	(973)	(2.5)	(7,198)	(8.3)
Loss before tax	**(157,448)**	**(866.8)**	**(299,620)**	**(259.8)**	**(50,196)**	**(131.0)**	**(138,202)**	**(160.3)**
Income tax expense	(500)	(2.8)	(898)	(0.8)	(407)	(1.1)	(221)	(0.3)
Loss for the year/period	**(157,948)**	**(869.6)**	**(300,518)**	**(260.5)**	**(50,603)**	**(132.1)**	**(138,423)**	**(160.6)**
Add:								
Share awards	73,536	404.8	235,765	204.4	36,279	94.7	47,416	55.0
Listing expenses	–	–	10,091	8.7	–	–	10,166	11.8
Non-IFRS Measure (unaudited)								
Adjusted net loss for the year/period[(1)]	(84,412)	(464.7)	(54,662)	(47.4)	(14,324)	(37.4)	(80,841)	(93.8)

Note:

(1) We define adjusted net loss for the year/period as loss for the year/period adjusted for certain non-operational or one-off expenses that do not affect our ongoing operating performance, including share awards and Listing expenses. For a reconciliation of loss for the year/period to adjusted net loss as we define, see "Financial Information—Non-IFRS Measures."

Our net loss increased from RMB50.6 million for the five months ended May 31, 2018 to RMB138.4 million for the five months ended May 31, 2019, primarily because our administrative expenses increased from RMB26.8 million to RMB74.6 million as a result of increased staff costs associated with the bonuses to Keystone's administrative staff upon certain milestones in relation to the acquisition of Keystone amortized during the five months ended May 31, 2019 and increased share awards associated with the increase in the number of administrative staff, our R&D costs increased from RMB37.0 million to RMB82.4 million as a result of increased staff costs due to our increased number of staff and clinical trial expenses incurred for TriGUARD3, and our selling and distribution expenses increased from RMB19.0 million to RMB40.1 million as a result of increased marketing activities and promotion efforts and increased staff costs mainly due to the increased number of sales and marketing staff.

Our net loss increased from RMB157.9 million for the year ended December 31, 2017 to RMB300.5 million for the year ended December 31, 2018, primarily because our administrative expenses increased from RMB20.4 million to RMB223.9 million as a result of the share awards granted or vested to our administrative staff in 2018 and the share awards granted in 2017 that were amortized in 2018, and our selling and distribution expenses increased from RMB35.9 million to RMB66.9 million mainly due to our expanded marketing activities and increased number of sales and marketing employees. For details, see "Financial Information."

Selected Items of Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total non-current assets	72,327	743,743	738,852
Total current assets	121,684	290,638	310,863
Total assets	**194,011**	**1,034,381**	**1,049,715**
Total current liabilities	95,967	496,130	585,714
Net current assets/(liabilities)	**25,717**	**(205,492)**	**(274,851)**
Total non-current liabilities	16,846	67,877	64,524
Total liabilities	**112,813**	**564,007**	**650,238**
Net assets	**81,198**	**470,374**	**399,477**
Share capital	–	300,000	300,943
Paid-in capital	34,800	–	–
Reserves	37,491	161,564	89,741
Non-controlling interests	8,907	8,810	8,793
Total equity	**81,198**	**470,374**	**399,477**

We had net current liabilities of RMB205.5 million as of December 31, 2018, primarily because we recognized RMB265.4 million of cash consideration payable for the acquisition of Keystone, contingent on certain milestones as defined in the share purchase agreement. The net current liabilities we had as of May 31, 2019 was primarily attributable to the contingent cash consideration payable of RMB260.4 million we recognized for the acquisition of Keystone and RMB170 million of interest-bearing bank borrowings. We had unaudited consolidated net current liabilities of RMB54.9 million as of September 30, 2019, being the latest practicable date for the purpose of liquidity disclosure in this Prospectus, compared to net current liabilities of RMB274.9 million as of May 31, 2019. The change was primarily due to an increase in cash and cash equivalents of RMB163.5 million as a result of the E round Pre-IPO Investment by certain Pre-IPO Investors. For details, see "History, Development and Corporate Structure — Pre-IPO Investments — (13) E Round Pre-IPO Investment by Certain Pre-IPO Investors" and "Financial Information — Net Current Assets/Liabilities." The decrease in net assets from RMB470.4 million as of December 31, 2018 to RMB399.5 million as of May 31, 2019 was primarily attributable to the net loss during the first five months of 2019. We plan to improve our financial position through increasing our revenue from the commercialization of our products and product candidates, accelerating the turnover of trade receivables, maintaining a proper inventory level, together with adopting comprehensive measures on cost and expense control. Proceeds from the Global Offering will also improve our financial position.

Cash Flows

During the Track Record Period, we relied 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. Our cash and cash equivalent increased from RMB128.6 million as of May 31, 2019 to RMB292.1 million as of September 30, 2019. Our Directors are of the opinion that, taking into account of the various financial resources available to us, including cash and cash equivalents, the internally generated funds and the estimated net proceeds from the Listing, we have sufficient working capital to cover at least 125% of our costs, including R&D costs, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this Prospectus. For details, see "Financial Information — Working Capital." The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Cash flows from operating activities before movements in working capital	(76,508)	(49,558)	(8,015)	(74,002)
Net cash flows used in operating activities	(82,266)	(151,467)	(30,778)	(115,755)
Net cash flows used in investing activities	(46,993)	(194,146)	(4,637)	(10,829)
Net cash flows from financing activities	172,968	453,167	199,357	90,849
Net increase/(decrease) in cash and cash equivalents	43,709	107,554	163,942	(35,735)
Cash and cash equivalents at beginning of year/period	13,437	59,015	59,015	164,914
Effect of foreign exchange rate changes, net	1,869	(1,655)	18	(559)
Cash and cash equivalents at end of year/period	59,015	164,914	222,975	128,620

We generated negative cash flows from operating activities throughout the Track Record Period, because the cash generated from the sales of our products, VenusA-Valve, V8 and TAV8, was not sufficient to cover the expenses we incurred for the selling and distribution, R&D and administrative activities relating to our comprehensive product portfolio. For details, see "Financial Information – Liquidity and Capital Resources – Cash Flows."

Key Financial Ratios

The table below sets forth the key financial ratios of our Group for the periods or as of the dates indicated:

	For the year ended/ As of December 31,		For the five months ended/ As of May 31,
	2017	2018	2019
	(%)	(%)	(%)
Gross margin[(1)]	83.1	85.8	82.6
Current ratio[(2)]	126.8	58.6	53.1
Gearing ratio[(3)]	44.4	21.5	47.5

Notes:

(1) Gross margin equals gross profit divided by revenue for the year/period.

(2) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

(3) Gearing ratio equals the total sum of interest-bearing loans and lease liabilities divided by total equity as of the end of the year/period.

NON-IFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use adjusted net loss as 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 matrics used by our management in evaluating our performance. Listing expenses are one-off expenses in relation to the Listing and the Global Offering. 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. With respect to share awards, determining its fair value involves a high-degree of judgment. Historical occurrence of share awards is not indicative of any future occurrence. Therefore, we do not consider Listing expenses and share awards to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. 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.

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

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the year/period	(157,948)	(300,518)	(50,603)	(138,423)
Add:				
Share awards	73,536	235,765	36,279	47,416
Listing expenses	–	10,091	–	10,166
Adjusted net loss for the year/period[(1)] (unaudited)	(84,412)	(54,662)	(14,324)	(80,841)

Note:

(1) 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.

OUR ACQUISITION OF KEYSTONE

We completed the acquisition of Keystone on December 26, 2018, and its results of operations have been consolidated into ours since then. Our statement of profit and loss for the year ended December 31, 2018 consolidates the results of Keystone since December 26, 2018, and our statement of profit and loss for the five months ended May 31, 2019 consolidates full financial results of Keystone for the five months ended May 31, 2019. For more information regarding the acquisition, see "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Keystone" and note 33 to the Accountants' Report in Appendix IA to this Prospectus.

The summary historical data of financial information of Keystone set forth below have been derived from, and should be read in conjunction with, the consolidated financial statements, including the accompanying notes, set forth in Appendix IB to this Prospectus, as well as the information set forth in "Financial Information" of this Prospectus. Financial information of Keystone was prepared in accordance with IFRS.

Consolidated Statements of Profit or Loss of Keystone

The table below sets forth the consolidated statements of profit or loss of Keystone for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Other income	–	76	29	–
Selling and distribution expenses	(1,764)	(1,625)	(490)	(978)
R&D costs	(13,693)	(12,277)	(3,700)	(4,749)
Administrative expenses	(3,042)	(7,070)	(964)	(3,167)
Other expenses	(86)	(760)	–	(25)
Finance costs	(676)	(945)	(530)	(8)
Loss before tax	**(19,261)**	**(22,601)**	**(5,655)**	**(8,927)**
Income tax expense	(37)	(144)	(6)	(106)
Loss for the year/period	**(19,298)**	**(22,745)**	**(5,661)**	**(9,033)**

Cash Flows of Keystone

The following table sets forth Keystone's cash flows for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Net cash flows used in operating activities	(16,158)	(14,093)	(5,610)	(11,236)
Net cash flows used in investing activities	(115)	(30)	–	(23)
Net cash flows from financing activities	8,999	20,257	5,774	9,873
Net increase in cash and cash equivalents	(7,274)	6,134	164	(1,386)
Cash and cash equivalents at beginning of year/period	8,419	1,145	1,145	7,279
Cash and cash equivalents at end of year/period	1,145	7,279	1,309	5,893

GOODWILL AND OTHER INTANGIBLE ASSETS

As of May 31, 2019, we had goodwill of RMB471.9 million which primarily arose from our acquisition of Keystone completed in December 2018 and other intangible assets of RMB187.4 million which primarily related to the intellectual property rights we acquired from the acquisition of Keystone in 2018 and from InterValve Seller in 2017. For more information, see "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Certain Assets of InterValve, Inc." and "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Keystone." Goodwill and other intangible assets represented a significant portion of the total assets on our consolidated balance sheet as of May 31, 2019. Our determination on whether goodwill is impaired requires an estimation of the value in the use of the cash-generating units to which the goodwill is allocated, which depends on the expected future

cash flows from the cash-generating units. If we determine the expected future cash flow to decrease and therefore our goodwill to be impaired, or similarly, if we determine that the carrying amount of an intangible asset exceeds its recoverable amount and our other intangible assets to be impaired, our results of operations and financial condition may be adversely affected. For details, see "Risk Factors – Risks Relating to Our Financial Position and Need for Additional Capital – Goodwill represented a significant portion of our total assets as of May 31, 2019. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected." and "Risk Factors – Risks Relating to Our Financial Position and Need for Additional Capital – If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected."

GLOBAL OFFERING STATISTICS

The following is an illustrative and pro forma statement of our adjusted consolidated net tangible assets as of May 31, 2019, which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on May 31, 2019, and is based on our consolidated net tangible assets as at May 31, 2019, as set out in Appendix IA to this Prospectus. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true and fair picture of our financial position had the Global Offering been completed as of May 31, 2019 or any future dates.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as of May 31, 2019[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of May 31, 2019[3]	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of May 31, 2019[4]		Market capitalization of our Shares[5]
	RMB'000	RMB'000	RMB'000	RMB	HK$	HK$
Based on an Offer Price of HK$29.0 per Share	(268,528)	1,909,281	1,640,753	4.32	4.83	11.4 billion
Based on an Offer Price of HK$33.0 per Share	(268,528)	2,182,115	1,913,587	5.04	5.63	13.0 billion

Notes:

(1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as of May 31, 2019 was equal to the consolidated net assets attributable to owners of the parent as of May 31, 2019 of RMB390,684,000 after deducting other intangible assets of RMB187,355,000 and goodwill of RMB471,857,000 as of May 31, 2019 set out in the Accountants' Report in Appendix IA to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on estimated Offer Price of HK$29.0 or HK$33.0 per Share after deduction of the underwriting fees and other related expenses payable by our Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the amounts stated in Hong Kong dollars are converted into RMB at the rate of RMB1.00 to HK$1.1168. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 379,480,896 Shares are in issue assuming that the Global Offering has been completed on May 31, 2019.

(4) For the purpose of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share, the amounts stated in RMB are converted into Hong Kong dollars at the rate of RMB1.00 to HK$1.1168. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) The calculation of the market capitalization is based on the assumption that 392,688,443 Shares will be in issue and outstanding immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised.

OUR SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, our substantial shareholders comprise (i) Mr. Zi and Mr. Zeng (through Horizon Binjiang LLC), our Controlling Shareholders, holding approximately 14.48% and 12.21% of the total issued share capital of our Company respectively, (ii) Ming Zhi Investments (BVI) Limited and entities deemed to have an interest through Ming Zhi Investments (BVI) Limited, holding approximately 12.00% of the total issued share capital of our Company, (iii) Broad Street Investments Holding (Singapore) Pte. Ltd. and entities deemed to have an interest through Broad Street Investments Holding (Singapore) Pte. Ltd., holding approximately 7.17% of the total issued share capital of our Company, (iv) QM22 (BVI) Limited and entities deemed to have an interest through QM22(BVI) Limited, holding approximately 9.20% voting rights in the relevant class of Shares of our Company, (v) SCC Venture IV-Bright (HK) Limited and entities deemed to have an interest through SCC Venture IV-Bright (HK) Limited, holding approximately 8.35% voting rights in the relevant class of Shares of our Company, (vi) Muheng Capital Partners (Hong Kong) Limited and entities deemed to have an interest through Muheng Capital Partners (Hong Kong) Limited, holding approximately 9.76% voting rights in the relevant class of Shares of our Company, and (vii) Jiaxing Dechanghong Investment Partnership (Limited Partnership) and Jiaxing Demenghong Investment Partnership (Limited Partnership) (嘉興德盟弘投資管理合夥企業(有限合夥)) which is deemed to have an interest through Jiaxing Dechanghong Investment Partnership (Limited Partnership), holding approximately 6.15% voting rights in the relevant class of Shares of our Company. For details on our substantial shareholders, see "Substantial Shareholders" and "Relationship with Our Controlling Shareholders."

OUR PRE-IPO INVESTORS

Since the establishment of our Company, we have entered into several rounds of financing agreements with our Pre-IPO Investors. Our broad and diverse base of Pre-IPO Investors consists of sophisticated investors focusing on the biotech and/or healthcare industry. For further details of the identity and background of the Pre-IPO Investors, see "History, Development and Corporate Structure—Pre-IPO Investments—(15) Information about the Pre-IPO Investors."

DIVIDEND

No dividend has been paid or declared by us for the years ended December 31, 2017, 2018 and the five months ended May 31, 2019, respectively. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. As of the Latest Practicable Date, we did not have a formal dividend policy. The Board has approved a dividend policy, which will become effective upon Listing. Under the dividend policy, we intend to provide our Shareholders with interim or annual dividends as appropriate. The Board is required to consider, among other things, the following factors when proposing dividends and determining the amount of dividends:

- our actual and projected financial performance;
- our estimated working capital requirements, capital expenditure requirements and future business expansion plan;
- our present and future cash flow;
- other internal and external factors that may have an impact on our business operations or financial performance and position; and
- other factors that our Board of Directors deem relevant.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of our Shareholders.

PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if we become profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our dividend distribution may also be restricted if we incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,284.6 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$31.0 per Offer Share, being the mid-point of the indicative Offer Price range of HK$29.0 to HK$33.0 per Offer Share in this Prospectus. We intend to use the net proceeds we will receive from the Global Offering for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- 35.0%, or approximately HK$799.6 million allocated to our Core Products as follows:

  (i) 5.0% of net proceeds, or approximately HK$114.2 million, to fund ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries, including (a) approximately HK$72.0 million on the continuous expansion of market coverage of VenusA-Valve in China to penetrate into more hospitals by enhancing physician education and training, increasing presence in academic conferences and expanding our in-house sales and marketing team, (b) HK$16.0 million on the commercialization in Colombia, (c)

HK$16.0 million on the commercialization in Philippines, and (d) HK$10.2 million on the commercialization in other jurisdictions such as Brazil and Taiwan, after receiving relevant marketing approval;

(ii) 12.0% of net proceeds, or approximately HK$274.2 million, to fund ongoing and planned R&D and commercial launches of VenusA-Plus, including (a) approximately HK$7.3 million on pre-clinical activities in China, primarily for raw material validations, (b) HK$20.5 million on the ongoing clinical trial in China, (c) HK$8.6 million on registration, including HK$2.6 million on the registration in China and HK$6.0 million on the registration in other jurisdictions, (d) HK$191.3 million on the commercialization in various jurisdictions, including approximately HK$144.5 million on the commercialization in China, approximately HK$46.8 million on the commercialization in other markets, such as Brazil and Taiwan, after receiving relevant marketing approval, and (e) HK$46.5 million on post-marketing surveillance; and

(iii) 18.0% of net proceeds, or approximately HK$411.2 million, to fund ongoing and planned R&D and commercial launches of VenusP-Valve, including (a) approximately HK$24.2 million on pre-clinical activities in the U.S., primarily for animal trials and device validations, (b) HK$49.6 million on the clinical trial to be conducted for the FDA approval, (c) HK$20.9 million on registration, including HK$1.5 million for the registration with the NMPA, HK$10.4 million for the FDA approval and HK$9.0 million for CE Marking, (d) HK$300.3 million on commercialization in various jurisdictions, including approximately HK$87.9 million on the commercialization in China, approximately HK$29.1 million on the commercialization in the U.S. and Canada, approximately HK$61.2 million on the commercialization in the EU, and approximately HK$122.1 million on the commercialization in other markets, after receiving relevant marketing approval, and (e) HK$16.2 million on post-marketing surveillance.

- 30.0%, or approximately HK$685.4 million allocated to our other products and product candidates as follows:

(i) 17.0% of net proceeds, or approximately HK$388.4 million, to fund ongoing and planned R&D and marketing of CEP device, including approximately HK$95.5 million on pre-clinical activities, primarily for R&D of potential future generations of CEP device, HK$84.3 million on clinical trials primarily for the ongoing Phase II REFLECT trial in the U.S. and the clinical trial for TriGUARD3 planned to be conducted in China, HK$89.8 million on registration and post-marketing surveillance and HK$118.8 million on commercialization in various jurisdictions, such as the U.S., the EU and China, after receiving relevant marketing approval;

(ii) 3.0% of net proceeds, or approximately HK$68.5 million, to fund ongoing and planned R&D of VenusA-Pilot. We expect to initiate the pre-clinical animal trial for VenusA-Pilot in late 2019. Similar to other TAVR products, we plan to commercialize VenusA-Pilot primarily in the Asian and South American markets;

(iii) 2.0% of net proceeds, or approximately HK$45.7 million, to fund ongoing and planned R&D of mitral valve products. Our mitral valve product is currently at the design stage, and we expect to initiate the pre-clinical animal trial in 2021;

(iv) 2.0% of net proceeds, or approximately HK$45.7 million, to fund ongoing and planned R&D of tricuspid valve products. Our tricuspid valve product is currently at the design stage, and we expect to initiate the pre-clinical animal trial in 2020;

(v) 2.0% of net proceeds, or approximately HK$45.7 million, to fund ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8, primarily including the ongoing clinical trial in China; and

(vi) 4.0% of net proceeds or approximately HK$91.4 million, to fund ongoing and planned R&D of other product candidates;

- 10.0% of net proceeds, or approximately HK$228.5 million, to fund payment of considerations and other transaction expenses related to acquisition of Keystone;

- 15.0% of net proceeds, or approximately HK$342.6 million, to fund our continued expansion of product portfolio through internal research and/or potential acquisition; and

- 10.0% of net proceeds, or approximately HK$228.5 million, for working capital and other general corporate purposes.

For further details, see "Future Plans and Use of Proceeds."

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in "Risk Factors" in this Prospectus. Some of the major risks we face include:

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

- Our sales mainly rely on one product, VenusA-Valve.

- Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

- Clinical product development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

- All material aspects of the research, development and commercialization of our products are heavily regulated.

- If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

- Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

- We have relatively limited experience in marketing and sales of our products.

- If we fail to maintain an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected.

- If we fail to increase our production capacity as planned, our business prospects could be materially and adversely affected.

- If our products cause, or are perceived to cause, severe adverse events, our reputation, revenue and profitability could be materially and adversely affected.

- Delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.

- We rely on supply from limited suppliers, which may severely harm our operations if the supplier loses its qualification or eligibility because of its failure to comply with regulatory requirements or stops our supply due to contractual disputes.

- The manufacture of our products is highly complex and subject to strict quality controls. If we or one of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer.

- Downward change in pricing of our products may have a material adverse effect on our business and results of operations.

- Goodwill represented a significant portion of our total assets as of May 31, 2019. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

- If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The total Listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK$150.0 million (or approximately RMB134.3 million) assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$31.0 (being the mid-point of our Offer Price range of HK$29.0 to HK$33.0 per Offer Share). These Listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering.

As of May 31, 2019, the Listing expenses (excluding underwriting commissions) incurred by our Company in relation to the Listing were RMB29.5 million. No such expenses were recognized or charged to our consolidated statements of profit or loss for the year ended December 31, 2017. In the year ended December 31, 2018, the Listing expenses charged to profit or loss were RMB10.1 million (approximately HK$11.3 million) and the Listing expenses capitalized to deferred Listing expenses were RMB4.6 million (approximately HK$5.1 million). In the five months ended May 31, 2019, the Listing expenses charged to profit or loss were RMB10.2 million (approximately HK$11.4 million) and the Listing expenses capitalized to deferred Listing expenses were RMB4.6 million (approximately HK$5.1 million). We estimate that additional Listing expenses of approximately RMB104.8 million (including underwriting commissions of approximately RMB65.4 million, assuming the Over-allotment Option is not exercised and based on the mid-point of our Offer Price range of HK$29.0 to HK$33.0 per Offer Share) will be incurred by our Company, approximately RMB30.4 million of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB74.4 million of which is expected to be capitalized.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

For the eight months ended August 31, 2019, our revenue was RMB148.0 million, and our gross profit was RMB124.0 million. Our net current liabilities decreased by 80.0% to RMB54.9 million as of September 30, 2019 from RMB274.9 million as of May 31, 2019, primarily because our cash and cash equivalents increased to RMB292.1 million as of September 30, 2019 from RMB128.6 million as of May 31, 2019, as a result of the E round pre-IPO investment by certain pre-IPO investors. For details, see "History, Development and Corporate Structure — Pre-IPO Investments — (13) E Round Pre-IPO Investment by Certain Pre-IPO Investors."

Our profitability for the year ending December 31, 2019, may be affected by, among other things, (i) our acquisition of Keystone on December 26, 2018, resulting in the consolidation of Keystone's expenses including selling and distribution expenses, R&D costs and administrative expenses since the acquisition, (ii) increase in selling and distribution expenses due to our increase in sales effort of VenusA-Valve, (iii) increase in administrative expenses in relation to the Listing, and (iv) share-based payment expenses primarily due to the share awards granted to our executives, employees and consultants.

Our Directors confirm that up to the date of this Prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects since May 31, 2019, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report included in Appendix IA to this Prospectus. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals for our Core Products. We believe that as of the date of this Prospectus, we had not received any material comments or concerns raised by the relevant regulatory authorities with respect to our Core Products that we are not able to address in a timely manner, and we believe we are on track to file for approval related to our product candidates as described in "Business — Our Product and Product Pipeline."

In this Prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Adventure 03"	Adventure 03 Limited, an investment holding company incorporated in Hong Kong on June 26, 2014 and wholly-owned by Dinova Healthcare Gamma Fund (USD) L.P.. Dinova Venture Partners GP III, L.P. is the general partner of Dinova Healthcare Gamma Fund (USD) L.P.. Dinova Capital Limited is the general partner of Dinova Venture Partners GP III., L.P.. Dinova Capital Limited is wholly-owned by Xin Nuo Tong Investment Limited, which is in turn wholly-owned by Mr. Zi
"AMAR"	the Medical Device Division of the Israeli Ministry of Health
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V in this Prospectus
"Audit Committee"	the audit committee of the Board
"Award Agreements"	the agreements entered into between selected employees, the PRC Employee Entities, the general partner of the PRC Employee Entities and our Company pursuant to which employees of our Company make capital contribution to the PRC Employee Entities as limited partners under the Employee Incentive Scheme
"Board" or "Board of Directors"	the board of Directors
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CE Marking"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CEO"	Chief Executive Officer
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局)
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this Prospectus, Hong Kong, Macau and Taiwan
"CMS"	the Centers for Medicare & Medicaid Services, a federal agency within the United States Department of Health and Human Services
"CNIPA"	China National Intellectual Property Administration (國家知識產權局)
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our 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
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zeng, Mr. Zi and Horizon Binjiang LLC. See "Relationship with Our Controlling Shareholders"

* *For identification purposes only*

"COO"	Chief Operating Officer
"Core Products"	VenusA-Valve, VenusA-Plus and VenusP-Valve, the designated "core product" as defined under Chapter 18A of the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"CSDCC"	China Securities Depositary and Clearing Corporation* Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"CTO"	Chief Technology Officer
"Director(s)"	director(s) of our Company
"DNA 01"	DNA 01 (Hong Kong) Limited, an investment holding company incorporated in Hong Kong on October 29, 2015 and wholly-owned by Dinova Healthcare Delta Fund (USD) L.P.. Dinova Venture Partners GP IV, L.P. is the general partner of Dinova Healthcare Delta Fund (USD) L.P.. Dinova Venture Capital Limited is the general partner of Dinova Venture Partners GP IV, L.P.. Dinova Venture Capital Limited is 40% owned by Xin Nuo Tong Investment Limited, 30% owned by NBL Holding Group Limited, an Independent Third Party, and 30% owned by Sloan Investment Company Limited, an Independent Third Party. Xin Nuo Tong Investment Limited is in turn wholly-owned by Mr. Zi
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi
"EEA"	the European Economic Area
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) adopted by the Tenth National People's Congress on March 16, 2007, and effective on January 1, 2008
"Employee Entities"	collectively, the PRC Employee Entities and the Offshore Employee Entities

"Employee Incentive Scheme"	the employee incentive scheme of our Company approved and adopted by our Board on March 10, 2017, a summary of the principal terms of which is set forth in "Appendix VI — Statutory and General Information — Further information about our Directors, management and substantial shareholders — 5. Employee Incentive Scheme"
"EU"	the European Union
"Exchange Participant"	a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company
"Frost & Sullivan Report"	the report commissioned by the Company and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this Prospectus
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we" or "us"	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the context may require)
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.0 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Hong Kong Stock Exchange
"Hangzhou Mingnuo"	Hangzhou Mingnuo Investment Partnership (Limited Partnership) (杭州明諾投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Nuoxin"	Hangzhou Nuoxin Investment Management Limited (杭州諾心投資管理有限公司), a limited company incorporated in the PRC on August 17, 2017 and wholly-owned by Mr. Zi

"Hangzhou Qichu"	Hangzhou Qichu Investment Partnership (Limited Partnership) (杭州啓初投資合夥企業(有限合夥)), a limited partnership established in the PRC on October 30, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Qifei"	Hangzhou Qifei Investment Partnership (Limited Partnership) (杭州啓非投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Qihe"	Hangzhou Qihe Investment Partnership (Limited Partnership) (杭州啓和投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Qilai"	Hangzhou Qilai Investment Partnership (Limited Partnership) (杭州啓來投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Qili"	Hangzhou Qili Investment Partnership (Limited Partnership) (杭州啓立投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Qinuo"	Hangzhou Qinuo Investment Partnership (Limited Partnership) (杭州啓諾投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Qisheng"	Hangzhou Qisheng Investment Partnership (Limited Partnership) (杭州啓勝投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"Hangzhou Qixin"	Hangzhou Qixin Investment Partnership (Limited Partnership) (杭州啓心投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 of which Hangzhou Nuoxin is the sole general partner, and one of the PRC Employee Entities
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 7,854,000 H Shares offered by us for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this Prospectus)
"Hong Kong Public Offering"	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this Prospectus) at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in the section headed "Structure of the Global Offering" in this Prospectus and the Application Forms
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters listed in the paragraph headed "Hong Kong Underwriters" in the section headed "Underwriting" in this Prospectus, being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 27, 2019 relating to the Hong Kong Public Offering entered into by our Company, the Joint Representatives, the Controlling Shareholders and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting arrangements and expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement"
"Horizon Binjiang"	Horizon Binjiang LLC, an investment holding company incorporated in California, the United States on October 23, 2018 and wholly-owned by Mr. Zeng
"IASB"	the International Accounting Standards Board

"IFRS"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"Independent Third Party(ies)"	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules
"International Offer Shares"	the 70,683,500 H Shares offered by our Company pursuant to the International Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this Prospectus) together with any additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering expected to be entered into on or about December 4, 2019 by our Company and the International Underwriters, as further described in "Underwriting — International Offering"
"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 Latest Practicable Date
"Joint Bookrunners"	Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, Haitong International Securities Company Limited, BOCI Asia Limited, ABCI Capital Limited and The Hongkong and Shanghai Banking Corporation Limited

"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited and Haitong International Securities Company Limited
"Joint Lead Managers"	Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, Haitong International Securities Company Limited, BOCI Asia Limited, ABCI Securities Company Limited and The Hongkong and Shanghai Banking Corporation Limited
"Joint Representatives"	Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited
"Joint Sponsors"	Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited
"Keystone"	Keystone Heart and its subsidiaries
"Keystone Heart"	Keystone Heart Ltd., a company incorporated in Israel on November 17, 2004, which became our wholly-owned subsidiary after our Company completed the acquisition of Keystone on December 26, 2018
"Latest Practicable Date"	November 18, 2019 being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about December 10, 2019, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Hong Kong Stock Exchange

"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems on September 29, 1994
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Lim"	Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇), an executive Director and the chief operating officer of our Company
"Mr. Zeng"	Mr. Min Frank Zeng (曾敏), the chairman of the Board, an executive Director and one of the Controlling Shareholders
"Mr. Zi"	Mr. Zhenjun Zi (訾振軍), an executive Director, the general manager of our Company and one of the Controlling Shareholders
"Ms. Leung"	Ms. Nisa Bernice Wing-Yu Leung (梁穎宇), the vice-chairwoman of the Board and a non-executive Director
"NAO"	National Audit Office of the PRC (中華人民共和國審計署)
"NBSC"	the National Bureau of Statistics of PRC (中華人民共和國統計局)
"NDRC"	the National Development and Reform Commission of the PRC* (中華人民共和國國家發展和改革委員會)
"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)
"Non-PRC Resident Enterprise"	as defined under the EIT Law, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.00027% and Hong Kong Stock Exchange trading fee of 0.0005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in the section headed "Structure of the Global Offering" in this Prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, with any additional H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option
"Offshore Employee Entities"	Mars Holding Limited, Blue Summit Management Limited, Mercury Holding Limited and Jupiter Holding Limited, which are limited liability companies incorporated in the Cayman Islands and the beneficial interests of which are offered to certain key employees of our Company pursuant to the Employee Incentive Scheme
"Over-allotment Option"	the option granted by us to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 11,780,500 additional H Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Global Offering, to cover, among other things, over-allocations in the International Offering, if any, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for lodging of applications under the Hong Kong Public Offering
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Philippines FDA"	Food and Drug Administration of the Philippines
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"PRC Employee Entities"	Hangzhou Qichu, Hangzhou Mingnuo, Hangzhou Qifei, Hangzhou Qihe, Hangzhou Qilai, Hangzhou Qili, Hangzhou Qinuo, Hangzhou Qisheng and Hangzhou Qixin, the beneficial interests of which are offered to certain key employees of our Company pursuant to the Employee Incentive Scheme
"PRC GAAP"	generally accepted accounting principles in the PRC

"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities
"PRC Legal Advisor"	King & Wood Mallesons, our legal advisor as to PRC laws
"Pre-IPO Investment(s)"	the investment(s) in our Company undertaken by the Pre-IPO Investors pursuant to the respective equity transfer agreement(s) and capital increase agreement(s)
"Pre-IPO Investor(s)"	the investor(s), namely Qiming Venture Partners, Sequoia Capital China, Goldman Sachs, DCP Capital, Mr. Zi and certain other investors from whom our Company obtained several rounds of investments and details of which are set out in the section headed "History, Development and Corporate Structure" in this Prospectus
"Price Determination Agreement"	the agreement to be entered into by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around December 4, 2019 (Hong Kong time) on which the Offer Price is determined, or such later time as our Company and the Joint Representatives (on behalf of the Hong Kong Underwriters) may agree, but in any event not later than December 9, 2019
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"Province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
"Qualified Institutional Buyer" or "QIB"	a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act

"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (國家税務總局)
"SCU"	Sichuan University Engineering Research Center for Biomaterials (四川大學生物材料工程實驗室)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each
"Share Subscription Agreements"	the agreements entered into between selected employees and the Offshore Employee Entities pursuant to which employees of our Company subscribe into shares of the Offshore Employee Entities under the Employee Incentive Scheme
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Dinova"	Shenzhen Dinova Ruihe Venture Investment L.P. (深圳市德諾瑞和創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 24, 2013 and a venture capital fund holding various portfolios. Shenzhen Dinova Investment L.P. (深圳市德諾投資合夥企業(有限合夥)) is the general partner of Shenzhen Dinova Ruihe Venture Investment L.P.. Shenzhen Dinova Investment Consulting Ltd. (深圳市德諾投資諮詢有限責任公司) is the general partner of Shenzhen Dinova Investment L.P.. Shenzhen Dinova Investment Consulting Ltd. is 66.67% owned by Mr. Zi and 33.33% owned by Ms. Ling Zhang, an Independent Third Party
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program to be developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shenzhen

"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the periods comprising the two financial years ended December 31, 2017 and 2018 and the five months ended May 31, 2019
"UK"	the United Kingdom, its territories, its possessions and all areas subject to its jurisdiction
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Foreign Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which is/are subscribed for or credited as paid in a currency other than Renminbi, held by foreign investors and not listed on any stock exchange
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. FDA" or "FDA"	U.S. Food and Drug Administration
"U.S. persons"	U.S. persons as defined in Regulation S
"USPTO"	United States Patent and Trademark Office
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

"US$" or "U.S. dollar" or "USD"	United States dollar, the lawful currency of the United States
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Zhejiang Dinova"	Zhejiang Dinova Ruiying Venture Investment L.P. (浙江德諾瑞盈創業投資合夥企業(有限合夥)), a limited partnership and a venture capital fund holding various portfolios established in the PRC on August 19, 2015. Zhejiang Dinova Capital Management L.P. (浙江德諾資本管理合夥企業(有限合夥)) is the general partner of Zhejiang Dinova Ruiying Venture Investment L.P.. Hangzhou Dinova Commercial Information Consulting Ltd. (杭州德諾商務信息諮詢有限公司) is the general partner of Zhejiang Dinova Capital Management L.P.. Hangzhou Dinova Commercial Information Consulting Ltd. is 40% owned by Mr. Zi, 30% owned by Ms. Huili Zhu, an Independent Third Party, and 30% owned by Ms. Xiumei Huang, an Independent Third Party

In this Prospectus, the terms "associate," "close associate," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this Prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

This glossary contains explanations of certain technical terms used in this document in connection with our Company and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"all-cause mortality"	all of the deaths that occur in a population, regardless of the cause, which is measured in clinical trials and used as an indicator of the safety or hazard of an intervention
"aortic stenosis"	the narrowing of the aortic valve that obstructs blood flow from the left ventricle to the ascending aorta during systole
"aortic valve"	a valve in the human heart between the left ventricle and the aorta
"aortic valve area"	the area of the aortic valve, which is currently one of the measures for evaluating the severity of aortic stenosis
"apoplexy"	bleeding within internal organs and the accompanying symptoms, usually referred to stroke
"BAV"	bicuspid aortic valve, an inherited form of heart disease in which two of the leaflets of the aortic valve fuse during development in the womb resulting in a two-leaflet valve instead of the normal three-leaflet valve
"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
"CGMP"	current good manufacturing practices, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of products
"Class III Grade A hospital"	a top-level hospital in China, as hospitals in China are divided into three classes by Ministry of Health, among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class III hospitals are divided into Special, A, B, and C grades
"CLS"	compression loading system, a catheter system of our products to hold the transcatheter valve replacement device

"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"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
"DW-MRI"	diffusion-weighted magnetic resonance imaging, the use of specific magnetic resonance imaging sequences and software that generates images from the resulting data. It uses the diffusion of water molecules to generate contrast in magnetic resonance images
"Edwards Lifesciences"	a U.S. medical equipment company specializing in artificial heart valves and hemodynamic monitoring
"eligible patients for TAVR procedures in China"	patients with severe aortic stenosis, except for the ones with relatively thinner femoral artery or other anatomical limitations or endocardial infection. As of the Latest Practicable Date, TAVR procedures were used to treat patients ineligible for surgeries and patients with high or intermediate surgical risk in China.
"EMA"	the European Medicines Agency
"first-in-man trial"	the first test on human subjects of an investigational medicinal product developed and assessed through in-vitro or animal testing
"Fr"	the abbreviation of French scale or French gauge system, commonly used to measure the size of a catheter. The diameter of a round catheter in millimeters can be determined by dividing the French size by 3
"GCP"	good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"GLP"	good laboratory practice, a quality system of management controls for research laboratories and organizations to ensure the uniformity, consistency, reliability, reproducibility, quality, and integrity of chemical (including pharmaceuticals) non-clinical studies

"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
"high-value medical consumables"	medical consumables that are directly used for human bodies and have strict requirements for safety. All of our products and product candidates are high-value medical consumables.
"ICH-GCP"	International Conference on Harmonisation-Good Clinical Practice
"IDE"	investigational device exemption
"KOLs"	acronym for Key Opinion Leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"LVEF"	left ventricular ejection fraction, one of the measures for evaluating the severity of aortic stenosis
"LVOT"	left ventricular outflow tract, the anatomic structure through which the left ventricular stroke volume passes towards the aorta
"MACCE"	major adverse cardiac and cerebrovascular events, the most common cause of serious perioperative morbidity and mortality
"MDD"	Medical Device Directive of the European Union
"mean aortic valve pressure gradient"	one of the measures for evaluating the severity of aortic stenosis
"Medtronic"	a medical device company committing to medical technology, services and solutions, incorporated under the laws of Ireland
"mild regurgitation"	a grade of pulmonary regurgitation, at which the minimal jet extends to 1.0 and 2.0 cm into the right ventricular outflow tract under echocardiographic criteria
"mitral valve"	the valve that lets blood flow from one chamber of the heart, the left atrium, to another called the left ventricle
"mmHg"	millimeter of mercury, a unit of measure for atmospheric pressure

"moderate regurgitation"	a grade of pulmonary regurgitation, at which the jet extends more than 2.0 cm that does not reach the body of the right ventricular cavity under echocardiographic criteria
"MPA"	main pulmonary artery, the main artery in the pulmonary circulation that carries deoxygenated blood from the right side of the heart to the lungs
"MRI"	magnetic resonance imaging, a procedure that uses magnetism, radio waves, and a computer to create images of areas inside the body
"myocardial infarction"	tissue death of the heart muscle, a type of acute coronary syndrome, which describes a sudden or short-term change in symptoms related to blood flow to the heart
"New York Heart Association Functional Classification" or "NYHA classification"	a simple way of classifying the extent of heart failure provided by the New York Heart Association. It classifies patients in one of four categories based on their limitations during physical activity, in regards to normal breathing and varying degrees in shortness of breath and/or angina pain
"NIHSS"	the National Institutes of Health Stroke Scale, a systematic assessment tool that provides a quantitative measure of stroke-related neurologic deficit
"PAV"	percutaneous aortic valve, the artificial valve of our TPVR products
"peak aortic valve pressure gradient"	one of the measures for evaluating the severity of aortic stenosis
"peak aortic valve velocity"	one of the measures for evaluating the severity of aortic stenosis
"PEEK"	polyetheretherketone, a colourless organic thermoplastic polymer used in engineering applications
"permanent pacemaker implantation" or "PPM"	a common procedure where a pacemaker (which is an electronic device that prevents one's heart from beating too slowly) is inserted just under the skin in the chest with wires attached to the heart
"pivotal trial"	a randomized, controlled clinical trial of a product designed to demonstrate statistically significant clinical efficacy and safety in human patients (in conjunction with performance of a therapeutic procedure) for regulatory approval of such product

"PPV"	percutaneous pulmonary valve, the artificial valve of our TPVR products
"PRRF"	pulmonary regurgitation regurgitate factor, a measurement of how much blood flows back into the heart chamber before it gets to the lungs for oxygen
"PTFE"	polytetrafluoroethylene, a synthetic fluoropolymer of tetrafluoroethylene
"pulmonary valve"	the semilunar valve of the heart that lies between the right ventricle and the pulmonary artery with three cusps
"PVL"	paravalvular leakage, a complication associated with the implantation of a prosthetic heart valve through TAVR or SAVR
"regurgitation"	a term for leaking heart valves, which occurs when blood flows back through the valve as the leaflets are closing, or blood leaks through the leaflets when they should be completely closed
"RVEDVI"	right ventricular end-diastolic volume index, the predictor of the hemodynamic response to fluid challenge
"RVEF"	right ventricular ejection fraction, a measurement of how much blood is being pumped out of the right side of the heart to the lungs for oxygen
"RVOT"	right ventricular outflow tract, an infundibular extension of the ventricular cavity which connects to the pulmonary artery
"RVOTD"	the dysfunction of RVOT
"SAVR"	surgical aortic valve replacement, a treatment of severe aortic stenosis through open-chest surgery
"severe regurgitation"	a grade of pulmonary regurgitation, at which the jet extends more than 2.0 cm that reached the body of the right ventricular cavity under echocardiographic criteria
"SPVR"	surgical pulmonary valve replacement, a treatment of RVOTD through open-chest surgery
"sq.m."	square meter, a unit of area

"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
"TAV"	transcatheter aortic 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 open-chest surgery to correct severe aortic stenosis
"Tier 1 hospitals"	the top four hospitals in the field of TVR procedures in China, including Beijing Fuwai Hospital (中國醫學科學院阜外心血管病醫院), West China Hospital of Sichuan University (四川大學華西醫院), the Second Affiliated Hospital of Zhejiang University School of Medicine (浙江大學醫學院附屬第二醫院) and Shanghai Zhongshan Hospital of Fudan University (復旦大學附屬中山醫院), each of which can serve as a training center for physicians to learn and practice TVR procedures
"Tier 2 hospitals"	hospitals with the ability to conduct the TVR implantation procedure or that have completed the TVR procedure independently
"Tier 3 hospitals"	hospitals with recently established TVR procedure centers, which do not possess the ability to independently complete TVR procedures
"TMV"	transcatheter mitral valve
"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
"TPV"	transcatheter pulmonary valve

"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
"trace regurgitation"	a grade of pulmonary regurgitation, at which the trivial jet extends less than 1.0 cm into the right ventricular tract under echocardiographic criteria
"transfemoral approach"	an approach of TAVR procedure, with the femoral artery as the entry point of the new valve. The femoral artery is accessed in the groin without an incision but with a needle, catheter and long wires allowing access to the diseased valve. The delivery system is then placed over the long wires into the proper position and the new valve is deployed with a balloon and the aid of X-rays and an echocardiogram
"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
"TriGUARD3"	TriGUARD3 Cerebral Embolic Protection Device, our CEP product candidate
"TriGuard HDH"	TriGuard HDH Cerebral Embolic Protection Device, a previous generation of CEP device developed by Keystone
"TSE"	transmissible spongiform encephalopathies, a group of progressive, invariably fatal conditions that are associated with prions and affect the brain and nervous system of humans and many animals
"TTE"	transthoracic echocardiogram, during which a technician obtains views of the heart by moving a small instrument called a transducer to different locations on the chest or abdominal wall
"TTV"	transcatheter tricuspid valve
"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
"TVR"	transcatheter valve replacement, a catheter-based technique to implant new heart valves in a minimally invasive procedure that does not involve open heart surgery

"V8"	V8, one of our balloon transluminal aortic valvuloplasty catheter system products
"valvuloplasty"	a procedure using balloons to repair a heart valve with a narrowed opening and improve blood flow through the valve
"valvuloplasty balloon"	the catheter system designed for performing percutaneous balloon angioplasty procedures and for pre- and post-dilation during TAVR procedures
"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

This Prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- the timing of initiation and completion, and the progress of our cardiac intervention solutions discovery and research programs;
- our ability to advance our cardiac intervention solutions, and the successful completion of clinical trials;
- the approval, pricing and reimbursement of our cardiac intervention solutions;
- the commercialization of our cardiac intervention solutions;
- the market opportunities and competitive landscape of our cardiac intervention solutions;
- our ability to continue to maintain our market position in China's medical device industry;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;

- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section.

An investment in our Shares involves significant risks. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward Looking Statements" in this Prospectus.

RISKS RELATING TO OUR BUSINESS

Risks Relating to the Development of Our Product Candidates

We have incurred net losses since our inception and may incur net losses for the forseable future, and you may lose substantially all your investments in us given the high risks involved in the medical device business.

Investment in medical device development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a product candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. As a result, we incurred losses during the Track Record Period. We incurred net losses of RMB157.9 million, RMB300.5 million and RMB138.4 million for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, respectively. Substantially all of our operating losses were resulted from costs incurred in connection with our R&D programs and from selling, general and administrative expenses associated with our operations.

We may continue to incur losses for the foreseeable future, and the losses may increase as we expand our development of, and seek regulatory approvals for, our product candidates, and commercialize our products. Typically, it takes many years to develop one new product from the time it is designed to when it is available for commercial sales. In addition, we will start incurring costs associated with being a public company in Hong Kong after the Global Offering. We will also incur costs in support of our growth. The size of our future net losses will depend, in part, on the number and scope of our product development programs and the associated costs of those programs, the cost of commercializing any approved products, our ability to generate revenues and the timing and amount of milestones and other payments we make or receive with arrangements with third parties. If any of our product candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business or continue our operations.

Our sales mainly rely on one product, VenusA-Valve.

During the Track Record Period, a substantial amount of our revenue was derived from the sales of one product, VenusA-Valve, which we commercialized in August 2017. Sales of VenusA-Valve accounted for 95.4% of our total revenue in 2017, 98.6% of our total revenue in 2018 and 99.4% of our total revenue for the five months ended May 31, 2019. We expect that sales of VenusA-Valve will continue to account for a significant portion of our total sales in the near future. However, we cannot assure you that demand for VenusA-Valve will continue to grow as anticipated. There is also no assurance that we will be able to maintain our sales and profit margin for VenusA-Valve, which may be adversely affected by many factors outside of our control, including downward pricing pressure caused by changes in market competition, expiration of patent protection, introduction of substitute products marketed by our competitors, disruptions in manufacturing or sales, issues with respect to product quality or severe adverse events incurred after the procedure, coverage of medical insurance and disputes over intellectual property or other matters with third parties. If we are unable to maintain the sales volumes, pricing levels or profit margins of VenusA-Valve, our business, financial condition and results of operations may be materially and adversely affected. Moreover, there is no guarantee that we may be able to develop or acquire new products that would diversify our product portfolio and reduce our dependence on VenusA-Valve, or to do so in a timely or competitive manner.

Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

Our business substantially depends on the successful development, regulatory approval and commercialization of our product candidates for the treatment of patients with heart valve diseases, which are still in clinical development or design stage, and other product candidates we may develop in the future. We have invested a significant portion of our efforts and financial resources in the development of our existing product candidates. We incurred net losses for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, because the expenses we incurred exceeded the gross profit generated from the sales of our current products, primarily VenusA-Valve, with R&D costs alone amounted to 646.1%, 90.8% and 95.6% of our total revenue for the same periods. Whether we can generate profit from our operating activities largely depends on the successful commercialization of our product candidates.

For example, VenusP-Valve, one of our core products, is currently undergoing pre-clinical trial in the U.S. and clinical trial in the EU. While we have completed the pivotal trial of VenusP-Valve in China, we are still preparing to apply for NMPA approval. In addition, we have submitted approval application to the NMPA for VenusA-Plus. We are also in the process of preparing for the final clinical report and the application for the FDA 510(k) clearance of TriGUARD3. The success of our product candidates will depend on several factors, including but not limited to:

- successful enrollment in, and completion of, clinical trials, as well as completion of preclinical studies;
- favorable safety and efficacy data from our clinical trials and other studies;
- receipt of regulatory approvals;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;

- the performance by any third parties we may retain in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- successfully launching our product candidates, if and when approved;
- obtaining favorable governmental and private medical reimbursement for our products, if and when approved;
- competition with other cardiovascular products; and
- continued acceptable safety profile following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or be unable to obtain approval for and/or to successfully commercialize our product candidates, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

If we do not introduce new products in a timely manner, our products may become obsolete and our operating results may suffer.

The transcatheter heart valve industry is characterized by technological changes, frequent new product introductions, and evolving industry standards. Without the timely introduction of new and improved products, our products could become technologically obsolete or more susceptible to competition and our revenue and operating results would suffer. Even if we develop new or improved products, our ability to market them could be limited by the need for regulatory clearance, restrictions imposed on approved indications, entrenched patterns of clinical practice, uncertainty over third-party reimbursement, or other factors. We devote significant financial and other resources to our R&D activities. We incurred R&D costs of RMB117.4 million, RMB104.8 million and RMB82.4 million in 2017, 2018 and the five months ended May 31, 2019, which accounted for 646.1%, 90.8% and 95.6% of our total revenue for the same periods. The R&D process is lengthy and entails considerable uncertainty. Products we are currently developing may not complete the development process or obtain the regulatory or other approvals required to market such products in a timely manner or at all.

Technical innovations often require substantial time and investment before we can determine their commercial viability. We may not have the financial resources necessary to fund all of these projects. In addition, even if we are able to successfully develop new or improved products, they may not produce revenue in excess of the costs of development or achieve the desired financial return, and they may be rendered obsolete or less competitive by changing customer preferences or the introduction by our competitors of products with newer technologies or features or other factors.

If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the size and nature of the patient population and the patient eligibility criteria defined in the protocol.

Our clinical trials will likely compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates. This competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

Clinical product development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

Clinical testing is expensive and can take multiple years to complete, and its outcome is inherently uncertain. There can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product or expanded indication. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results.

Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In addition, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including differences in physical conditions, and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites and additional countries and languages involved in such trials.

Our future clinical trial results may not be favorable. Even if our future clinical trial results show favorable efficacy, not all patients may benefit. For our certain heart valve products, it is likely that they may not suit the conditions of a number of patients, and severe adverse events and complications may incur for some patients after the procedure.

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, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Before obtaining regulatory approval for the sale of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our product candidates, including but not limited to:

- regulators, institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- our inability to reach agreements on acceptable terms with prospective CROs and hospitals as trial centers, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and hospitals as trial centers;

- manufacturing issues, including problems with manufacturing, supply quality, or obtaining sufficient quantities of a product candidate for use in a clinical trial;

- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;

- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or patients may drop out at a higher rate than we anticipate;

- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks;

- regulators, IRBs or ethics committees may require that we or our investigators suspend or terminate clinical research or not rely on the results of clinical research for various reasons, including non-compliance with regulatory requirements;

- the cost of clinical trials of our product candidates may be greater than we anticipate; and

- the supply or quality of our product candidates, companion diagnostics or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may:

- be delayed in obtaining regulatory approval for our product candidates;
- not obtain regulatory approval at all;
- obtain approval for indications that are not as broad as intended;
- have the product removed from the market after obtaining regulatory approval;
- be subject to additional post-marketing testing requirements;
- be subject to restrictions on how the product is distributed or used; or
- be unable to obtain reimbursement for use of the product.

If we experience delays in the completion of, or the termination of, a clinical trial of any of our product candidates, the commercial prospects of that product candidate will be harmed, and our ability to generate product sales revenues from any of those product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process, and jeopardize our ability to commence product sales and generate related revenues for that candidate. Any of these occurrences may harm our business, financial condition and prospects significantly.

Risks Relating to Extensive Government Regulations

All material aspects of the research, development and commercialization of our products are heavily regulated.

All jurisdictions in which we conduct our research, development and commercialization activities regulate these activities in great depth and detail. We intend to focus our activities in the major markets of China, the United States and the EU. These geopolitical areas all have strict regulation on medical devices, and in doing so they employ broadly similar regulatory strategies, including regulation of product development, approval, manufacturing, sales and marketing and distribution of medical devices. However, there are differences in the regulatory regimes in different regions, which makes regulatory compliance more complex and costly for companies like us that plan to operate in each of these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. The failure to comply with these regulations could have a material adverse effect on our business, financial condition and prospects.

If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

Before obtaining regulatory approvals for the commercial sale of any product candidate for a target indication, we must demonstrate in preclinical studies and well-controlled clinical trials, and, with respect to approval in China, to the satisfaction of the NMPA, that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. Obtaining regulatory approvals is a lengthy, expensive and uncertain process, and approvals may not be obtained. When we submit a filing application to the NMPA, the NMPA will decide whether to accept or reject the submission for filing. We cannot be certain that any submissions will be accepted for filing and review by the NMPA. NMPA may also slow down, suspend or cease review of our applications and any of these could prolong the registration process of our products.

Our product candidates could fail to receive regulatory approval for many reasons, including:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a product candidate is safe and effective;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;
- regulatory requests for additional analyses, reports, data, nonclinical studies and clinical trials, or questions regarding interpretations of data and results and the emergence of new information regarding our product candidates or other products;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and/or
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.
- rejection by the relevant authorities to approve pending applications or supplements to approved applications filed by us or suspension, revocation or withdrawal of approvals.

Regulatory authorities outside of China, such as the FDA and EMA, also have requirements for approval of medical devices for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our product candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval processes vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking foreign regulatory approval could require additional nonclinical studies or clinical trials, which could be costly and time consuming. The foreign regulatory approval process may include all of the risks associated with obtaining NMPA approval. For these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all.

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Amendments may require us to resubmit clinical trial protocols to IRBs or ethics committees for re-examination, which may impact the costs, timing or successful completion of a clinical trial.

The process to develop, obtain regulatory approval for and commercialize medical device product candidates is long, complex and costly both inside and outside China. Even if our product candidates were to successfully obtain approval from the regulatory authorities, any approval might significantly limit the approved indications for use, or require that precautions, contraindications or warnings be included on the product labeling, or require expensive and time-consuming post-approval clinical trials or surveillance as conditions of approval. Following an approval for commercial sale of our product candidates, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA, FDA, EMA and/or comparable regulatory authorities. Regulatory approvals for any of our product candidates may also be withdrawn. If we are unable to obtain regulatory approval for our product candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue the development of any other product candidate in the future.

Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

Undesirable adverse events caused by our products or product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the NMPA, FDA or other comparable regulatory authority, or could result in limitations or withdrawal following approvals. If results of our trials reveal a high and unacceptable severity or prevalence of adverse events, our trials could be suspended or terminated and the NMPA, FDA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our product candidates.

Adverse events have been reported in our clinical trials which could affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly. In this Prospectus and from time to time, we disclose clinical results for our product candidates, including the occurrence of adverse events and serious adverse events. Each such document speaks only as of the date of the data cutoff used in such document, and we undertake no duty to update such information unless required by applicable law.

Our products and any future products will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products and/or product candidates.

Our products and any additional product candidates that are approved by the regulators are and will be subject to ongoing regulatory requirements with respect to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-market studies, submission of safety, efficacy, and other post-market information, and other requirements of regulatory authorities in China, the United States, the EU, Israel and/or other countries.

Manufacturers and manufacturers' facilities are required to comply with extensive regulatory requirements from the NMPA, FDA, EMA, AMAR and/or other comparable authorities. As such, we are and will be subject to continual review and inspections by the regulators in order to assess our compliance with applicable laws and requirements and adherence to commitments we made in any application materials with the NMPA or other authorities. Accordingly, we must continue to devote time, money and effort in all areas of regulatory compliance.

The regulatory approvals for our products and any approvals that we receive for our product candidates are and may be subject to limitations on the indicated uses for which our product may be marketed. The approvals we obtain may also be subject to other conditions which may require potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of our products or product candidates. Such limitations and conditions could adversely affect the commercial potential of our products.

The NMPA or comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval if we fail to maintain compliance with these ongoing regulatory requirements or if problems occur after the product reaches the market. Later discovery of previously unknown problems with our products or product candidates or with our manufacturing processes may result in revisions to the approved labeling or requirements to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of our products, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters, or holds on clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals or withdrawal of approvals;
- product seizure or detention, or refusal to permit the import or export of our products and product candidates; and/or
- injunctions or the imposition of civil or criminal penalties.

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products placed on the market. Products may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, FDA, EMA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The policies of the NMPA, FDA, EMA and other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or abroad, where the regulatory environment is constantly evolving. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are unable to maintain regulatory compliance, we may lose any regulatory approval that we have obtained and we may not achieve or sustain profitability.

If our current and new products are not produced in compliance with the quality standards required under applicable laws, our business and reputation could be harmed, and our revenue and profitability could be materially and adversely affected.

Our production and manufacturing processes are required to meet certain quality standards. We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our products and operation processes. For further details of our quality control and assurance system, see "Business — Quality Control." Despite our quality control and assurance system and procedures, we cannot eliminate the risk of product defects or failure. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the raw materials we produce or purchase.

In addition, failure to detect quality defects in our products or to prevent such defective products from being delivered to end-users could result in patient injury or death, product recalls or withdrawals, license revocation or regulatory fines, product liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our product candidates and affect the prices we may obtain.

In China, the United States and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our

ability to profitably sell our products and any product candidates for which we obtain regulatory approval. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies, including measures which may result in more rigorous coverage criteria and downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for medical devices. We cannot be sure whether additional legislative changes will be enacted, or whether NMPA regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our product candidates, if any, may be. On June 25, 2018, a revised draft amendment to the Regulations on the Supervision and Administration of Medical Devices was published by the Ministry of Justice (the "**Draft Amendment**") for public comments. As a medical device company, if the Draft Amendment is passed, the requirements of clinical trial, sales and regulation would be changed. The impact of these more specific requirements and whether it will adversely affect the registration of our products with NMPA is yet to be observed.

Risks Relating to Commercialization and Distribution of Our Products

If our products cause, or are perceived to cause, severe adverse events, our reputation, revenue and profitability could be materially and adversely affected.

Our current and future products may cause undesirable or unintended severe adverse events as a result of a number of factors, many of which are outside of our control. These factors include potential complications not revealed in clinical trials, unusual but severe complications and adverse events in isolated cases, defective products not detected by our quality control system or misuse of our products. Our products may also be perceived to cause adverse events when a conclusive determination as to the cause of the adverse events is not obtained or is unobtainable.

In addition, our products may be perceived to cause severe adverse events if one or more regulators, such as the NMPA, FDA and/or EMA, determine that other companies' products containing the same or similar key parts or using the same delivery technologies as our products' cause or are perceived to have caused severe adverse events. If our products cause, or are perceived to cause, severe adverse events, we may face a number of consequences, including:

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- the recall or withdrawal of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and the reputation of our Company;
- removal of relevant products from the relevant medical insurance coverage; and/or
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

As a result of these consequences, our sales, profitability and prospects could be materially and adversely affected.

Failure to achieve broad market acceptance or maintain good reputation necessary for our cardiovascular products and any future products would have a material adverse impact on our results of operations and profitability.

The commercial success of our current and future products depends upon the degree of market acceptance they achieve, particularly among hospitals and physicians. As a treatment recently developed and introduced to the market, TVR procedure may fail to receive broad acceptance from patients or physicians as anticipated. As an alternative, open-chest surgery may have a competitive advantage over TVR procedure, given its established market acceptance, comparatively lower price and coverage by governmental and private medical insurance. If our cardiovascular products and any future approved product candidates fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the industry, the sales of our products will be adversely affected. For example, current heart valve replacement products or devices, such as the valve systems developed by some of our competitors are well established in the global transcatheter heart valve replacement industry, and doctors may continue to rely on these treatments to the exclusion of our products and product candidates. In addition, physicians, patients and third-party payors may prefer other novel products to ours. If our products and product candidates do not achieve an adequate level of acceptance, we may not generate significant product sales revenues and we may not become profitable. The degree of market acceptance of our products and product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our products and product candidates are approved;
- physicians, hospitals, heart valve diseases treatment centers and patients considering our products and product candidates as a safe and effective treatment;
- the potential and perceived advantages of our products and product candidates over alternative products;
- the prevalence and severity of any adverse effects or complications;
- product labeling or product insert requirements of regulatory authorities;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our products and product candidates as well as competitive products;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payors and government authorities; and/or
- the effectiveness of our sales and marketing efforts.

If any products that we commercialize fail to achieve market acceptance among physicians, patients, hospitals, heart valve diseases treatment centers or others in the industry or if we fail to maintain good relationships with them, we will not be able to generate significant revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost effective or render our products obsolete.

We have relatively limited experience in marketing and sales of our products.

We started marketing our first approved product, VenusA-Valve, in August 2017. We have relatively limited experience in launching and commercializing our product candidates and sales and marketing of our products. For example, we have limited experience in building a commercial team, conducting a comprehensive market analysis, obtaining licenses and approvals, or managing distributors and sales force for our product candidates. As a result, our ability to successfully commercialize our product candidates may involve more inherent risks, take longer and cost more than it would if we were a company with sufficient experience launching product candidates.

We have to compete with other medical device companies to recruit, hire, train and retain marketing and sales personnel. If we are unable to, or decide not to, further develop internal sales, marketing and commercial distribution capabilities for any or all of our products, we will likely pursue collaborative arrangements regarding the sales and marketing of our products. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our products ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts for our products. There can be no assurance that we will be able to develop and successfully maintain our in-house sales and commercial distribution capabilities or establish or maintain relationships with physicians, hospitals and other third parties to successfully commercialize our products, and as a result, our revenue and profitability could be materially and adversely affected.

We rely on our in-house marketing force to promote our products.

Under our strategic marketing model, our in-house marketing force actively works with physicians and hospitals by not only providing professional advice but also offering help throughout the entire heart valve replacement procedures from candidate screening, operation assistance to follow-up visit post operations. We conduct post-market clinical studies which are initiated and supervised by our sales team to monitor the efficacy of our products. Our sales team also assists in providing training to physicians on heart valve replacement procedures. We incurred selling and distribution expenses of RMB35.9 million, RMB66.9 million and RMB40.1 million for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, respectively. The success of our marketing model depends on our ability to attract, motivate and retain qualified and professional employees in our marketing, promotion and sales teams who have, among other things, the sufficient expertise in the cardiovascular areas and are able to communicate effectively with medical professionals. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified sales personnel to support our marketing model, sales volumes or margin of our existing and future products may be adversely affected and we may be unable to extend our hospital coverage and deepen our market penetration as contemplated.

There is no guarantee that we will succeed in expanding our sales network to cover new hospitals.

Despite the current leading position of VenusA-Valve in China, we plan to expand our sales network to cover more hospitals to increase our market share and penetration in the China market to drive future growth. During the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, we sold 104 units, 737 units and 563 units of VenusA-Valve, respectively. We may seek to expand our sales network to cover additional hospitals which are not able to independently conduct TAVR procedures and hospitals in emerging markets where we have limited experience or resources. This marketing strategy could require us to strengthen our sales and marketing efforts, and we may not be able to do so. If we are unable to expand our sales network effectively, our sales volumes and business prospects could be materially and adversely affected.

If we fail to maintain an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected.

While we market our VenusA-Valve directly to hospitals, we rely mostly on third-party distributors to distribute our products. Our ability to maintain and grow our business will depend on our ability to maintain effective distribution channels that ensure timely distribution of our products to the relevant markets where we generate market demand through our sales and marketing activities. However, we have relatively limited control over our distributors, who may fail to distribute our products in the manner we contemplate. We usually enter into one-year agreements with our distributors. In 2018 and the five months ended May 31, 2019, our sales arrangement with a total of 20 distributors was terminated for various reasons, including the expiration of distribution agreement, distributors' failure to meet their target order amount and distributors' change of business. If PRC price controls or other factors substantially reduce the margins our distributors can obtain through the resale of our products to hospitals and medical institutions, our distributors may terminate their relationships with us.

As of December 31, 2017, 2018 and May 31, 2019, we had a total of 30, 33 and 40 distributors, respectively. For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, the aggregate sales to our five largest distributors were RMB11.5 million, RMB68.5 million and RMB49.6 million, representing 63.2%, 59.4% and 57.6% of our revenue, respectively. Sales to our largest distributor for the same periods were RMB3.4 million, RMB19.2 million and RMB14.4 million, representing 18.9%, 16.6% and 16.7% of our revenue, respectively. While we believe alternative distributors are readily available in China, if the distribution of our products is interrupted, our sales volumes and business prospects could be adversely affected.

If we experience delays in collecting payments from our distributors, our cash flows and operations could be adversely affected.

We generally grant credit terms to our distributors for up to six months, and longer credit terms may be granted for direct sales to hospitals. As of December 31, 2017, 2018 and May 31, 2019, our trade receivables were RMB17.9 million, RMB80.6 million and RMB120.1 million, respectively. The average turnover days of our trade receivables for the same periods were 60.0 days, 155.9 days and 175.9 days, respectively. For our sales to distributors, our distributors receive payments from hospitals for our products they sold to the hospitals and will make payments to us accordingly. If our distributors' cash flows, working capital, financial condition or results of operations deteriorate or they experience delays in payments from the hospitals, they may be unable, or they may otherwise be unwilling, to make payments owed to us promptly or at

all. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with distributors in a manner that will impair the effective distribution of our products.

We face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.

The development and commercialization of new products is highly competitive. We face competition from major transcatheter heart valve replacement device companies worldwide. A number of companies in the global market currently market and sell transcatheter heart valve replacement devices or are pursuing the development of such products for the treatment of heart valve diseases for which we are commercializing our products or developing our product candidates. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer severe adverse events, are more convenient or are less expensive than any products that we commercialize or may develop. Our competitors may also be applying for marketing approvals in China or other countries for medical device products with the same intended use as our products and product candidates. The ability of the relevant authorities, such as NMPA, to concurrently review multiple marketing applications for the same type of innovative medical device may be limited. When our product and its competing products are subject to the NMPA's concurrent review, the NMPA's schedule may be affected, and the registration process of our product may be prolonged. Moreover, our competitors may obtain approval from the NMPA, FDA, EMA or other comparable regulatory authorities for their products more rapidly than we obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market and/or slow our regulatory approval.

Many of the companies against which we are competing have significantly greater financial resources and expertise in R&D, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the medical device industries may result in even more resources being concentrated among a small number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Our business and results of operations will suffer if we fail to compete effectively.

Downward change in pricing of our products may have a material adverse effect on our business and results of operations.

In line with market practice, we sell a significant portion of our products to distributors who resell our products to hospitals. In addition, we also sell a portion of our products directly to the hospitals. Our distributors, or we in our direct sales to the hospitals, negotiate and set retail prices directly with hospitals. We sell our products to distributors either at the minimum order price or at the discount as agreed with the distributors to the retail price hospitals and distributors agreed

upon. For details, see "Business – Sales and Marketing – Pricing." Hospitals may gain more bargaining power depending on the availability of alternative products, demands of patients and the preference of physicians. If hospitals lower retail prices of our products and therefore reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors.

As of the Latest Practicable Date, there was generally no tender or bidding process or price guidance set on TAVR procedures and related products by the PRC government. The absence of a tender process and price guidance is primarily because TAVR procedures and related products have only been introduced to the Chinese market in recent years, and there are only a few TAVR products approved for marketing in China and the application of TAVR procedures is still limited to top-tier cardiology hospitals in tier 1 and tier 2 cities. Along with our increasing efforts to promote TAVR procedures and our TAVR products in the market, awareness of TAVR procedures is expected to increase. More competing TAVR products may become available, which will offer alternatives for hospitals and patients to choose for a TAVR procedure. If the PRC government issues price guidance or introduces tender process for TAVR procedures and related products, it may negatively affect the price of our products and therefore have a material adverse effect on our business and results of operations. We may also face downward pricing pressure if our products are included in the medical insurance reimbursement list.

Our sales may be affected by the level of medical insurance reimbursement patients receive for TAVR procedures using our products.

Our ability to sell our products is related to the availability of governmental and private health insurance in China for treatments using our products. China has a complex medical insurance system that is undergoing reform. The governmental insurance coverage or reimbursement level in China for new procedures such as TAVR procedures and the medical device used in such procedures is subject to significant uncertainty and varies from region to region, as local government approvals for such coverage must be obtained in each geographic region in China.

Currently, whether VenusA-Valve is reimbursable varies in each province and may vary among hospitals in the same province, depending on if TAVR procedures can be categorized as heart valve replacement procedure. Because TAVR procedures have been introduced to China only in recent years, for the TAVR procedures and the medical devices used in a TAVR procedure to be covered by medical insurance, the TAVR procedure needs to be categorized by the hospital under the heart valve replacement procedure or another procedure that is reimbursable. Without reimbursement for TAVR procedures and related TAVR products, market demand for such products including VenusA-Valve may drop and our results of operations may be adversely affected.

In addition, insurance companies in China tend to reimburse patients for a higher percentage of the product cost if they use a medical device manufactured by a Chinese domestic company as opposed to an imported device. We cannot be certain that insurers will continue to adopt this favorable policy in the future.

In the absence of sufficient medical insurance coverage for the use of our products, patients may choose alternative treatment methods, and hospitals may recommend such alternative treatments, which would reduce demand for our products and our sales which could in turn materially and adversely affect our business, financial condition and results of operation.

Moreover, we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected.

Risks Relating to Manufacture and Supply of Our Products

Delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.

Our principal manufacturing facilities are located at our headquarters in Hangzhou, Zhejiang province, China. As of the Latest Practicable Date, we rented an aggregate area of approximately 3,500 sq.m. for manufacturing facilities in Hangzhou, China. Our facilities will be expanded by another 3,790 sq.m. in 2019, which we plan to mainly use for the R&D, manufacture and commercialization of TriGUARD3 in China. We need to apply for a change of our manufacture permit to include our new facilities, which requires regulatory approval including our compliance with CGMP. The facilities may encounter unanticipated expenses due to a number of factors, including regulatory requirements. We also leased manufacture facilities in Israel with an aggregate area of approximately 816 sq.m., primarily used for producing CEP devices. Our manufacturing facilities will be subject to ongoing, periodic inspection by the NMPA, FDA, EMA, AMAR or other comparable regulatory agencies to ensure compliance with CGMP. Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of products or product candidates, operating restrictions and criminal prosecutions, any of which could harm our business.

Our facilities may be harmed or rendered inoperable by physical damage from fire, floods, earthquakes, typhoons, tornadoes, power loss, telecommunications failures, break-ins, and similar events. If our manufacturing facilities or the equipment are damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any products manufactured at that facility. Such an event could delay our clinical trials or reduce our product sales. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. Any disruption that impedes our ability to manufacture our products or product candidates in a timely manner could materially harm our business, financial condition and operating results.

Currently, we maintain insurance coverage against damage to our property and equipment in amounts we believe are reasonable. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer. We may be unable to meet our requirements for our products and product candidates if there were a catastrophic event or failure of our manufacturing facilities or processes.

If we fail to increase our production capacity as planned, our business prospects could be materially and adversely affected.

To produce our products in the quantities that we believe will be required to meet anticipated market demand for our products, we may need to increase, or scale up, the production capacity and the utilization rate. Our utilization rate for our major product, VenusA-Valve, in 2017, 2018 and during the five months ended May 31, 2019 was 91.0%, 53.8% and 42.4%, respectively. Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and therefore we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. Also, the production of our valve products is highly labor-intensive as our workers need to manually suture the valve leaflets to the nitinol frame, which requires experience and technique. Typically, we require new employees to undergo approximately six months of training before they commence work on our production lines. To enhance our production capacity, we also need to employ more workers. If we are unable to do so, or if the process to do so is delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to supply our products in a sufficient quantity to meet future demand, which would limit our development and commercialization activities and our opportunities for growth.

We are expanding our production output by adding a phase II manufacturing facility with a total floor area of 3,790 sq.m. located at our headquarters in Hangzhou, Zhejiang province, China. Phase II manufacturing facility is intended to be used for the production of TriGUARD3, our existing products and our other pipeline products to be commercialized. Changes in the manufacturing process or procedure, including a change in the location where the product is manufactured, require prior review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable requirements. This review may be costly and time consuming and could delay or prevent the launch of a product. The new facility will also be subject to pre-approval inspection. In addition, we have to demonstrate that the products made at the new facility are equivalent to the products made at the former facility by physical and chemical methods, which are costly and time consuming. Regulatory authorities may also require clinical testing as a way to prove equivalency, which would result in additional costs and delay.

Our ability to successfully implement our expansion plan is subject to a number of risks, including our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new production lines, the risk of construction delays, as well as our ability to timely recruit sufficient qualified staff to support the increase in production capacity. Consequently, there can be no assurance that we will be able to increase our overall production capacity or develop advanced manufacturing techniques and process controls in the manner we contemplate, or at all. In the event we fail to increase our production capacity or develop advanced manufacturing techniques and process controls, we may not capture the expected growth in demand for our products, or to successfully commercialize new products, each of which could materially and adversely affect our business prospects. Moreover, our plans to increase our production capacity require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could materially and adversely affect the realization of expected return on our expenditures.

There can be no assurance that our existing and future production facilities will produce products in sufficient volumes in the event of any significant change in market demand. In such event, we may have to engage third parties to produce a portion of such products. Consequently, we are exposed to the risks of increased pricing for our sub-contracted production and that the third parties may not manufacture products meeting our specifications or in sufficient volumes to meet market demand. As a result, our sales volumes and margins for the relevant products could be materially and adversely affected.

The manufacture of our products is highly complex and subject to strict quality controls. If we or any of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer.

The manufacture of many of our products is highly complex and subject to strict quality controls, due in part to rigorous regulatory requirements. In addition, quality is extremely important due to the serious and costly consequences of a product failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, raw material problems, software problems, or human error. Furthermore, if contaminants are discovered in our supply of our products or product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Stability failures and other issues relating to the manufacture of our products or product candidates could occur in the future. Although closely managed, disruptions can occur during implementation of new equipment and systems to replace aging equipment, as well as during production line transfers and expansions. As we expand into new markets, we may face unanticipated surges in demands for our products which could strain our production capacity. If these problems arise or if we otherwise fail to meet our internal quality standards or those of the NMPA or other applicable regulatory body, which include detailed record-keeping requirements, our reputation could be damaged, we could become subject to a safety alert or a recall, we could incur product liability and other costs, product approvals could be delayed, and our business could otherwise be adversely affected.

In addition, our manufacturing and warehousing facilities, as well as those of our suppliers and logistics partners, could be materially damaged by earthquakes, hurricanes, volcanoes, fires, and other natural disasters or catastrophic circumstances, which could have a material adverse effect on our business.

Fluctuations in prices of our raw materials may have a material adverse effect on us.

We rely on our suppliers for our business, which exposes us to risks associated with fluctuations in prices of raw materials, and reductions in the availability of raw materials may disrupt our operations. One of our principal raw materials is porcine pericardium from pigs that we procure from third-party suppliers. During the Track Record Period, the porcine pericardium was generally available and sufficient for our demands, and the price of porcine pericardium from our suppliers was not affected by swine fever. However, we cannot assure you that this will continue to be the case in the future. The prices of porcine pericardium or other raw materials may be affected by a number of factors, including market supply and demand, the PRC or international environmental and regulatory requirements, natural disasters such as the outbreak of swine fever, the PRC and global economic conditions. A significant increase in the costs of raw materials may increase our cost of sales and negatively affect our profit margins and, more generally, our business, financial conditions, results of operation and prospects.

We may experience supply interruptions that could harm our ability to manufacture products.

We purchase certain of the materials and components used in the manufacture of our products from external suppliers, and we purchase certain supplies from fixed sources or single sources for reasons of quality assurance, cost effectiveness, availability, or constraints resulting from regulatory requirements. Our principal raw materials are porcine pericardium and nitinol. We also purchase sheath and medal parts.

General economic conditions could adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and components used in the manufacture of our products. While we work closely with suppliers to monitor their financial viability, assure continuity of supply, and maintain high quality and reliability, these efforts may not be successful. In addition, due to the rigorous regulations and requirements of the NMPA and/or foreign regulatory authorities regarding the manufacture of our products (including the need for approval of any change in supply arrangements), we may have difficulty establishing additional or replacement sources in a timely manner or at all if the need arises. Certain suppliers may also elect to no longer service medical device companies due to the high amount of requirements and regulation. Although we consider alternative supplier options, we typically do not pursue regulatory qualifications of alternative sources due to the strength of our existing supplier relationships and the time and expense associated with our internal validation process. A change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to product performance or incorporate unique technology, and the loss of any existing supply contract could have a material adverse effect on us. A reduction in, or lack of availability of, raw materials or interruptions in the supply chain may also impact our profitability to the extent that we are required to pay higher prices for, or are unable to secure adequate supplies of, the necessary raw materials.

We rely on supply from limited suppliers, which may severely harm our operations if the supplier loses its qualification or eligibility because of its failure to comply with regulatory requirements or stops our supply due to contractual disputes.

Our heart valve products are manufactured from processed natural animal tissue, namely porcine pericardium, and manmade materials. During the Track Record Period, we purchased porcine pericardium mainly from three suppliers in China and purchased nitinol frames from one principal supplier. Our suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. If any of these suppliers loses its qualification or eligibility because of its failure to comply with regulatory requirements, we may not be able to find alternative suppliers in a timely manner or at all, which may cause delay in supply of our raw materials and interruption in our manufacturing. If any of these happens, our results of operations may be materially and adversely affected. Regulatory agencies in China or other international geographies from time to time have limited or banned the use of certain materials used in the manufacture of our products. In these circumstances, transition periods typically provide time to arrange for alternative materials. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business could be harmed. Regulatory agencies may limit the supply of our principal raw material, porcine pericardium, if there is an outbreak of swine fever, which will negatively affect the manufacture of our products. The substantial change in the regulatory environment and market supply and demand may lead to a significant increase in price, which will further negatively affect our profit margin and harm our business and financial condition. Some of our suppliers are located outside China. As a result, trade or regulatory embargoes imposed by foreign countries or China could also result in delays or shortages that could harm our business.

Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks and holding costs, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure immediate delivery when required. Furthermore, we are required to maintain an appropriate level of inventory of our raw materials, including porcine pericardium, for our commercial production. For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, our average inventory turnover days were 222.9 days, 197.7 days and 123.2 days, respectively. However, we maintain our inventory levels based on our internal forecasts which are inherently uncertain. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials (for example, our VenusA-Valve products typically have a shelf life of two years and are subject to expiration). Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs.

In addition, we actively monitor our inventory level and track the flow of our products through an online distribution platform where we can monitor the flow of our products to hospitals on a real-time basis. However, there is no guarantee that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our business, financial condition and results of operations will be materially and adversely affected.

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.

Our success depends in large part on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect the technology, products and product candidates that we consider commercially important by filing patent applications in the PRC, the United States and other countries, relying on trade secrets or medical regulatory protection or employing a combination of these methods. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our R&D output before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. We may also fail to identify patentable aspects of our R&D output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements or include such provisions in our relevant agreements with parties who have access to confidential or patentable aspects of our R&D output, such as our employees, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries. Patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all.

Under the Patent Law of the PRC (中華人民共和國專利法) promulgated by the Standing Committee of the NPC, as amended, patent applications are maintained in confidence until their publication at the end of 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications were filed. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions.

Furthermore, the PRC and, recently, the United States have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, even after reasonable investigation we may be unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon the intellectual property rights of others, because such third party may have filed a patent application without our knowledge while we are still developing that product, and the term of patent protection starts from the date the patent was filed, instead of the date it was issued. Therefore, the validity of issued patents, patentability of pending patent applications and applicability of any of them to our programs may be lower in priority than third-party patents issued on a later date if the application for such patents was filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours. In addition, we may be involved in claims and disputes of intellectual property infringement in other jurisdictions (for example, in the United States). In addition, under PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the CNIPA, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we license or own currently or in the future are to be issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, the patent position of medical device companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the PRC, the United States and other countries. We may be subject to a third-party preissuance submission of prior art to the CNIPA, USPTO or other related intellectual property offices, or become involved in post-grant proceedings such as opposition, derivation, revocation and re-examination, or *inter partes* review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology, products or product candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialize products and product candidates without infringing, misappropriating or otherwise violating third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the CNIPA, USPTO or other related intellectual property offices to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge the priority of our invention or other features of patentability of our patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology, products and product candidates. Such proceedings also may result in substantial costs and require significant time from our scientists, experts and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technologies, products or product candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, although various extensions may be available, the life of a patent and the protection it affords is limited. We may face competition for any approved product candidates even if we successfully obtain patent protection once the patent life has expired for the product. The issued patents and pending patent applications, if issued, for our products and product candidates are expected to expire on various dates as described in "Business — Intellectual Property Rights" of this Prospectus. Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Moreover, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

We may not be able to protect our intellectual property rights.

Filing, prosecuting, maintaining and defending patents on products and product candidates in all countries throughout the world could be prohibitively expensive for us, and our intellectual property rights in some countries can have a different scope and strength from those in some other countries. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of certain other countries do. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries, or from selling or importing medical products made using our inventions in and into certain jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to certain jurisdictions where we have patent protection but where enforcement rights are not as strong as those in certain other countries. These products may compete with our products and product candidates and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

As of the Latest Practicable Date, we owned 389 patents and patent applications, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain jurisdictions, including China. The legal systems of some countries do not favor the enforcement of patents, trade secrets and other intellectual property, particularly those relating to products, which could make it difficult in those jurisdictions for us to stop the infringement or misappropriation of our patents or other intellectual property rights, or the marketing of competing products in violation of our proprietary rights.

We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our products and product candidates could be found invalid or unenforceable if being challenged in court or before the CNIPA or courts or related intellectual property agencies in other jurisdictions.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend

their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

Defendant counterclaims alleging invalidity or unenforceability are commonplace, a third party can assert invalidity or unenforceability of a patent on numerous grounds. Third parties may also raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we, our patent counsel, and the patent examiner could be unaware of invalidating prior art during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our products or product candidates. Such a loss of patent protection could have a material adverse impact on our business.

We may not be able to prevent misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as we expect.

If we are sued for infringing intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our product candidates.

Our commercial success depends in part on our avoiding infringement of the patents and other intellectual property rights of third parties. We are aware of numerous issued patents and pending patent applications belonging to third parties that exist in fields in which we are developing our product candidates. We may also be unaware of third-party patents or patent applications, and given the dynamic area in which we operate, additional patents are likely to be issued that relate to aspects of our business. There are a substantial amount of litigation and other claims and proceedings involving patent and other intellectual property rights in the medical device industry generally. As the medical device industry expands and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that we are using technology in violation of their patent or other proprietary rights. Defense of these claims, regardless of their merit, could involve substantial litigation expense and divert our technical personnel, management personnel, or both from their normal responsibilities. Even in the absence of litigation, we may seek to obtain licenses from third parties to avoid the risks of litigation, and if a license is available, it could impose costly royalty and other fees and expenses on us.

If third parties bring successful claims against us for infringement of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would substantially divert diversion of employee resources from our business. In the event of a successful claim against us of infringement or misappropriation, or a settlement by us of any such claims, we may have to pay substantial damages, including treble damages and attorneys' fees in the case of willful infringement, pay royalties or redesign our infringing product candidates, which may be impossible or require substantial time and cost. In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates. Any such license might not be available on reasonable terms or at all. In the event that we are unable to obtain such a license, we would be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly. We may also elect to enter into license agreements in order to settle patent infringement claims or to resolve disputes prior to litigation, and any such license agreements may require us to pay royalties and other fees that could significantly harm our business.

Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, this could have a substantial adverse effect on the market price of our Shares. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to the CNIPA, USPTO and other patent agencies in several stages over the lifetime of the patent. The CNIPA, USPTO and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

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

Depending on decisions by the NPC and the CNIPA, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. The United States has enacted and is currently implementing wide-ranging patent reform legislation. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. There could be similar changes in the laws of other jurisdictions that may impact the value of our patent rights or our other intellectual property rights. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained, if any.

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.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and product candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or include such undertakings in the agreement with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisors and other third parties. We also enter into employment agreement or consulting agreement with our employees and consultants that includes undertakings regarding assignment of inventions and discoveries. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Furthermore, many of our employees, including our senior management, were previously employed at other medical device companies, including our competitors or potential competitors. Some of these employees, including each member of our senior management, executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any material threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees, consultants and contractors involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

Risks Relating to Our Reliance on Third Parties

If the third parties with which we contract for pre-clinical research and clinical trials do not perform in an acceptable manner, or if we suffer setbacks in these pre-clinical studies or clinical trials, we may be unable to develop and commercialize our product candidates as anticipated.

We rely on third parties, including leading academic institutions, public hospitals and CROs, to assist us in designing, implementing and monitoring our pre-clinical research and conducting clinical trials. As of the Latest Practicable Date, we worked with a number of CROs and hospitals. If any of these parties terminates its agreements with us, the development of the product candidates covered by those agreements could be substantially delayed. In addition, these third parties may not successfully carry out their contractual obligations, meet expected deadlines or follow regulatory requirements, including clinical, laboratory and manufacturing guidelines. Our reliance on these third parties may result in delays in completing, or in failing to complete, these studies if they fail to perform in accordance with the contractual arrangements. Furthermore, if any of these parties fail to perform their obligations under our agreements with them in the manner specified in those agreements, the NMPA, FDA, EMA and/or other comparable regulatory authorities may not accept the data generated by those studies, which would increase the cost of and the development time for the relevant product candidate. If any of the pre-clinical studies or clinical trials of our product candidates is affected by any of the above-mentioned reasons, we will be unable to meet our anticipated development or commercialization timelines, which would have a material adverse effect on our business and prospects.

We rely upon strong relationships with certain key physicians and leading hospitals in the clinical development and marketing of our products.

The clinical development, marketing and sale of our products require us to maintain close relationships with physicians upon whom we rely to provide considerable knowledge and experience. These physicians may assist us as researchers, marketing consultants, trainers for TAVR procedures, inventors, and as public speakers. Since inception and up to the Latest Practicable Date, we had arranged TAVR training operations to physicians at 156 hospitals in China. Only a limited number of cardiovascular hospitals and physicians have the expertise and are eligible to routinely perform complex procedures such as TAVR. If we fail to develop or maintain strong relationships with these professionals or to continue to receive their advice and input, the development and marketing of our products could suffer, which could have a material adverse effect on our business, financial condition, and results of operations.

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

We may from time to time establish or seek strategic alliances, form joint ventures or collaborations, or enter into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our product candidates and any future product candidates that we may develop. For example, in August 2017, we entered into a collaboration agreement with SCU where we agreed to co-establish an Advanced Cardiovascular Materials Engineering Lab, in order to collaborate on a program to develop cardiovascular materials. We fund SCU in exchange for its R&D of cardiovascular materials in support of and in accordance with our technology needs and development plan. For details, see "Business – Product Design and Pre-clinical Development – Collaboration with SCU."

We face significant competition in seeking appropriate strategic partners and the negotiation process for the collaboration, alliances or licensing arrangements can be time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a development stage for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third party. For any products or product candidates that we may seek to in-license from third parties, we may face significant competition from other medical device companies with greater resources or capabilities than us, and any agreement that we do enter may not result in the anticipated benefits.

Further, collaborations involving our products and product candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, or change their strategic focus due to the acquisition of competitive products, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials, or require a new design of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates;
- a collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to their marketing and distribution;

- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our product candidates, or that result in costly litigation or arbitration that diverts management attention and resources;

- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates; and/or

- collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, we may not be able to realize the benefit of current or future collaborations, strategic partnerships or the license of our third-party products if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.

Our cross-border transfer of data may be limited or restricted.

The clinical trials, registration and post-marketing surveillance of our products and product candidates in different jurisdictions involve the collection and storage of personal health information for scientific purposes, and it may require cross-border transfer of personal or scientific data, which subjects us to relevant laws and regulations. As of the Latest Practicable Date, we had not been restricted from transferring data across jurisdictions for the purposes of medical device registration, however, our transfer of data may be limited or even restricted if the information is considered of national security interest in certain jurisdictions or if we fail to continue to comply with the requirement on data protection, in which case, our business may be harmed as a result.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental

approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term state secret is not clearly defined, if and to the extent our R&D of medical device product candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our R&D of product candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities. Moreover, Cyberspace Administration of China issued the Measures on Security Assessment of the Cross-border Transfer of Personal Information (Draft for Comment) (《個人信息出境安全評估辦法(徵求意見稿)》) in June 2019, pursuant to which, any cross-border transfer of information that may endanger national security, damage public interest, or fail to offer effective protection of personal information security, as assessed by relevant regulatory bodies, will be prohibited. Given that the government body will have full discretion in the assessment, it is unclear if and the extent to which our clinical data will be considered as an endangerment to national or personal information security, if the regulation becomes effective.

Cross-border data transfer from other jurisdictions may also be limited if we fail to comply with relevant requirements, such as obtaining authorization from patients regarding the use, transfer and retrieval of their personal information or data and adopting measures to ensure the safety of personal information or data in the transfer. For example, cross-border data transfer from the EU to abroad is governed by the General Data Protection Regulation, and similarly, cross-border data transfer from Israel to abroad is governed by Protection of Privacy Regulations (Transfer of Data to Databases Outside the State's Boundaries) in Israel. Also, cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions, and thus any failure to comply with data privacy protection may lead to a restriction of transferring our data across different jurisdictions.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We had net current liabilities during the Track Record Period, which may expose us to liquidity risk.

We had net current liabilities of RMB205.5 million and RMB274.9 million as of December 31, 2018 and May 31, 2019, respectively. For details, see "Financial Information." A net current liabilities position may expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources including the Global Offering, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed may have a material adverse effect on our business, financial condition, results of operations and prospects.

Goodwill represented a significant portion of our total assets as of May 31, 2019. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

As of May 31, 2019, we had goodwill of RMB471.9 million which primarily arose from our acquisition of Keystone completed in December 2018. For more information, see "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Keystone." Goodwill represented a significant portion of the total assets on our consolidated balance sheet as of May 31, 2019. The value of goodwill is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss. Furthermore, our determination on whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, which depends on the expected future cash flows from the cash-generating units. If we determine the expected future cash flow to decrease, our goodwill may be impaired. Any significant impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to goodwill, see Note 2.3 "Summary of Significant Accounting Policies – Business combinations and goodwill" and Note 3 "Significant Accounting Judgments and Estimates – Impairment of goodwill" to the Accountants' Report in Appendix IA to this Prospectus. For a detailed discussion on the impairment testing of goodwill, see Note 14 to the Accountants' Report in Appendix IA to this Prospectus.

If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.

As of May 31, 2019, we had other intangible assets of RMB187.4 million which comprised of RMB185.4 million related to intellectual property and RMB2.0 million related to software. Our intangible assets are primarily related to the intellectual property rights we acquired from the acquisition of Keystone in 2018 and from InterValve Seller in 2017. For more information, see "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Certain Assets of InterValve, Inc." and "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Keystone."

The value of intangible assets is based on a number of assumptions made by the management. For a detailed discussion on the intangible assets, see Note 15 to the Accountants' Report in Appendix IA to this Prospectus. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss. Furthermore, our determination on whether intangible assets are impaired requires an estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our other intangible assets may be impaired. The impairment of intangible assets could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to intangible assets, see Note 2.3 "Summary of Significant Accounting Policies – Intangible assets (other than goodwill)" and Note 3 "Significant Accounting Judgments and Estimates – Useful lives of intangible assets" to the Accountants' Report in Appendix IA to this Prospectus.

We will need to obtain additional financing to fund our operations and we had net cash outflows from our operating activities during the Track Record Period. If we are unable to obtain that financing, we may be unable to complete the development and commercialization of our product candidates.

Our product candidates will require completion of clinical development, regulatory review, significant marketing efforts and substantial investment before they can provide us with product sales revenue. Our operations have consumed substantial amounts of cash since inception. Our operating activities used RMB82.3 million of net cash in 2017, RMB151.5 million of net cash in 2018 and RMB115.8 million of net cash during the five months ended May 31, 2019. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all, and if we raise finance by issuing further equity securities, your interest in our Company may be diluted. If we continue to have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected.

We expect to continue to spend substantial amounts on R&D, advancing the clinical development of our product candidates, commercializing our products and launching and commercializing any product candidates for which we receive regulatory approval, including building our own commercial organization to address China and other markets. Our existing cash and cash equivalents may not be sufficient to enable us to complete all global development or commercially launch all of our current product candidates for the anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. We cannot assure you that our financial resources will be adequate to support our operations. Our future funding requirements will depend on many factors, including:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely enroll patients in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our product candidates;
- the number and characteristics of product candidates that we may develop;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- selling and marketing costs associated with our products and any existing or future product candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;
- the terms and timing of any potential future collaborations, licensing or other arrangements that we may establish;
- cash requirements of any future acquisitions and/or the development of other product candidates;

- the cost and timing of development and completion of commercial-scale internal or outsourced, if any, manufacturing activities; and/or

- our headcount growth and associated costs.

Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our R&D programs or future commercialization efforts.

We have historically received government grants and subsidies for our R&D activities and we may not receive such grants or subsidies in the future.

We have historically received government grants in the form of subsidies for certain of our product development projects. For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, we recognized government grants as other income of RMB4.1 million, RMB2.0 million and RMB0.5 million, respectively. For further details of our government grants, see "Financial Information." Our eligibility for government grants is dependent on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the R&D progress made by other peer companies. In addition, the policies according to which we historically received government grants may be halted by the relevant government entities at their sole discretion. There is no assurance that we will continue to receive such government grants or receive similar level of government grants, or at all, in the future.

Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted Employee Incentive Scheme for the benefit of our employees (including directors) and non-employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see "Appendix VI – Statutory and General Information – Further Information about our Directors,

Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Scheme." During 2017, 2018 and the five months ended May 31, 2019, we incurred share-based compensation of RMB73.5 million, RMB235.8 million and RMB47.4 million, respectively. To further incentivize our employees and non-employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

RISKS RELATING TO OUR OPERATIONS

Our future success depends on our ability to retain key personnel in our R&D team, sales and marketing team and executives and to attract, retain and motivate qualified personnel.

Our business and growth depend on the continued service of our senior management and personnel in our R&D team to develop product candidates and our sales and marketing team to promote our products. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain key person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To induce valuable employees to remain at our Company, in addition to salary and cash incentives, we have provided share awards to our employees. The value to employees of these equity grants may be significantly affected by movements in the Share price that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice.

In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our discovery, clinical development and commercialization strategy. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous medical device companies for similar personnel.

We also experience competition for the hiring of R&D and clinical personnel from universities and research institutions. Our consultants and advisors may be engaged by our competitors and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We were formed in July 2009. Our operations to date have focused on business planning, raising capital, establishing our intellectual property portfolio, conducting preclinical studies and clinical trials of our product candidates and the commercialization of our products. Other than our VenusA-Valve which was launched in August 2017 and V8 and TAV8 which we acquired from InterValve in 2017, we have not yet obtained regulatory approvals for our other product candidates or manufactured a commercial scale product. We have only generated revenues from the sales of our VenusA-Valve and our ancillary products V8 and TAV8 acquired from InterValve. Our limited operating history, particularly in light of the rapidly evolving heart valve diseases treatment field, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer.

We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

As our development and commercialization plans and strategies evolve, we need to recruit a significant number of additional managerial, operational, manufacturing, sales, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our products and product candidates will depend, in part, on our ability to effectively manage our recent growth and any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain independent organizations, advisors and consultants to provide certain services. There can be no assurance that the services of these independent organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. There can be no assurance that we will be able to manage our existing consultants or find other competent outside contractors and consultants on economically reasonable terms, if at all.

If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialize our products and product candidates and, accordingly, may not achieve our research, development and commercialization goals.

If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and product candidates and regulatory approvals; and/or
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

If we fail to successfully integrate our recently acquired subsidiary or any future targets into our own operations, our post-acquisition performance and business prospects may be adversely affected.

We completed our acquisition of Keystone on December 26, 2018. However, we may not be able to integrate Keystone to achieve the expected synergies with our existing operations and to fulfill the contemplated purposes of these acquisitions. In particular, Keystone is incorporated in Israel and has business in the U.S., which brings about higher integration risks because we have

limited experience with business conduct and integration, or rules and regulations in Israel and the U.S. We may not achieve the operational or economic synergies expected from such acquisition. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the synergies from our acquisition of Keystone may be offset by costs incurred in the acquisition, increases in other expenses, operating losses or problems in the business unrelated to our collaboration. As a result, there can be no assurance that these synergies will be achieved.

Additionally, Keystone may not provide us with the intellectual property rights, technology, R&D capability, production capacity or sales and marketing infrastructure we had anticipated, or they may be subject to unforeseen liabilities. We may be unable to successfully increase the efficiencies of the acquired businesses in the manner we contemplated or devote more resources and management attention than desirable to the integration and management of the acquired businesses. Hence, there can be no guarantee that we will be able to enhance our post-acquisition performance or grow our business through our recent or future acquisitions.

Product liability claims or lawsuits could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the commercialization of our products in China and the clinical testing and any future commercialization of our product candidates globally. For example, we may be sued if our products or product candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the medical device product, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection acts. If we cannot successfully defend ourselves against or obtain indemnification from our collaborators for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products and product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;
- injury to our reputation;
- withdrawal of clinical trial participants and inability to continue clinical trials;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients, product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;

- the inability to commercialize any product candidate; and/or
- a decline in our Share price.

If we are unable to obtain sufficient product liability insurance at an acceptable cost, potential product liability claims could prevent or inhibit the commercialization of our products and product candidates. We currently do not hold any product liability insurance coverage, and we may be unable to acquire such insurance at a reasonable cost or in an amount adequate to satisfy any liability that may arise, or we may not be able to obtain additional or replacement insurance at a reasonable cost, if at all. Our insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, contractors, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. Our operations are subject to various applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China, including, without limitation, criminal law of the PRC, Regulations on the Supervision and Administration of Medical

Devices (《醫療器械監督管理條例》) and the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》). These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to patient privacy regulation. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with the PRC government.

Neither the PRC government nor the PRC courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, we are subject to equivalents of each of the healthcare laws described above in other jurisdictions, among others, some of which may be broader in scope and may apply to healthcare services reimbursed by any source, not just governmental payors, including private insurers. There are ambiguities as to what is required to comply with these requirements, and if we fail to comply with an applicable law requirement, we could be subject to penalties.

If any of the physicians or other providers or entities with whom we do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may also adversely affect our business.

If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to the anti-bribery laws of various jurisdictions, particularly in China. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. Our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with the applicable anti-bribery laws due to either our own deliberate or inadvertent acts or those of others, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals. Our operations also produce hazardous waste. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We could also incur significant costs associated with civil or criminal fines and penalties.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials.

In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our internal computer systems may fail or suffer security breaches.

Despite the implementation of security measures, our internal computer systems are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we have not experienced any material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. These applications and data encompass a wide variety of business critical information including R&D information, commercial information and business and financial information. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our Company or vendors that provide information systems, networks, or other services to us pose increasing risks. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenues. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and viruses, phishing, and other cyber-attacks. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely. As we outsource more of our information systems to vendors, engage in more electronic transactions with payors and patients, and rely more on cloud-based information systems, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems.

If we or parties on whom we rely fail to maintain the necessary licenses for the development, production, sales and distribution of our products, our ability to conduct our business could be materially impaired.

We are required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell our products. Third parties, such as research institutions, distributors and suppliers on whom we may rely to develop, produce, promote, sell and distribute our products, may be subject to similar requirements. We and third parties on whom we rely may be also subject to regular inspections, examinations, inquiries or audits by regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we or the third parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, requiring us or parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate our business, there can be no assurance that we or parties on whom we rely will successfully obtain such permits, licenses or certificates.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our operations, and those of our third-party research institution collaborators, suppliers and other contractors and consultants, could be subject to natural or man-made disasters or business interruptions, for which we are predominantly self-insured. In addition, we partially rely on our third-party research institution collaborators for conducting R&D of our product candidates, and they may be affected by government shutdowns or withdrawn funding. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. We partially rely on third-party manufacturers to produce and process our products and product candidates. Our ability to obtain supplies of our products and product candidates could be disrupted if the operations of these suppliers are affected by a man-made or natural disaster or other business interruption. Damage or extended periods of interruption to our corporate, development, research or manufacturing facilities due to fire, natural disaster, power loss, communications failure, unauthorized entry or other events could cause us to cease or delay development or commercialization of some or all of our product candidates. Although we maintain property damage and business interruption insurance coverage on these facilities, our insurance might not cover all losses under such circumstances and our business may be seriously harmed by such delays and interruption.

If we fail to effectively expand our international business, our business prospects may be adversely affected.

We plan to broaden our sales and expand our presence globally especially in the U.S. and the EU by commercializing our pipeline products, such as VenusP-Valve and CEP device to benefit from higher medical expense levels in these developed regions. We are in the process of various clinical trials and registration applications in the EU and the U.S., and we have also been expanding our business in emerging markets, such as South America. However, our limited experience in overseas markets may expose us to risks and uncertainties, including the risks associated with the following:

- dealing with regulatory regimes, regulatory bodies and government policies which may differ materially from those in the PRC or with which we may be unfamiliar;
- substantial time which may be required for us to obtain approval for registering and selling our products in additional countries, especially in developed countries;
- commercializing our products in new markets where we have limited experience with the dynamics and no sales and marketing infrastructure;
- higher costs for new product development and reliance on overseas partners for the development, commercialization and marketing of our products;
- product liability litigation and regulatory scrutiny arising from the marketing and sale of products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness and inflation;

- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue;
- workforce uncertainty and labor unrest; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

Our insurance coverage may not completely cover the risks related to our business and operations.

Our operations are subject to hazards and risks associated with our research and manufacturing operations, which may cause significant harm to persons or damage to properties. We maintain different types of insurance policies, including social insurance for all of our employees, property insurance and personal accident insurance. For details, see "Business — Insurance." However, there is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

We, our Shareholders, Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were incompliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

RISKS RELATED TO DOING BUSINESS IN CHINA

The medical device industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our product candidates.

We conduct the majority of our operations in China. The medical device industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new devices. In recent years, the regulatory framework in China regarding the medical device industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such

changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our product candidates in China and reduce the benefits we believe are available to us from developing and manufacturing artificial valve and its delivery systems 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.

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

While the PRC economy has experienced significant growth over the past 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

The majority of our operations are conducted in China, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the non-binding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Additionally, the reform of the medical device approval system in 2017 may face implementation challenges. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our product candidates in a timely manner. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of the PRC, and substantially all of our assets are located in the PRC. In addition, a majority of our Directors, Supervisors and senior management personnel reside within the PRC, and substantially all of their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and senior management personnel, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement remain uncertain. In addition, the PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and most other western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgment of a court in the United States or any other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our Shares by our investors are subject to PRC tax. Under the EIT Law of the PRC, our offshore subsidiaries may therefore be subject to PRC income tax on their worldwide taxable income.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H shares through the sale or transfer by other means of H shares.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our Shares may be materially and adversely affected.

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within China is considered a "resident enterprise," meaning that it is treated in a manner similar to a Chinese enterprise for PRC EIT, purposes. The implementing rules of the EIT Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries

or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

As substantially all of the operational management of our Company is currently based in the PRC, our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. The EIT on our subsidiaries' global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

Payment of dividends is subject to restrictions under PRC law and regulations.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries and joint ventures in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Failure by our operating subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Any failure to comply with PRC regulations regarding our employee equity incentive plans or the mandatory social insurance may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Our directors, executive officers and other employees who are PRC residents have participated in our employee equity incentive plans. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

According to the Social Insurance Law implemented on July 1, 2011 and other applicable PRC regulations, any employer operating in China must open social insurance registration accounts and contribute social insurance premium for its employees. Any failure to make timely and adequate contribution of social insurance premium for its employees may trigger an order of correction from competent authority requiring the employer to make up the full contribution of such overdue social insurance premium within a specified period of time, and the competent authority

may further impose fines or penalties. In the ordinary course of our business, we have failed to comply with such regulations involving, in the aggregate, an immaterial amount. As of the Latest Practicable Date, we have not received any order of correction or any fines or penalties from the competent authority and also have not received any complaint or labor arbitration application from any of our employees, in each case as a result of any such failure. However, the competent authority could require us to rectify any non-compliance by making contribution of overdue social insurance premium or to pay any overdue fine or penalty related thereto.

Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. A substantial portion of our revenue is denominated in RMB. Shortages in availability of foreign currency may then restrict our ability to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations. The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, we and our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to us and our PRC subsidiaries as part of our efforts to encourage the development of local businesses. We recognized RMB4.1 million, RMB2.0 million and RMB0.5 million of government grants as other income for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, respectively. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiary's abilities to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiary.

The SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**"), issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle" SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC resident under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. For details, see "History, Development and Corporate Structure – PRC Regulatory Requirements."

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of SAFE Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain and applicable registrations or approvals required by SAFE Circular 37 or other related regulations. As of the Latest Practicable Date, one of our Shareholders, who is an PRC citizen and beneficially owns less than 1% of the equity interest in our Company, did not conduct his registration with the SAFE. Although our PRC Legal Advisor is of the view that given SAFE Circular 37 and the relevant laws and regulations do not contain provisions on the legal responsibility of a company in the event that shareholders of that company did not conduct their registration with the SAFE, unless the SAFE or its local branches release explicit requirements or adopts different interpretation on the relevant PRC laws and regulations in the future, it is unlikely that our Company and its PRC subsidiaries will be sanctioned by the SAFE or its local branches. However, there is no assurance that SAFE or other relevant PRC government authorities will not impose penalties or sanctions on us.

The political relationships between China and other countries may affect our business operations.

During the Track Record Period, we purchased raw materials for our products from certain overseas suppliers, and we procured the services from and were in collaboration with entities in foreign countries and regions, in particular the United States. We may also engage in cross-border sales of our products between the U.S. and China in the future. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. Tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

China's political relationships with those foreign countries and regions may affect the prospects of our relationship with third parties. There can be no assurance that our existing or potential service providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions.

Furthermore, we rely on certain overseas suppliers to obtain raw materials for our products. In the event that China and/or the United States impose import tariffs, trade restrictions or other trade barriers affecting the importation of such components or raw materials, we may not be able to obtain a steady supply of necessary components or raw materials at competitive prices, and our business and operations may be materially and adversely affected. Among our raw materials imported from the U.S., the principal raw material nitinol frame is not subject to any punitive tariff, one type of stainless steel tubing is currently subject to additional 10% tariff, and two types of polymer tubing are currently subject to additional 15% tariff, imposed by the Customs Tariff Commission of State Council, and neither of them is subject to any exemption.

Our products may be subject to punitive tariffs or other trade barriers, if we engage in cross-border sales between the U.S. and China. For example, V8 and TAV8 are currently on the List of Imports from the United States Subject to Additional 5% Tariffs (《對美加徵5%關稅商品清單》) issued by the Customs Tariff Commission of State Council in August 2018, under which, as advised by our PRC Legal Advisor, if we import V8 and TAV8 produced by our designated manufacturer in the U.S., after receiving import licensing approval from the NMPA, our products would be imposed an additional 5% tariff, and would not be subject to any exemption. Although as of the Latest Practicable Date, none of our products or product candidates (other than V8 and TAV8 which are subject to additional tariff if imported from the U.S. to China) was subject to any punitive tariff due to the trade tension between the U.S. and China, the governments may impose such tariff or even restrict the sales of our products in the future. Any increase in the tariff or trade restrictions will increase our costs and may adversely affect our sales of products in the global market.

RISKS RELATED TO THE GLOBAL OFFERING

No public market currently exists for our Shares, and an active trading market for our Shares may not develop and the market price for our Shares may decline or became volatile.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and Joint Representatives (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will rise following the Global Offering.

The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting our industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and our Shares may be subject to changes in price not directly related to our performance.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the offer price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future sales or perceived sales of a substantial number of our Shares in the public market following the Global Offering could materially and adversely affect the price of our Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the Global Offering could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

In addition, our Shareholders would experience dilution in their shareholdings upon offer or sale of additional share capital or share capital-linked securities by our Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

As the Offer Price of our Offer Shares is higher than our net tangible book value per share, purchasers of our Shares in the Global Offering may experience immediate dilution upon such purchases. Purchasers of Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value, and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets per Share of their Shares. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interest of our other shareholders.

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 25.03% of our Shares, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

Because we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Shares for a return on your investment.

We intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and commercialization of our pipeline product candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board declares and pays dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways with which you may not agree or which do not yield a favorable return to our shareholders. We plan to use the net proceeds from the Global Offering to fund:

- ongoing and planned R&D and commercialization of our most promising product candidates,
- payment of consideration and transaction expenses related to our acquisition of Keystone,
- the expansion of our product portfolio through internal research and/or potential acquisitions, and
- general working capital.

For details, see "Future Plans and Use of Proceeds — Use of Proceeds."

However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

Facts, forecasts and statistics in this document relating to the transcatheter heart valve replacement device industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the transcatheter heart valve replacement device industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the industry statistics in this document may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

Subsequent to the date of this document but prior to the completion of the Global Offering, there may be press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading or deceptive.

CSRC APPROVAL

The CSRC has given us its approval for the listing of our H Shares on the Hong Kong Stock Exchange and the Global Offering on October 25, 2019. In granting this approval, the CSRC does not accept responsibility for the financial soundness of our Company, or for the accuracy of any of the statements made or opinions expressed in this Prospectus and the Application Forms.

As advised by our PRC Legal Advisor, our Company has obtained all necessary approvals and authorizations in the PRC in relation to the Global Offering and the Listing.

GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Representatives, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be determined between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, December 4, 2019 and, in any event, not later than Monday, December 9, 2019 (unless otherwise determined between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Representatives and our Company on or before Monday, December 9, 2019, the Global Offering will not become unconditional and will lapse immediately.

For further information about the Underwriters and the underwriting arrangements, see "Underwriting."

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

For details of the structure of the Global Offering, see "Structure of the Global Offering."

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the H Shares will be required to confirm, or by his/her/its acquisition of H Shares be deemed to confirm, that he/she/it is aware of the restrictions on offers and sales of the H Shares described in this Prospectus.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and/or the Application Forms and the offering and sales of the H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the H Shares have not been publicly offered or sold, directly or indirectly, in the PRC.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, (i) the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) any H Shares to be converted from Unlisted Foreign Shares. Our Domestic Shares and Unlisted Foreign Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in "Share Capital – Conversion of our Unlisted Shares into H Shares."

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, December 10, 2019. Save as disclosed in this Prospectus, no part of our shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All Offer Shares will be registered on the H Share Registrar in order to enable them to be traded on the Hong Kong Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Global Offering, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Hong Kong Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out "Structure of the Global Offering." Assuming that the Over-allotment Option is exercised in full, our Company may be required to issue at the Offer Price up to an aggregate of additional 11,780,500 H Shares, representing approximately 15% of the total number of H Shares initially available under the Global Offering.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the H Shares or exercising any rights attached to them. It is emphasized that none of our Company, the Joint Representatives, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, supervisors, officers, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of any holders of the H Shares resulting from the subscription, purchase, holding or disposal of the H Shares or exercising any rights attached to them.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders' own risk, to the registered address of each Shareholder.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Special Regulations and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive. For further details, see "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association";

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his/her/its behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations (i) of certain Renminbi amounts into Hong Kong dollars; (ii) of Renminbi amounts into U.S. dollars; and (iii) of Hong Kong dollars amounts into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation (i) of Renminbi into Hong Kong dollars; (ii) of Renminbi into U.S. dollars; and (iii) of Hong Kong dollars into U.S. dollars, and vice versa, in this Prospectus was made at the following rates:

HK$1.1168	RMB1.00
RMB7.0075	US$1.00
HK$7.8261	US$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

TRANSLATION

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English version of this Prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this Prospectus between totals and sums of amounts listed therein are due to rounding.

In preparation for the Global Offering, we have sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange, including but not limited to compliance by us with Rules 19A.05 to 19A.07 of the Listing Rules.

Most of the business operations of our Company and our subsidiaries are managed and conducted in the PRC, and our executive Directors ordinarily reside in the PRC, the United States and Singapore (as the case may be), our Company considers it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing our executive Directors or appointment of additional executive Directors. Our Company does not have and, for the foreseeable future, does not contemplate that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

1. We have appointed Mr. Zi and Ms. Po Yi Fok ("**Ms. Fok**") as our authorized representatives pursuant to Rules 3.05 and 19A.07 of the Listing Rules. The authorized representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The authorized representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

2. When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number, fax number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

3. All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period;

4. We have appointed Red Solar Capital Limited as our compliance adviser upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Our compliance adviser will have access at all times to our authorized representatives, our Directors and our senior management as prescribed by Rule 19A.05(2) of the Listing Rules, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the authorized representatives are not available; and

5. We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the compliance adviser's officers who will act as our compliance adviser's contact persons between the Hong Kong Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong; and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Haiyue Ma ("**Mr. Ma**"), our Chief Financial Officer, as one of our joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Fok, a member of the Hong Kong Institute of Certified Public Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Ma for an initial period of three years from the Listing Date to enable Mr. Ma to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Fok will work closely with Mr. Ma to jointly discharge the duties and responsibilities as company secretary and assist Mr. Ma in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Ma will also be assisted by (a) the compliance adviser of our Company for the first full financial year from the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisor of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations. In addition, Mr. Ma will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required for a company secretary of a PRC issuer listed on the Hong Kong Stock Exchange.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Ms. Fok, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Mr. Ma in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules.

Before the expiration of the initial three-year period, the qualifications of Mr. Ma will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. In the event Mr. Ma fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

WAIVER IN RELATION TO EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPHS 31 AND 33(1) OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this Prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this Prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this Prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this Prospectus a report prepared by our Company's auditor with respect to profits and losses and assets and liabilities of our Company in respect of each of the three financial years immediately preceding the issue of this Prospectus.

According to paragraph 33(1) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC requires that, if the proceeds, or any part of the proceeds, of the issue of shares or debentures are or is to be applied directly or indirectly in any manner resulting in the acquisition by our Company of shares in any other undertaking; and by reason of that acquisition or anything to be done in consequence thereof or in connection therewith that undertaking will become a subsidiary of our Company, our Company is required to include in this Prospectus a report made by our Company's auditor with respect to (a) the profits or losses of the other undertaking in respect of each of the three financial years immediately preceding the issue of this Prospectus; and (b) the assets and liabilities of the other undertaking at the last date to which the financial statements of the business were prepared.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

According to Rule 4.04(1) of the Listing Rules, the accountants' report contained in this Prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this Prospectus or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

According to Rule 18A.06 of the Listing Rules, an eligible biotech company shall comply with Rule 4.04 as modified so that references to "three financial years" or "three years" in that rule shall instead reference to "two financial years" or "two years," as the case may be.

Accordingly, we applied to the SFC for, and the SFC has granted, a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I, paragraphs 31 and 33(1) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the conditions that the particulars of the exemption are set forth in this Prospectus and this Prospectus will be issued on or before November 28, 2019 on the following grounds:

(a) our Company is primarily engaged in the R&D, application and commercialization of Biotech Products, and falls within the definition of Biotech Company as defined under Chapter 18A of the Listing Rules;

(b) the accountants' report for the two financial years ended December 31, 2017 and 2018 and the five months ended May 31, 2019 of our Company has been prepared and is set out in Appendix IA to this Prospectus in accordance with Rule 18A.06 of the Listing Rules;

(c) the accountants' report for the two financial years ended December 31, 2017 and 2018 and the five months ended May 31, 2019 of Keystone has been prepared and is set out in Appendix IB to this Prospectus in accordance with paragraphs 33(1) and 33(2) of Part II of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance except that the accountants' report of Keystone only covers the most recent two of the three financial years immediately preceding the issue of this Prospectus;

(d) notwithstanding that the financial results set out in this Prospectus are only for the two years ended December 31, 2017 and 2018 and the five months ended May 31, 2019 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this Prospectus pursuant to the relevant requirements; and

(e) given that the Company is only required to disclose its financial results for the two financial years ended December 31, 2017 and 2018 and the five months ended May 31, 2019 under Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2016 would require additional work to be performed by the Company and the reporting accountants, we are of the view that it would be unduly burdensome for us to strictly comply with the disclosure requirements under paragraph 27 of Part I and paragraphs 31 and 33(1) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Our Company is of the view that the accountants' report covering the two years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, together with other disclosure in this Prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company and Keystone; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this Prospectus. Therefore, the exemption would not prejudice the interests of the investing public.

WAIVER IN RELATION TO PRO-FORMA FINANCIAL INFORMATION

Rule 4.29 of the Listing Rules provides that where an issuer includes pro forma financial information in any document (whether or not such disclosure of pro forma financial information is required under the Listing Rules), that information must comply with Rules 4.29(1) to (6) of the Listing Rules and a report in the terms of Rule 4.29(7) of the Listing Rules must be included in the relevant document. Rule 4.29(6)(b) of the Listing Rules further requires that any adjustments which are made to the information referred to in Rule 4.29(5) of the Listing Rules in relation to any pro forma statement must be directly attributable to the transaction concerned (i.e. the Global Offering and the Listing on the Stock Exchange in the Company's case) and not relating to future events or decisions.

It is not a requirement under the Listing Rules to include the unaudited pro forma financial information of the enlarged group as set out in Appendix IIB to this Prospectus (the "**Keystone Pro Forma**") in respect of the acquisition of Keystone (the "**Keystone Acquisition**") as detailed in "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Keystone" in this Prospectus. However, as part of the Global Offering, we intend to offer the International Offer Shares in the International Offering, including offers to QIBs in the United States in reliance on Rule 144A or other exemptions under the U.S. Securities Act. Consistent with disclosure practices and investor expectations for a Rule 144A offering, the disclosure in this Prospectus is expected to be generally consistent with the disclosure standards of the U.S. Securities and Exchange Commission (the "**SEC**"). In particular, Rule 11-01(a)(1) of Article 11 of Regulation S-X ("**Rule 11-01(a)(1)**") requires a company offering securities to include in its offering document pro forma financial statements if a "significant business combination has

occurred" in the most recent fiscal year for which a balance sheet is disclosed. The Keystone Acquisition is considered as a "significant business combination" during the most recent fiscal year ended December 31, 2018 under Rule 11-01(a)(1) and disclosure pursuant to the requirements set out in Rule 11-02(c)(2) in a Rule 144A offering (as is in our case) would be consistent with investor expectations. We therefore need to include in this Prospectus the pro forma financial statements of the enlarged group for the year ended December 31, 2018 reflecting the Keystone Acquisition as if it had taken place on January 1, 2018 on a pro forma basis. Hence, the inclusion of the Keystone Pro Forma in this Prospectus is for the purpose of conforming with the disclosure standards of the SEC. In addition, the Keystone Pro Forma presented in this Prospectus is in compliance with Rule 4.29 of the Listing Rules except for Rule 4.29(6)(b). It is also considered that such presentation, on the one hand, would achieve the objectives of the requirements under Rule 4.05A of the Listing Rules and on the other hand, the Keystone Pro Forma together with other financial information of Keystone in this Prospectus would enable investors to have a fuller picture of the overall financial performance of our Group as enlarged by the Keystone Acquisition.

The Keystone Pro Forma was prepared based on (i) the audited consolidated statements of profit or loss and other comprehensive income of our Group for the year ended December 31, 2018 as set out in the accountants' report of our Group included in Appendix IA to this Prospectus; and (ii) the audited consolidated statements of profit or loss and other comprehensive income of Keystone for the year ended December 31, 2018 as set out in the accountants' report of Keystone included in Appendix IB to this Prospectus translated into RMB at the weighted average exchange rate for the year, after making pro forma adjustments as explained in the notes to section (A) of Appendix IIB to this Prospectus. Ernst & Young ("**E&Y**"), being our Company's reporting accountants, has performed procedures in relation to the Keystone Pro Forma in accordance with Hong Kong Standard on Assurance Engagement 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), the Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA. In the opinion of E&Y, the Keystone Pro Forma has been properly compiled on the basis stated; such basis is consistent with the accounting policies of the Group; and the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules. Please also see section (B) of Appendix IIB to this Prospectus.

The Joint Sponsors, having considered Rule 4.29 of the Listing Rules and after reviewing the procedures performed by E&Y, our reporting accountants, and participating in discussions with E&Y and us, are of the view that the presentation of the Keystone Pro Forma is fair and reasonable.

We believe that the Keystone Pro Forma is material information for investors. By illustrating the scope of the change in the financial position and results of operations of our Group, the Keystone Pro Forma, together with the historical financial statements of our Group and Keystone, provides investors with information relevant to the continuing impact of the Keystone Acquisition by showing how the transaction might have affected the Company's historical financial statements for the most recent financial year. In addition, we believe that the Keystone Pro Forma is not misleading as it illustrates only the isolated and objectively measurable (based on historically determined amounts) effects of the Keystone Acquisition while excluding effects that rely on highly judgmental estimates of how historical practices and operating decisions may or may not have changed as a result of the Keystone Acquisition.

Accordingly we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 4.29(6)(b) of the Listing Rules.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Min Frank Zeng (曾敏)	17 Needle Grass Irvine California 92603 U.S.	American
Mr. Zhenjun Zi (訾振軍)	No.126 Building Phase 3 Huangjin Shuian Huayuan Yu Road Suikou Zhen Wuzhong District Suzhou City, PRC	Chinese
Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇)	96B, Upper East Coast Road Singapore 455234 Singapore	Singaporean
Non-Executive Director		
Ms. Nisa Bernice Wing-Yu Leung (梁穎宇)	1/F, 15 Wang Chiu Road Kowloon Hong Kong	Chinese (Hong Kong)
Independent Non-Executive Directors		
Mr. Ting Yuk Anthony Wu (胡定旭)	Room 4330 Four Seasons Place 8 Finance Street Central Hong Kong	Chinese (Hong Kong)
Mr. Wan Yee Joseph Lau (劉允怡)	North Block, LG201 Lee Woo Sing College The Chinese University of Hong Kong Shatin Hong Kong	Chinese (Hong Kong)
Mr. Chi Wai Suen (孫志偉)	Flat F 45/F Tower 1 48 Wing Shun Street, City Point Tsuen Wan New Territories Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Ms. Yan Xiao (肖燕)	Room 2101 Building 29 Rainbow City Binsheng Road 4396 Binjiang District Hangzhou, PRC	Chinese
Mr. Wei Wang (王瑋)	Room 1602 No.12 Alley 888 Changning Road Changning District Shanghai, PRC	Chinese
Ms. Lingling Yang (楊玲玲)	Room 1103 Building 5 World Trade Regent City Xihu District Hangzhou, PRC	Chinese

For details with respect to our Directors and Supervisors, see "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
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Hong Kong Securities Limited
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Credit Suisse (Hong Kong) Limited
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Hong Kong

China Merchants Securities (HK) Co., Limited
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Central
Hong Kong

Joint Global Coordinators

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Hong Kong Securities Limited
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Credit Suisse (Hong Kong) Limited
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China Merchants Securities (HK) Co., Limited
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CMB International Capital Limited
45th Floor, Champion Tower
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Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
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Joint Bookrunners

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CMB International Capital Limited
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BOCI Asia Limited
26th Floor,
Bank of China Tower
1 Garden Road
Central, Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Joint Lead Managers

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
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China Merchants Securities (HK) Co., Limited
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CMB International Capital Limited
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Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
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Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central,
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and United States law
Davis Polk & Wardwell
Hong Kong Solicitors
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

As to the PRC law
King & Wood Mallesons
18th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing
PRC

Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States law* Latham & Watkins LLP 18/F, One Exchange Square 8 Connaught Place, Central Hong Kong *As to the PRC law* Jingtian & Gongcheng Suite 45/F, K.Wah Centre 1010 Huaihai Road (M) XuHui District Shanghai PRC
Auditor and Reporting Accountant	Ernst & Young *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Independent Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 1018 Tower B, Greenland Hui Center 500 Yunjin Road Shanghai PRC
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong CMB Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong

Registered Office	Room 311, 3/F, Block 2 No. 88, Jiangling Road Binjiang District Hangzhou PRC
Headquarters in the PRC	Room 311, 3/F, Block 2 No. 88, Jiangling Road Binjiang District Hangzhou PRC
Principal Place of Business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company's Website	**http://www.venusmedtech.com/** (This website and the information contained on this website do not form part of this Prospectus)
Joint Company Secretaries	Mr. Haiyue Ma (馬海越) Room 311, 3/F, Block 2 No. 88, Jiangling Road Binjiang District Hangzhou PRC Ms. Po Yi Fok (霍寶兒) *(HKICPA)* 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Zhenjun Zi (訾振軍) Room 311, 3/F, Block 2 No. 88, Jiangling Road Binjiang District Hangzhou PRC Ms. Po Yi Fok (霍寶兒) *(HKICPA)* 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong

Audit Committee	Mr. Chi Wai Suen (孫志偉) *(Chairman)* Mr. Wan Yee Joseph Lau (劉允怡) Mr. Ting Yuk Anthony Wu (胡定旭)
Remuneration and Assessment Committee	Mr. Ting Yuk Anthony Wu (胡定旭) *(Chairman)* Mr. Wan Yee Joseph Lau (劉允怡) Mr. Chi Wai Suen (孫志偉)
Nomination Committee	Mr. Wan Yee Joseph Lau (劉允怡) *(Chairman)* Mr. Chi Wai Suen (孫志偉) Mr. Ting Yuk Anthony Wu (胡定旭)
Compliance Adviser	**Red Solar Capital Limited** 11th Floor, Kwong Fat Hong Building No. 1 Rumsey Street Sheung Wan Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	**Agricultural Bank of China** Binjiang District Branch No. 288, Jiangnan Avenue Binjiang District Hangzhou PRC **Bank of Communications** Binjiang District Branch No. 1772, Jianghui Road Binjiang District Hangzhou PRC **CITIC Bank** Hushu District Branch No. 195, Hushu South Road Hushu District Hangzhou PRC

The information and statistics set out in this section and other sections of this Prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan in preparing the Frost & Sullivan Report, an independent industry report in respect of the Global Offering. We believe that the sources of the information in this section and other sections of this Prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us, the Joint Sponsors, the Joint Representatives, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering (except Frost & Sullivan), and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

HEART VALVE DISEASES AND TREATMENT

Classification of Heart Diseases

Heart disease is a general term that describes heart abnormalities, including coronary heart disease, arrhythmia, heart failure and structural heart disease. The term heart disease is often used interchangeably with the term cardiovascular disease, which generally refers to conditions that affect the circulatory system that consists of the heart, blood vessels and neurohumoral tissue. According to the Frost & Sullivan Report, cardiovascular disease caused 18.2 million deaths in 2018, contributing to 32.1% of global deaths.

Structural heart disease is a concept in the field of cardiovascular disease that has emerged in recent years. Narrowly defined, structural heart disease refers to the pathophysiological changes of the heart caused by anatomical abnormalities in the heart structure, including valvular disease, congenital heart disease, cardiomyopathy and ventricular abnormalities.

Valvular heart disease is caused by the damage to or a defect in one of the four heart valves: aortic, pulmonary, mitral and tricuspid valves. Normal valves facilitate proper blood flows, and if they become too narrow and hardened (stenosis) or are unable to close completely (regurgitation), normal blood flows will be disrupted. In 2018, about 209.3 million patients suffered from valvular heart disease globally, which caused about 2.6 million deaths during that year.

Aortic Valve Disease

Aortic valve disease mainly consists of aortic stenosis and aortic regurgitation, both strongly related to aging population. In 2018, the global patient population affected by vast aortic valve disease reached 45.3 million, which is expected to climb to 51.9 million in 2025, mainly driven by the increasing prevalence of rheumatic fever, congenital aortic valve structural abnormality or senile aortic valve calcification.

TAVR products have been used to treat patients with severe aortic stenosis or aortic regurgitation. As of the Latest Practicable Date, there were only three TAVR products approved for marketing in China, including VenusA-Valve of our Company, J-Valve of Suzhou Jiecheng Medical Technology Co., Ltd. ("**Jiecheng**") (蘇州杰成醫療科技有限公司) and VitaFlow-Valve of MicroPort Scientific Corporation ("**MicroPort**"). Our VenusA-Valve accounts for 79.3% of the market share in China in terms of implantation volume in 2018.

Overview of Aortic Stenosis

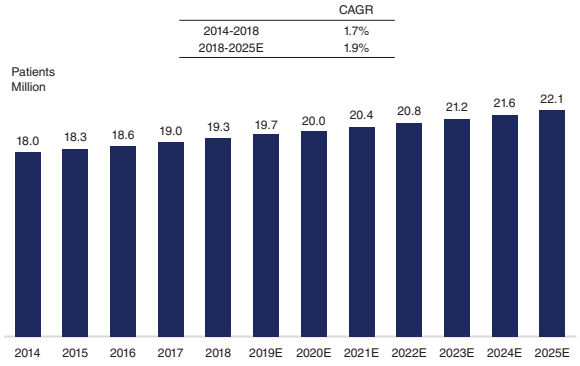
Aortic stenosis is the narrowing of the aortic valve that obstructs blood flow from the left ventricle to the ascending aorta during systole. Causes of aortic stenosis include a congenital bicuspid valve, idiopathic degenerative sclerosis with calcification and rheumatic fever. The mortality rate for patients that have progressed to the symptomatic stage of aortic stenosis is higher than 50% in two years unless aortic-valve replacement is performed promptly.

Different treatments for severe aortic stenosis are available. Balloon valvotomy is used primarily in children and very young adults with congenital aortic stenosis. SAVR is a common choice for patients less than 65 years old with low surgical risk. TAVR is usually performed on patients ineligible for surgeries as well as patients over 65 years old with intermediate to high surgical risk, and the TAVR application is also now expanding into patients with low to intermediate surgical risk.

Prevalence of Aortic Stenosis Globally

Globally, the number of aortic stenosis patients increased from 18.0 million in 2014 to 19.3 million in 2018, and is expected to increase to 22.1 million in 2025. The growth is mainly driven by the increasing prevalence of rheumatic fever, congenital aortic valve structural abnormality and senile aortic valve calcification which is associated with aging. The chart below shows the global prevalence of aortic stenosis.

Global Prevalence of Aortic Stenosis[1], 2014-2025E



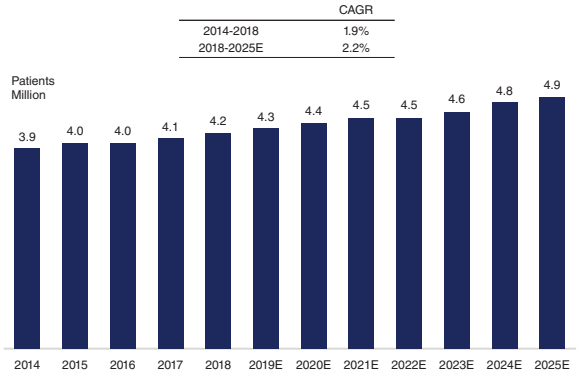
1 Aortic Stenosis includes congenital aortic stenosis, rheumatic aortic stenosis and degenerative aortic stenosis.

Source: Literature review, Frost & Sullivan analysis

Prevalence of Aortic Stenosis in China

In China, the number of aortic stenosis patients increased from 3.9 million in 2014 to 4.2 million in 2018, and is expected to increase to 4.9 million in 2025. The growth has mainly been driven by the increasing prevalence of rheumatic valvular heart disease. The chart below shows the prevalence of aortic stenosis in China.

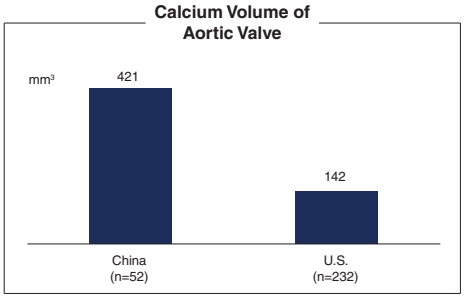
Prevalence of Aortic Stenosis in China[1], 2014-2025E

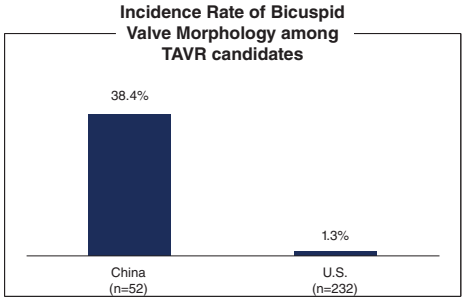


1 Aortic Stenosis includes congenital aortic stenosis, rheumatic aortic stenosis and degenerative aortic stenosis.

Source: Literature review, Frost & Sullivan analysis

Compared with patients in the U.S., aortic stenosis patients in China typically require treatment with special features such as having relatively strong bottom radial support due to high calcium volume and high percentage of bicuspid valve morphology. The following charts show the comparison between China and the U.S. regarding calcium volume and the bicuspid valve morphology incidence rates based on 52 sampled patients in China and 232 sampled patients in the U.S.





Source: Literature Review, Frost & Sullivan analysis

Overview of Aortic Regurgitation

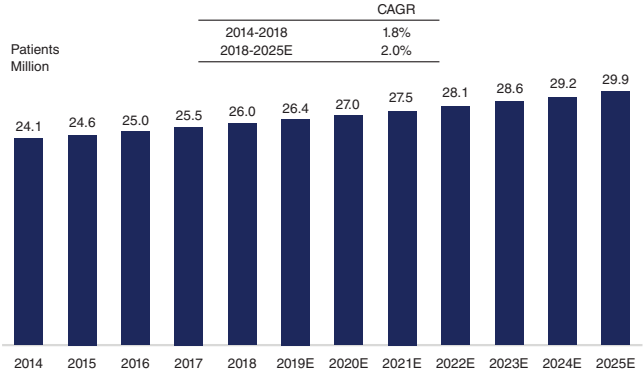
Aortic regurgitation is the incomplete closure of the aortic valve causing backflow of blood from the aorta into the left ventricle during diastole. Pathological causes of aortic regurgitation include valvular degeneration and aortic root dilation, rheumatic fever, endocarditis, myxomatous degeneration, aortic root dissection, and connective tissue (e.g., Marfan syndrome) or rheumatologic disorders. While acute aortic regurgitation may cause heart failure and cardiogenic shock, chronic aortic regurgitation is typically asymptomatic, which may lead to progressive exertional dyspnea, orthopnea, paroxysmal nocturnal dyspnea, and palpitations that develop insidiously.

Aortic regurgitation can be treated with surgical aortic valve replacement, or less commonly, with valve repair. For SAVR, an aortic bioprosthetic valve requires anticoagulation for three to six months postoperatively, and a mechanical valve requires lifetime anticoagulation using warfarin.

Prevalence of Aortic Regurgitation Globally

Globally, there is a growing aortic regurgitation patient population, increasing from 24.1 million in 2014 to 26.0 million in 2018. It is estimated that, on a worldwide basis, there will be 29.9 million of aortic regurgitation patients in 2025. The diagram below summarizes the global prevalence of aortic regurgitation.

Global Prevalence of Aortic Regurgitation, 2014-2025E

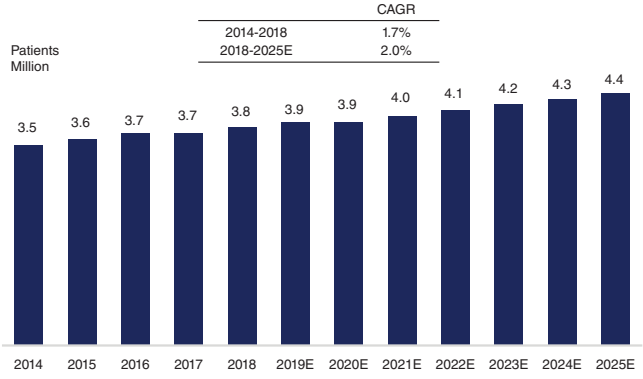


Source: Literature review, Frost & Sullivan analysis

Prevalence of Aortic Regurgitation in China

In China, the number of aortic regurgitation patients has climbed from 3.5 million in 2014 to 3.8 million in 2018, and is projected to reach 4.4 million in 2025. The diagram below illustrates the prevalence of aortic regurgitation in China.

Prevalence of Aortic Regurgitation in China, 2014-2025E



Source: Literature review, Frost & Sullivan analysis

Pulmonary Valve Disease

Overview of Pulmonary Regurgitation

Pulmonary valve disease mainly consists of pulmonary regurgitation and pulmonary stenosis. Pulmonary regurgitation (PR) is pulmonic valve's inability to close completely that causes blood to flow from the pulmonary artery into the right ventricle during diastole. The most common and significant cause of such disease are iatrogenic related, including degeneration of RVOT from previous surgeries to treat patients of ToF and other congenital heart diseases.

Overview of ToF

ToF is a combined heart defect with four abnormalities: ventricular septal defect, pulmonary stenosis, overriding aorta and right ventricular hypertrophy. The primary symptom of ToF is low blood oxygen saturation with or without cyanosis developed within one year of birth.

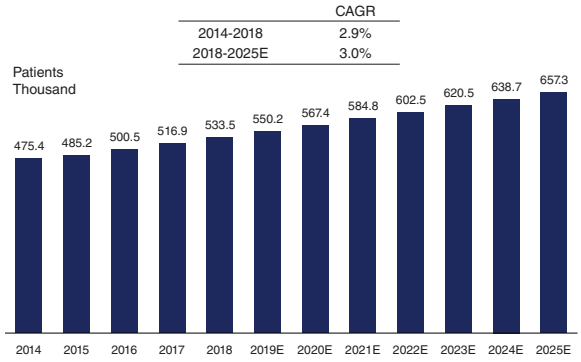
To treat ToF, a three-stage treatment may be required. First, occasionally, a newborn patient (under six months old) needs to undergo a temporary (palliative) surgery before having intracardiac repair in order to improve blood flow to the lungs. Second, when the patient is six months to one year old, a complete corrective surgery for RVOT repair is necessary. Corrective surgeries for RVOT repair differ between the United States and developing countries, including China. In the United States, such repair surgeries are dominated by the valved homograft conduit. However, RVOT repair surgeries are mainly conducted through TAP treatment in developing countries, including in China where more than 85% of corrective surgeries are conducted through TAP treatment. Overall, TAP treatment is much more prevalent than the valved homograft conduit globally, accounting for 80% of the total ToF surgical treatments performed.

A third procedure needs to be conducted for ToF patients during their teenage years to repair the function of the patient's pulmonary valve because both methods mentioned above, especially TAP treatment, may lead to PR and RVOTD, which will significantly shorten the patient's lifespan. In China, such pulmonary valve function repairs are usually performed through open-chest surgeries which may result in major trauma and slow recovery. In the U.S., TPVR is usually performed with relatively lower risk and minimal trauma. Such patients may need additional valve-in-valve procedures every ten to 15 years after the initial TPVR procedure. Currently, there are only three FDA or CE approved TPVR products including Sapien and Sapien XT from Edwards Lifesciences and Melody from Medtronic.

Prevalence of ToF Globally

Globally, the number of ToF patients increased from 475.4 thousand in 2014 to 533.5 thousand in 2018, and is expected to increase to 657.3 thousand in 2025. The chart below shows the prevalence of ToF globally.

Global Prevalence of ToF, 2014-2025E

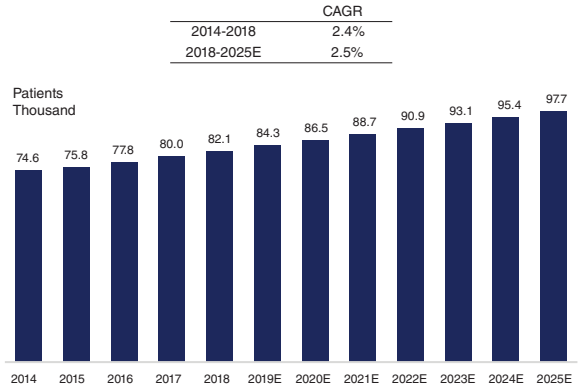


Source: Literature review, Frost & Sullivan analysis

Prevalence of ToF in China

In China, the number of ToF patients increased from 74.6 thousand in 2014 to 82.1 thousand in 2018, and is expected to increase to 97.7 thousand in 2025. The chart below shows the prevalence of ToF in China.

Prevalence of ToF in China, 2014-2025E



Source: Literature review, Frost & Sullivan analysis

Mitral Valve Disease

Overview of Mitral Regurgitation

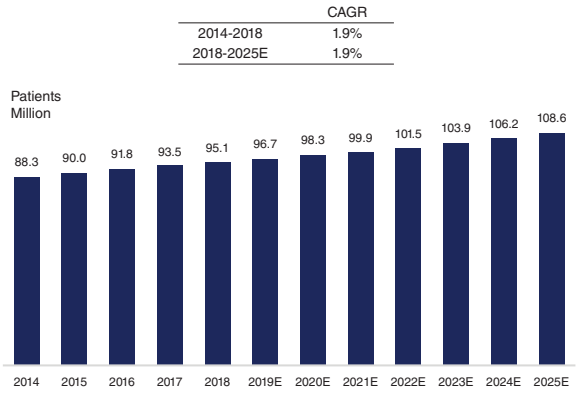
Mitral valve disease mainly consists of mitral regurgitation (MR), mitral stenosis and mitral valve prolapse. We are developing our product, Venus Mitral Valve, designed to treat patients with MR which accounts for approximately 65% of all mitral valve disease prevalence. MR is the mitral valve's inability to close completely that causes blood to flow from the left ventricle into the left atrium during ventricular systole. MR's prevalence rate increases with age, and is approximately 10% among the population over 75 years old in western countries.

Anticoagulants can be used for patients with atrial fibrillation. As for severe MR, mitral valve replacement or repair under extracorporeal circulation through open-chest surgery is the standard treatment. As an alternative to open-chest surgery, MitraClip is the only transcatheter mitral valve repair product that currently has received FDA approval, and there is no marketed TMVR product worldwide.

Prevalence of MR Globally

Globally, the number of MR patients increased from 88.3 million in 2014 to 95.1 million in 2018, and is expected to increase to 108.6 million in 2025 as shown in the below chart.

Global Prevalence of Mitral Regurgitation, 2014-2025E

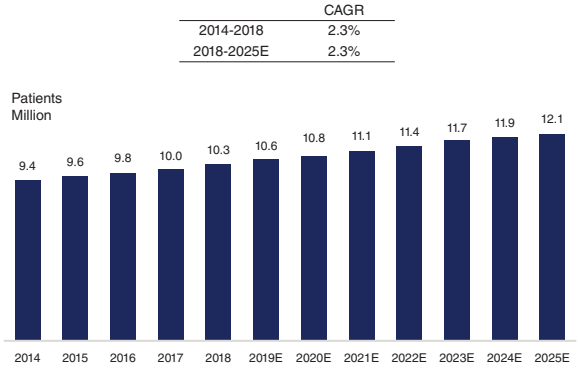


Source: Literature review, Frost & Sullivan analysis

Prevalence of MR in China

In China, the number of MR patients increased from 9.4 million in 2014 to 10.3 million in 2018, and is expected to increase to 12.1 million in 2025 as shown in the below chart.

Prevalence of Mitral Regurgitation in China, 2014-2025E



Source: Literature review, Frost & Sullivan analysis

Tricuspid Valve Disease

Overview of Tricuspid Regurgitation

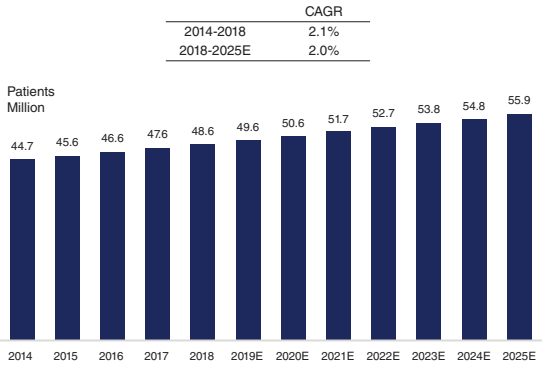
Tricuspid valve disease mainly consists of tricuspid regurgitation (TR) and tricuspid stenosis. We are in the process of designing the Venus Tricuspid Valve to treat patients with TR, which accounts for approximately 60% of all prevalence of tricuspid valve disease.

TR is the tricuspid valve's inability to close completely that causes blood to flow from the right ventricle to the right atrium during systole. The most common cause is dilation of the right ventricle. TR usually has no symptoms, but some patients experience neck pulsations due to elevated jugular pressures. Symptoms of severe TR include fatigue, abdominal bloating, and anorexia. Mild TR does not require medical action, but patients with severe TR need to receive operations, including annuloplasty, valve repair and/or valve replacement by open-chest surgeries. Valve repair or replacement is recommended when the TR is due to primary valve abnormalities or when annuloplasty is not technically feasible. Currently, there is no TTVR pipeline product at the registered clinical trial stage worldwide.

Prevalence of TR Globally

Globally, the number of TR patients increased from 44.7 million in 2014 to 48.6 million in 2018, and is expected to increase to 55.9 million in 2025 as shown in the below chart.

Global Prevalence of Tricuspid Regurgitation, 2014-2025E

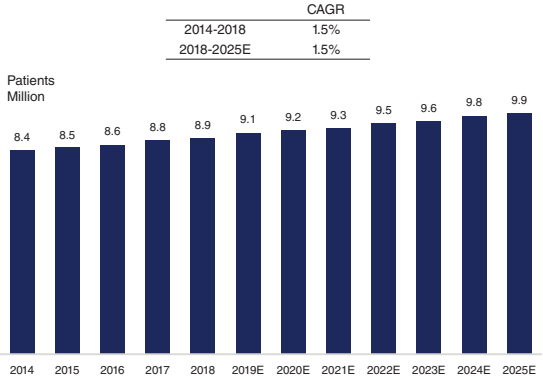


Source: Literature review, Frost & Sullivan analysis

Prevalence of TR in China

In China, the number of TR patients increased from 8.4 million in 2014 to 8.9 million in 2018, and is expected to increase to 9.9 million in 2025 as shown in the below chart.

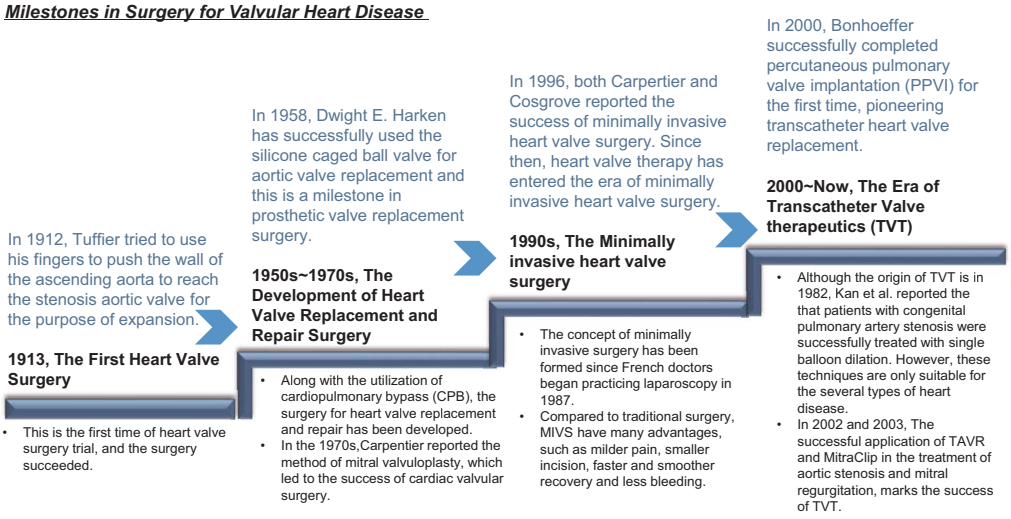
China Prevalence of Tricuspid Regurgitation, 2014-2025E



Source: Literature review, Frost & Sullivan analysis

Treatment for Heart Valve Diseases

Medicines and surgeries are available to treat valvular heart disease. However, medicines typically only relieve the symptoms temporarily without providing a long-lasting solution. Currently, valvular heart disease procedures are generally divided into three categories: traditional open-chest surgery, minimally invasive valve surgery and transcatheter valve therapy. Among the three types of procedures, transcatheter valve therapeutics (TVT) are similarly effective but safer than the other two alternatives. Entry barriers in the TVT market are relatively high, as a new entrant faces challenges such as the requirement to establish a comprehensive R&D platform and enhanced accessory package and their lack of experience in channel management and patent restrictions. Below is a graph showing the development history of surgical treatment for valvular heart disease.



Source: Frost & Sullivan analysis

TAV MARKET

Patients eligible for TAVR procedure are patients with severe aortic stenosis, except for the ones with anatomical limitations or endocardial infection that render them not suitable for the procedure. Prior to the recent development of TAVR, SAVR and balloon aortic valvuloplasty were considered the best choices and performed in patients with severe aortic stenosis, but restenosis usually occurs because the improvement in valve opening is temporary in nature. Additionally, some patients are not eligible for these procedures due to high surgical risk. As a promising alternative to SAVR, TAVR is a globally advanced cardiovascular interventional technique by implanting a prosthetic valve through a vascular path to treat severe aortic stenosis. TAVR causes smaller trauma and has a shorter postoperative recovery period. Increasingly, TAVR is being performed on low to intermediate surgical risk patients with severe aortic stenosis.

TAVR has also been used in treating patients with aortic regurgitation. However, since there have not been many applications of TAVR procedure to aortic regurgitation patients compared with its applications to severe aortic stenosis patients, as the safety and efficacy of treating aortic regurgitation through TAVR procedure has not been supported by extensive clinical data and current TAVR products are not approved for treating aortic regurgitation patients, aortic regurgitation patients are not included when calculating the number of TAVR eligible patients and penetration rate.

The table below shows the comparison of SAVR and TAVR procedures.

Country	Surgery	Type of Hospital	Number of Eligible Hospital (In 2018)	Price Per Procedure	Indications	Patient Eligibility	Required Resources	Required Technical Expertise
China	SAVR	Class III Grade A hospitals	More than 1,000	Less than RMB100,000	Severe aortic stenosis/ aortic regurgitation	Patients with surgical contraindications are not eligible for SAVR	Extracorporeal circulation equipment, thoracoscopy, anesthesia equipment, echocardiography equipment, etc.	Cardiac surgeon, anesthesiologist, echocardiography doctor, nurse
	TAVR	Class III Grade A hospitals	More than 150	More than RMB280,000 (including valve systems)	Severe aortic stenosis	Patients with anatomical limitations or endocardial infection are not eligible for TAVR	Digital subtraction angiography system, anesthesia equipment, echocardiography equipment and extracorporeal circulation, computerized tomography, etc.	Interventional physician, cardiac surgeon, radiologist, anesthesiologist, echocardiography doctor, nurse
U.S.	SAVR	General hospitals/ Cardiology and Heart Medical Center	More than 1,000	About USD14,500	Severe aortic stenosis/ aortic regurgitation	Patients with surgical contraindications are not eligible for SAVR	Extracorporeal circulation equipment, thoracoscopy, anesthesia equipment, echocardiography equipment, etc.	Cardiac surgeon, anesthesiologist, echocardiography doctor, nurse
	TAVR	General hospitals/ Cardiology and Heart Medical Center	600	About USD36,700 (including valve systems)	Severe aortic stenosis	Patients with anatomical limitations or endocardial infection are not eligible for TAVR	Digital subtraction angiography system, anesthesia equipment, echocardiography equipment and extracorporeal circulation, computerized tomography, etc.	Interventional physician, cardiac surgeon, radiologist, anesthesiologist, echocardiography doctor, nurse

Source: Frost & Sullivan analysis

TAVR is performed through three different methods based on the point of entry of the new valve: transfemoral, transapical and transaortic. Generally, the transfemoral approach is the first choice for most patients, but for patients who are not eligible for transfemoral approach for reasons such as peripheral vascular stenosis or sclerosis, the transapical approach is considered. Comparing the two methods, the transapical method requires anesthesia and is an open-chest procedure which may cause surgical trauma. In addition, it is reported that the 30-day mortality rate of TAVR via the transapical approach is higher than via the transfemoral approach. The transfemoral and transapical methods are relatively less invasive than the transaortic method, which may require cutting through patient's breastbone.

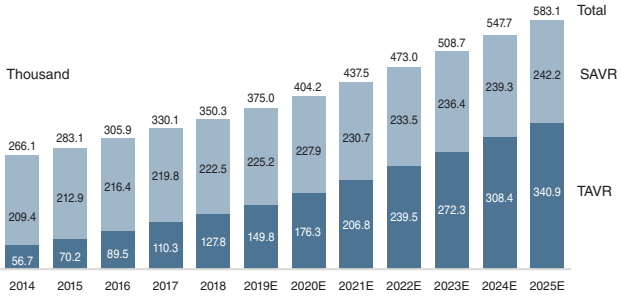
Global Market

Number of TAVR Procedures and Penetration Rate

The number of TAVR procedures conducted globally has experienced rapid growth at a CAGR of 22.5% from 2014 to 2018, and is expected to further grow at a CAGR of 15.0% from 2018 to 2025. As a result, the percentage of TAVR procedures out of the total number of TAVR and SAVR procedures is estimated to increase from 36.5% in 2018 to 58.5% in 2025. The following chart shows the number of TAVR and SAVR procedures conducted globally.

Global SAVR and TAVR Procedures, 2014-2025E

CAGR	SAVR	TAVR	Total
2014-2018	1.5%	22.5%	7.1%
2018-2025E	1.2%	15.0%	7.5%

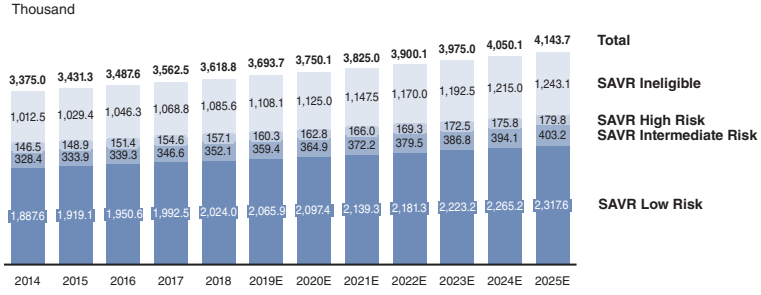


Source: Literature research, Frost & Sullivan analysis

Globally, the number of TAVR eligible patients increased from 3.4 million in 2014 to 3.6 million in 2018, and is expected to increase to 4.1 million in 2025 as shown in the below chart. SAVR low-risk patients account for a majority of the TAVR eligible patient population, and the conditions of such patients are expected to be included in the indications of TAVR in the coming years.

Global Eligible Patients for TAVR, 2014-2025E

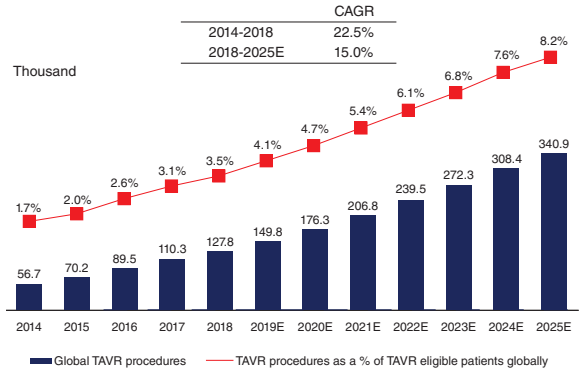
	CAGR
2014-2018	1.8%
2018-2025E	2.0%



Source: Frost & Sullivan analysis

The following chart shows the rapid growth of TAVR procedures and the penetration rate globally.

Global TAVR Procedures and Penetration Rate, 2014-2025E

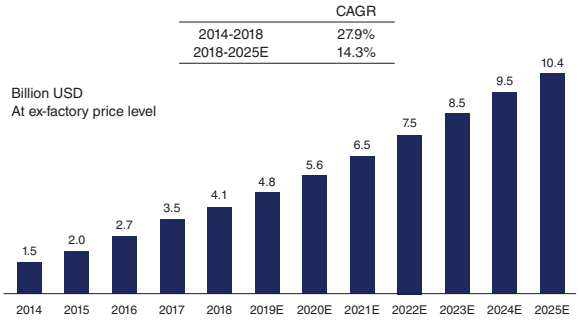


Source: Frost & Sullivan analysis

Market Size and Growth Drivers

The following chart shows the rapid growth of global TAV market size due to high demand for TAVR procedures.

Global Market Size of TAV, 2014-2025E



Source: Frost & Sullivan analysis

The global TAV market is expected to maintain its high growth rate mainly due to the following factors:

- *Application expansion*. In 2017, the American College of Cardiology/American Heart Association released the 2017 edition of the guidelines for the management of patients with valvular heart diseases, which officially included SAVR intermediate-risk patients into the indications for TAVR. In August 2019, the FDA approved the application of certain transcatheter aortic heart valve products, namely Sapien 3 and Sapien 3 Ultra from Edwards Lifesciences and Evolut R and Evolut PRO from Medtronic in TAVR procedures that treat low surgical risk patients.

- *Rapid technology development*. TAVR technology has experienced rapid development since its inception, and many configurations have been and are expected to be investigated, leading to more product varieties and improvements.

- *Aging population*. Aging causes degenerative changes in aortic valves, which lead to aortic valve diseases. It is estimated that the number of people over age 65 will increase from 647.3 million in 2017 to 793.5 million in 2025 globally, and such growth will increase the clinical demand for aortic valve treatment, including TAVR.

- *Clinical advantage.* Through fast iterations of technology upgrades, TAVR is now recognized as a more effective and safer alternative to SAVR. Because of its lower mortality rate and fewer complications, TAVR is expected to be widely accepted in clinical practice within the next ten years.

Future Trends

The global TAV market is expected to experience the following trends:

- *Rapid technology improvement in effectiveness and safety*. TAVR was initially applied to elderly severe aortic stenosis patients with multiple co-morbidities, and the application has since expanded to patients with lower surgical risk and degenerated surgical complications, especially for paravalvular leakage.

- *Increase in follow-up valve-in-valve treatment*. As more patients with aortic valve disease receive TAVR treatment, their lifespans are expected to increase significantly. As a result, such patients may need follow-up procedures to maintain the efficacy of the TAVR treatment received.

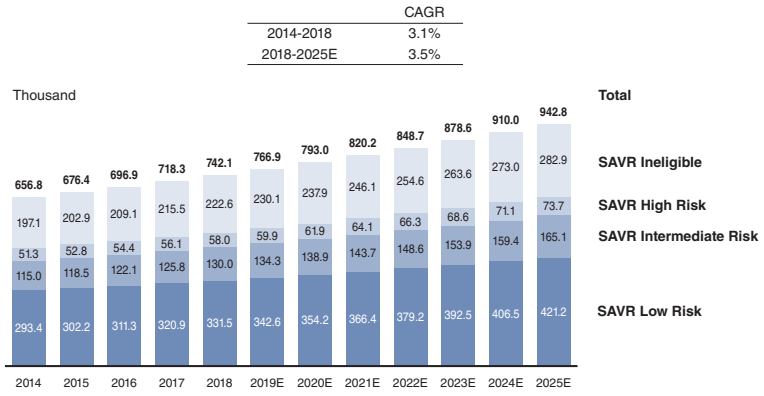
- *Guideline recommendation*. Clinical outcomes may be improved if factors such as patient selection, procedural planning and device implantation are optimized. It is expected that more such authoritative guidelines and the standardization of TAVR procedures will be available.

China Market

Number of TAVR Procedures and Penetration Rate

The number of eligible patients for TAVR in China grew from 656.8 thousand in 2014 to 742.1 thousand in 2018, and is expected to reach 942.8 thousand in 2025 as shown in the below chart.

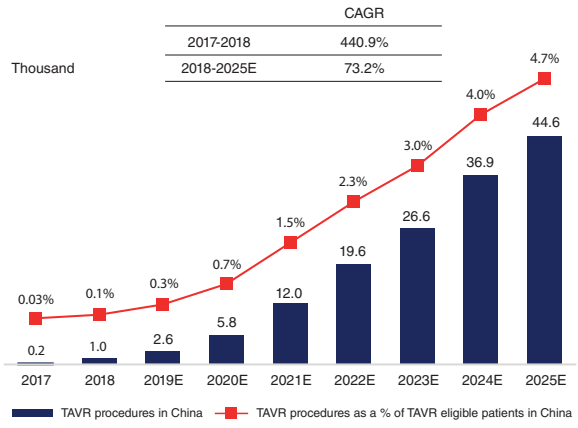
Total Eligible Patients for TAVR in China, 2014-2025E



Source: Frost & Sullivan analysis

Only 0.1% of eligible patients were treated with TAVR in 2018 and the penetration rate is expected to increase to 4.7% in 2025. The number of TAVR procedures and penetration rate in China are shown in the chart below.

TAVR Procedures[1] and Penetration Rate in China, 2017-2025E



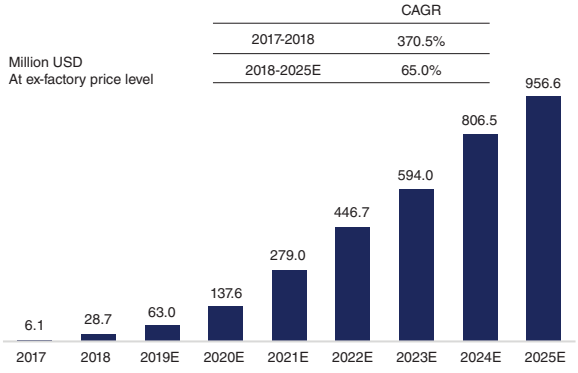
1. Only include procedures with commercial TAVR products

Source: Frost & Sullivan analysis

Market Size

The TAV market size in China is expected to grow from US$28.7 million in 2018 to US$956.6 million in 2025 as shown in the below chart.

Market Size of TAV in China, 2017-2025E



Source: Frost & Sullivan analysis

Due to high equipment and facility requirements, only a limited number of hospitals were able to perform TAVR procedures in China as of 2018. Currently in China, the TAVR procedure demand far exceeds available capacity and the growth of TAVR procedures is expected to be supply driven. For example, Beijing Fuwai Hospital, also known as the National Center for Cardiovascular Diseases, performed about 220 TAVR procedures (including clinical trials) in 2018 while more than 1,200 patients made such demand, and Shanghai Zhongshan Hospital of Fudan University, a top cardiology hospital in China, performed about 200 TAVR procedures (including clinical trials) in 2018 while about 1,100 patients made such demand.

Growth Drivers

China's TAV market is expected to grow significantly due to the following factors:

- *Unmet medical needs*. For elderly patients with comorbidities, traditional SAVR is more risky and postoperative recovery is relatively slow, even though it is the current standard treatment in China. The newly available TAVR procedure is an effective and safer alternative for such patients, and is expected to gain popularity among patients and doctors, especially those that are not suitable for SAVR procedures.

- *Increase in qualified TAVR practitioners*. The TAVR procedure has high requirements for surgical equipment, personnel configuration and technical operation. In 2018, TAVR procedures were performed in more than 150 hospitals in China. The Chinese College of Cardiovascular Physicians (中國醫師協會心血管內科醫師分會) and Chinese Society of Cardiology (中華醫學會心血管病學分會) released Consensus of Transcatheter Aortic Valve Replacement Clinical Pathway in China (《中國經導管主動脈瓣置換術臨床路徑2018》) (the "**Clinical Pathway**") in 2018 and Consensus of Chinese Experts on Transcatheter Aortic Valve Replacement (《經導管主動脈瓣置換術中國專家共識》) (the "**Consensus**") in 2015 to promote the development of TAVR in China, and such guideline will promote hospital equipment upgrades and talent cultivation, making TAVR procedures more available in China.

- *Application expansion to intermediate and low surgical risk patients*. Being similarly effective but less invasive with a shorter recovery period, TAVR's application is expanding from high risk to intermediate and low risk patients in general. Because intermediate and low risk patients account for approximately three-fourths of the current addressable market, the application expansion is expected to bring significant growth opportunities for the TAV market in China.

- *Favorable policy environment*. Recently, Guidelines of the Plan for Development of the Pharmaceutical Industry (《醫藥工業發展規劃指南》) was issued to encourage R&D and commercialization of multi-linked innovative medical device. Moreover, the Health and Wellness Plan of the Thirteenth Five-Year Plan (《"十三五"衛生與健康規劃》) aims to implement an expanded national reimbursement list for innovative medical devices. Such favorable government policies are expected to support further TAV market expansion.

Future Trends

China's TAV market has been experiencing the following trends:

- *Technology upgrade to reduce TAVR complications*. Common TAVR complications include stroke, paravalvular leaks and arrhythmia, which lead to increased mortality and readmission rates, and future TAVR R&D is expected to continue to focus on reducing such complications.

- *Physician education*. Since our VenusA-Valve was approved by the NMPA in 2017, TAVR has been used by physicians in China. With more domestic and international competitors entering the market in the following three to five years, physician awareness and acceptance of TAVR are expected to gradually increase as existing and future competitors will likely to promote training and education to physicians on TAVR products.

- *Products tailored to Chinese patients.* Compared with patients in the United States and Europe, Chinese severe aortic stenosis patients have higher degrees of aortic valve calcification and more of them have bicuspid aortic valves. Such differences limit the effectiveness of the existing TAVR technology, as such the R&D of TAVR in China is expected to trend toward addressing those clinical challenges.

TPV MARKET

Currently the major standard of care for patients with RVOTD after receiving TAP treatment in China and in other major markets is SPVR. Compared with TPVR, SPVR has the limitation of large trauma, slow recovery and high risk, since the patients will undergo a second open-chest operation after their surgery for RVOT repair. Based on the existing clinical evidence, TPVR procedures can improve patients' heart function, relieve their symptoms and enhance their quality of life. Also, TPVR procedures have the potential to reduce the risk of sudden death in some patients and thereby improving the prognosis of heart failure. Therefore, the use of TPVR is a shift in treatment paradigm.

Global Market

The table below shows the comparison of SPVR and TPVR procedures.

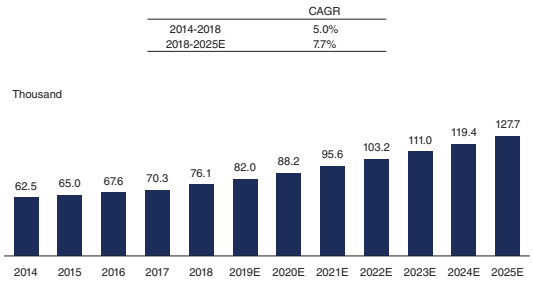
Country	Surgery	Type of Hospital	Number of Eligible Hospital (In 2018)	Price Per Procedure	Indications	Patient Eligibility	Required Resources	Required Technical Expertise
China	SPVR	Class III Grade A hospitals	More than 1,000	Less than RMB100,000	Patients with severe right ventricular outflow tract dysfunction (RVOTD) after RVOT reconstruction procedures, such as corrective surgeries for ToF	Patients with surgical contraindications are not eligible for SPVR	Extracorporeal circulation equipment, thoracoscopy, anesthesia equipment, echocardiography equipment, etc.	Cardiac surgeon, anesthesiologist, echocardiography doctor, nurse
	TPVR	Class III Grade A hospitals	Few	No commercialized product		Patients with anatomical limitations or endocardial infection are not eligible for TPVR	Digital subtraction angiography system, anesthesia equipment, echocardiography equipment and extracorporeal circulation, computerized tomography, etc.	Interventional physician, cardiac surgeon, radiologist, anesthesiologist, echocardiography doctor, nurse
U.S.	SPVR	General hospitals/ Cardiology and Heart Medical Center	More than 1,000	About USD126,000	Patients with severe right ventricular outflow tract dysfunction (RVOTD) after RVOT reconstruction procedures, such as corrective surgeries for ToF	Patients with surgical contraindications are not eligible for SPVR	Extracorporeal circulation equipment, thoracoscopy, anesthesia equipment, echocardiography equipment, etc.	Cardiac surgeon, anesthesiologist, echocardiography doctor, nurse
	TPVR	General hospitals/ Cardiology and Heart Medical Center	600	About USD80,000 (including valve systems)		Patients with anatomical limitations or endocardial infection are not eligible for TPVR	Digital subtraction angiography system, anesthesia equipment, echocardiography equipment and extracorporeal circulation, computerized tomography, etc.	Interventional physician, cardiac surgeon, radiologist, anesthesiologist, echocardiography doctor, nurse

Source: Frost & Sullivan analysis

Number of TPVR Procedures and Penetration Rate

Globally, mainly driven by the increase in the number of ToF and other RVOTD patients, the number of TPVR eligible patients increased from 62.5 thousand in 2014 to 76.1 thousand in 2018, and is expected to increase to 127.7 thousand in 2025.

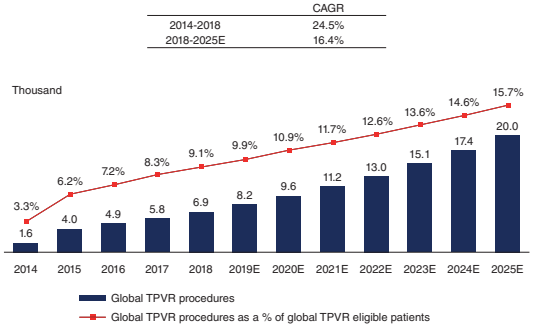
Global Eligible Patients for TPVR, 2014-2025E



Source: Literature review, Frost & Sullivan analysis

The number of TPVR procedures conducted globally has experienced rapid growth at a CAGR of 24.5% from 2014 to 2018, and is expected to further grow at a CAGR of 16.4% from 2018 to 2025, as shown in the below chart.

Global TPVR Procedures and Penetration Rate, 2014-2025E

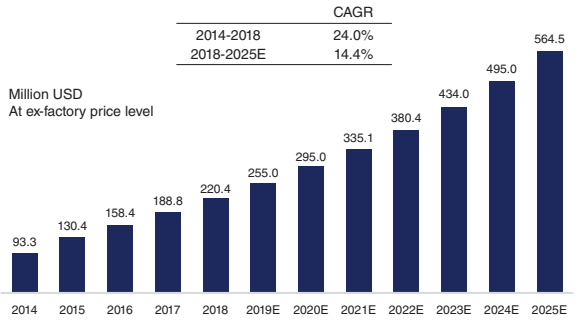


Source: Frost & Sullivan analysis

Market Size

Accordingly, the TPV market size increased from US$93.3 million in 2014 to US$220.4 million in 2018, and is expected to increase to US$564.5 million in 2025 as shown in the below chart, mainly driven by the increase in valve-in-valve procedures and the growth in the emerging markets.

Global Market Size of TPV, 2014-2025E



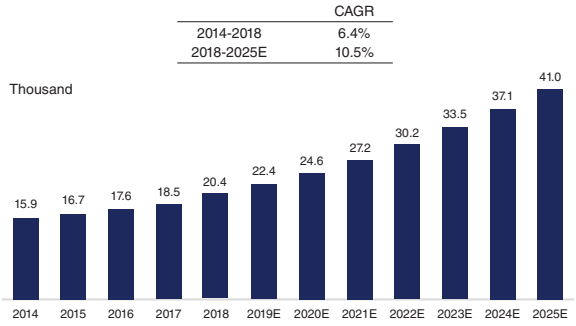
Source: Frost & Sullivan analysis

China Market

Eligible Patients and Penetration Rate

In China, mainly driven by the increase in the number of ToF and other RVOTD patients, the number of TPVR eligible patients increased from 15.9 thousand in 2014 to 20.4 thousand in 2018, and is expected to increase to 41.0 thousand in 2025, as shown in the below chart.

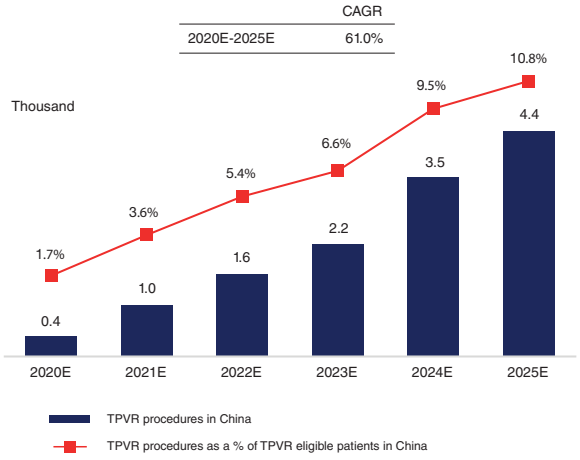
Total Eligible Patients for TPVR in China, 2014-2025E



Source: Frost & Sullivan analysis

Nonetheless, there is currently no significant TPV market in China, and the market is expected to emerge when we introduce VenusP-Valve. The following chart shows the expected growth of the number of TPVR procedures and the penetration rate from 2020 to 2025.

TPVR Procedures and Penetration Rate in China, 2020E-2025E

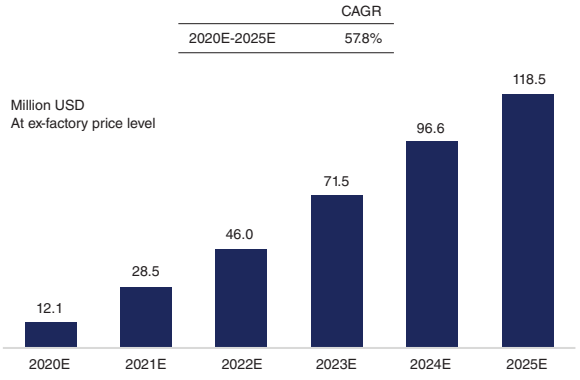


Source: Frost & Sullivan analysis

Market Size

The TPV market in China is expected to increase from US$12.1 million in 2020 to US$118.5 million in 2025 as shown in the below chart.

Market Size of TPV in China, 2020E-2025E



Source: Frost & Sullivan analysis

Growth Drivers of the Global and China TPV Markets

The fast growth of the global and China TPV markets is attributable to the following factors:

- *Increasing prevalence of congenital heart defects*. Congenital heart defects are the most common birth defects contributing 23.1% of all infant deaths from birth defects. The prevalence of congenital heart defects ranges from 19 to 75 per 1000 live births and is still rising due to increasing environmental pollution and radiation exposure. The rising prevalence of congenital diseases, especially those combined with RVOT stenosis, such as ToF, is likely to lead to an increase in the demand for TPVR procedures.

- *Improved safety compared with traditional approaches*. Traditional surgical pulmonary valve replacement has many limitations, including large trauma, slow recovery and high risk due to the open-chest operations required. In comparison, TPVR provides an effective and safer alternative for those not eligible for open-chest operations because of their high surgical risks.

- *New developments catering to unmet medical needs*. Currently marketed TPVR products are mainly developed for patients that went through valved homograft conduit procedures. But those products are not suitable for ToF patients treated with TAP, which accounts for 80% of the global ToF patients who received corrective procedures. It is expected that a new TPVR product designed for patients who received TAP treatment will cater to these unmet medical needs, in particular in certain developing countries and Europe, and promote the TPV market.

- *Increase in acceptance and operation capacity*. As the safety and effectiveness of TPVR have been confirmed by clinical data, its acceptance by physicians and patients continues to increase. Meanwhile, the number of hospitals that can perform TPVR procedures is also increasing to address the high demand for such procedures.

Future Trends of the Global and China TPV Markets

The global and China TPV markets are experiencing the following trends:

- *Application expansion*. Currently, TPVR is mainly used to treat patients with RVOTD after RVOT reconstruction procedures. Being of lower risk and causing minimum trauma, ongoing exploratory trials are attempting to expand TPVR to treat PR, including vena cava implantation and valve replacement.

- *Product stickiness.* Patients receiving TPVR procedures in their teenage years will need future valve-in-valve procedures for maintenance, and such patients are expected to stay with their initial TPVR product providers for the follow-up valve-in-valve procedures.

- *Product design tailored to more specific market segments*. TPVR product designs are expected to tailor to more specific market segments, such as the trend to develop more durable bioprostheses and miniaturize delivery systems for pediatric patients.

- *Inclusion in medical insurance coverage*. Considering the high prevalence of newborns with congenital heart defects every year in China, it is likely that TPVR treatment will become reimbursable under public medical insurance in the future which would make it more affordable and accessible.

TMV MARKET

As of the Latest Practicable Date, there was no marketed TMVR product globally, and the current standard treatment for severe MR is through mitral valve replacement or repair by open-chest surgeries. Due to the high risks associated with invasive surgeries, not many MR patients have received surgical treatment. For example, in China, less than 1% of MR patients received surgical treatment in 2018. Because of the large unmet medical needs, the global market size is expected to reach US$17.4 billion within the first ten years after the first TMVR product launch and to eventually grow to three to four times of the TAV market size. TMV procedures raise several inherent biomechanical challenges to product design. Firstly, the position of mitral valve and structure of mitral annulus increase the difficulty of placing the artificial valve, which raises a higher requirement on the design of valve products' delivery system. Secondly, if a large stent is implanted in a TMV procedure to fit into the large size of mitral annulus, it may cause adverse effects, such as left ventricular outflow tract obstruction and thrombosis, and as a result, it raises a higher requirement on the design of valve products. Thirdly, the saddle-shaped mitral annulus may lead to higher risks of complications during and after TMV procedures. Finally, mitral valve is more prone to degradation compared with aortic valve, since it is under higher left ventricular systolic pressure.

TTV MARKET

The current TR treatment includes annuloplasty, valve repair and valve replacement. However, evidence shows that patients with severe TR always need a second surgery after the first valve repair or replacement surgery which leads to a high mortality rate. Among the three treatment methods, the mortality rate of severe TR patients after annuloplasty treatment is estimated to be 60% within five years and about 20% of the patients need to have a second surgery. Comparatively, transcatheter tricuspid valve repair or replacement is of much lower risk and causes less trauma, and they present great market potential. As of the Latest Practicable Date, there was no pipeline product at the registered clinical trial stage globally. Similar to TMVR procedures, TTVR procedures raise several inherent biomechanical challenges to product design resulting from its position and the structure and size of tricuspid annulus.

CEP DEVICE MARKET

Overview

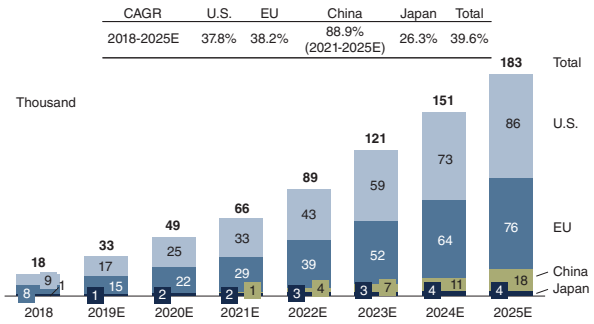
Post-operative brain injury occurs in a significant proportion of patients undergoing cardiac surgeries, which severely affects the patient's morbidity, mortality and life quality. Such injury is often of ischemic origin, which leads to strokes, and the most common contributing factors are advanced age, aortic and carotid atherosclerosis and history of stroke.

CEP devices are designed to decrease the incidence of stroke during TAVR procedures, where their usage has reduced the frequency of ischemic lesions. Given that the clinical data are still preliminary, routine clinical use of CEP devices has not yet been established.

Market Size

Main regions equipped with CEP systems are the U.S., the EU, China and Japan. Among the four regions, the U.S. is the dominant market. As the CEP device market is driven by the penetration and development of interventional procedures, especially TAVR, the number of CEP systems globally is expected to grow at a CAGR of 39.6% from 2018 to 2025 as shown in the chart below.

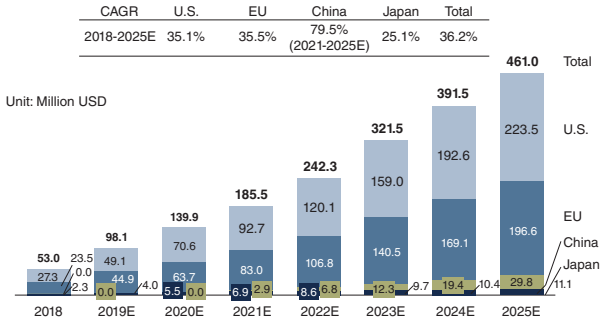
Global CEP Systems, 2018-2025E



Source: *Frost & Sullivan analysis*

Divided between major countries and regions, the CEP device market size in each individual market is expected to grow at different rates from 2018 to 2025 at 35.1%, 35.5%, 79.5% and 25.1% in the U.S., the EU, China and Japan respectively, as shown in the chart below.

Market Size of Global CEP Systems, 2018-2025E



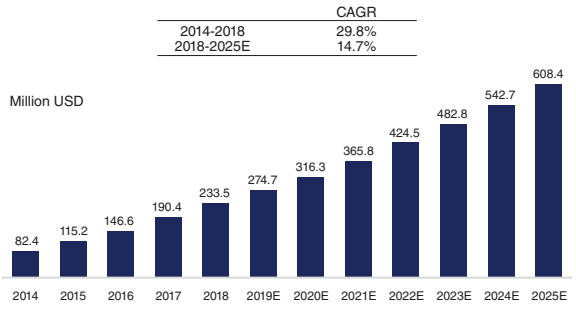
Source: *Frost & Sullivan analysis*

AORTIC VALVULOPLASTY BALLOON MARKET

With the advancement in catheter based cardiovascular procedures, valvuloplasty techniques are developed to dilate stenotic valve leaflets using balloons. The force exerted by the inflated balloon across the valve creates fissures within the calcified and rigid leaflets, making them more flexible. The improved leaflet flexibility provided by aortic valvuloplasty balloon permits greater valve opening, and reduces the transvalvular pressure gradient and associated symptoms.

From 2014 to 2018, the global market size for aortic valvuloplasty balloons increased at a CAGR of 29.8%, and is expected to further increase at a CAGR of 14.7% from 2018 to 2025, as shown in the chart below.

Global Market Size of Aortic Valvuloplasty Balloons, 2014-2025E



Source: Frost & Sullivan analysis

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the heart valve disease treatment device market in China and worldwide. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Prospectus because we believe such information facilitates an understanding of the worldwide and China heart valve disease treatment device market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB1,020,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful listing or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan, which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

Our products are medical devices subject to extensive regulation in the markets in which we operate, and such regulations vary from jurisdiction to jurisdiction in an increasingly complex global regulatory environment. The time required to obtain the necessary regulatory approval may vary from jurisdiction to jurisdiction.

The following section sets out summaries of certain relevant laws, regulations and requirements that we are subject to in the key jurisdictions in which we operate.

PRC REGULATORY OVERVIEW

Medical device industry of the PRC is subject to a large number of laws and regulations and extensive government supervision. Such laws and regulations encompass the areas including manufacturing, sales of medical devices, labor and intellectual property. Principal regulatory authorities of the industry are NMPA and its local regulatory branches. In March 2018, the State Council Institutional Reform Proposal passed by the First Session of the Thirteenth NPC decided the CFDA shall cease to exist, and the NMPA was established to undertake the duties of the former CFDA.

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICES

Regulation and Classification of Medical Devices

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) amended by the State Council and came into effect on May 4, 2017, the Food and Drug Administration of the State Council shall be responsible for the supervision of medical devices of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices within their respective scope of duties. Food and drug supervision and administration departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices have been classified into three categories based on the degree of risk. Class I medical devices shall refer to those devices with low risk and whose safety and effectiveness can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risk and whose safety and effectiveness should be strictly controlled. Class III medical devices shall refer to those devices with high risk and whose safety and effectiveness must be strictly controlled with special measures.

The products we currently produce and sell in China are the Class III medical devices.

Registration and Filings of Medical Device Products

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》) promulgated by the CFDA on July 30, 2014 and came into effect on October 1, 2014, for the filings of the medical device products of Class I, the parties undergoing the filings of medical devices shall submit the filing materials to the food and drug supervision and administration departments of the local people's government at the districted city level. In case of any amendment to matters stated in the filings, such amendment shall be filed with the original filing department. The medical devices of Class II and Class III shall be subject to the product registration administration. Medical devices of Class II shall be examined by the food and drug supervision and administration departments of the people's governments of the provinces, autonomous regions or municipality where such applicants are located. A registration certificate for such medical device shall be issued upon approval. Medical devices of Class III shall be examined by the Food and Drug Administration of the State Council. A registration certificate for such medical device shall be issued upon approval. In case of any substantial change of the designs, raw materials, production technologies, scopes of application and application methods, etc., of the registered medical device products of Class II or Class III, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for changing registration.

The registration certificate for a medical device is valid for five years and the registrant shall apply to the food and drug supervision and administration departments for renewal six months prior to its expiration date.

We have obtained the Class III medical device registration certificates for the products we currently produce and sell in China, which are within the validity term.

Clinical trials are not required for the filing of the medical devices of Class I, but necessary for the application for the registration of the medical devices of Class II and Class III. However, medical devices may be exempt from clinical trials under any of the following circumstances:

(1) The medical device has clear working mechanisms, finalized design and mature manufacturing processes, and the medical devices of the same type that are available on the market have been used in clinical application for years without records of any serious adverse events, and the medical device will not change the general purposes;

(2) The safety and effectiveness of such medical devices can be proved through non-clinical evaluation;

(3) The safety and effectiveness of such medical devices can be proved through the analysis and evaluation of the data obtained from the clinical trials or clinical application of the same categories of medical devices.

The medical device catalog of clinical trial exemption shall be formulated, amended and promulgated by the CFDA, which has changed to the NMPA. Medical device products that are not included in the exemption catalog shall be analyzed and evaluated through the data obtained from the clinical trials or clinical application of the same categories of medical devices. Where the safety and effectiveness of such medical devices can be proved, applicant may specify in the course of registration application and submit relevant proofing materials.

Production Permit of Medical Devices

Pursuant to the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures on the Production of Medical Devices (《醫療器械生產監督管理辦法》) promulgated by the CFDA, amended and came into effect on November 17, 2017, a manufacturer of medical device shall satisfy the following conditions:

(1) possessing production sites, environmental conditions, production equipment and professional technicians that are suitable for such medical device produced;

(2) possessing organizations or professional examination staff and examination equipment that carry out quality examination for such medical device produced;

(3) formulating a management system which ensures the quality of such medical device;

(4) having capability of after-sale services that is suitable for such medical device produced;

(5) satisfying the requirements as prescribed in production R&D and production technique documents.

The enterprises engaging in the production of medical devices of Class I shall make filings for such medical devices of Class I with the food and drug supervision and administration departments of the local people's governments at the districted city level and submit proofing materials of qualification to engage in the production of such medical devices. The enterprises engaging in the production of medical devices of Class II and Class III shall apply for production licenses to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities, submit proofing materials of qualification to engage in the production of such medical devices and registration certificates for such medical devices produced.

A production permit for a medical device is valid for five years and the registrant shall apply to the original departments that issued such permit for renewal six months prior to its expiration date.

We have obtained the Class III medical device production permits for production of TAVR system and introducer sheath, which are within the validity term.

The revised draft amendment to the Regulation on the Supervision and Administration of Medical Devices 《醫療器械監督管理條例修正案(草案)》 (the "**Draft Amendment**") has ended the stage for public consultation, from June 25, 2018 to July 24, 2018. As of the Latest Practicable Date, the Draft Amendment had not been formally promulgated and implemented. Compared with the currently enforced Regulation on the Supervision and Administration of Medical Devices which was amended in 2017, the Draft Amendment has added 12 articles, deleted two articles and modified 39 articles. The main changes are concentrated on the following aspects: (i) clarifying the system of "holders of medical device marketing license"; (ii) reforming the clinical trial management system; (iii) optimizing the approval process; and (iv) improving post-approval regulatory requirements. In terms of the clinical trial management system, the Draft Amendment has clarified the definition of "clinical evaluation" (臨床評價) and its application on different class of medical devices. Clinical trials are in principle required for medical devices of Class III that are intended to support or sustain life or clinical use with high risk. The Draft Amendment has also added the term of "clinical trial" (臨床試驗) approval of medical devices of Class III which may pose

relatively high risks to human bodies according to the clinical trials thereof and has changed the explicit permission to implied permission; the clinical trial requirements of medical devices for the diseases that are seriously life-threatening while have no effective treatments have been reduced conditionally. In terms of medical device marketing, the Draft Amendment has clarified that the entity under either self-operating or authorized-operating model which shall be responsible for, among others, product quality and quality control system is the holder of medical device marketing license, and has added new requirements on online sales of medical devices. In terms of regulatory requirements, the Draft Amendment has expanded the scope of supervision to all aspects of development, production, operation and use, and has added extended inspection and monitoring methods. The Company considered that the implementation of the Draft Amendment if as presently drafted will not have material impacts on the Group's ongoing and planned clinical trials, sales and registration based on the scope of business and ongoing operation and other activities of our Group.

Production and Quality Management of Medical Devices

Pursuant to the Administrative Measures on the Supervision of the Production of Medical Devices (《醫療器械生產監督管理辦法》) and the Standards on Production and Quality Management of Medical Devices (《醫療器械生產質量管理規範》) promulgated by the CFDA on December 29, 2014 and came into effect on March 1, 2015, an enterprise engaging in the production of medical devices shall establish and effectively maintain a quality control system in accordance to the requirements of the Standards on Production and Quality Management of Medical Devices. The enterprise engaging in the production of medical devices shall regularly conduct comprehensive self-inspection on the operation of quality management system in accordance with the requirements of the Standards on Production and Quality Management of Medical Devices and submit a self-inspection report to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions, municipalities or at the districted city level before the end of every year. The enterprise shall establish its procurement control procedure and assess its suppliers by establishing an examination system to ensure the purchased products are in compliance with the statutory requirements. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable.

The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall be applicable to risks of the related products.

Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《關於印發醫療器械生產質量管理規範現場檢查指導原則等4個指導原則的通知》) promulgated by the CFDA on September 25, 2015 and came into effect on September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including change production permit), the inspection team will, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" and "Reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise shall rectify in a prescribed time. The regulatory authorities will examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

The inspection team had conducted several on-site inspections on our standards of production and quality management of medical devices during the Track Record Period, and the recommended conclusions issued by the inspection team were "Passed" or "Rectification within the prescribed period." The matters in respect of rectification within the prescribed period have been rectified within the prescribed period and submitted to the inspection team.

According to the on-site inspections on our standards of production and quality management conducted by competent authorities, we were in compliance with the requirements of the Standards on Production and Quality Management of Medical Devices during the Track Record Period.

Good Clinical Practice for Medical Devices

On March 1, 2016, the CFDA and the National Health and Family Planning Commission jointly promulgated the Good Clinical Practice for Medical Devices (《醫療器械臨床試驗質量管理規範》), which became effective as of June 1, 2016. The regulation includes full procedures of clinical trial of medical devices, including, among others, the protocol design, conduction, monitoring, verification, inspection, and data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. For conducting clinical trials of medical devices, an applicant shall organize to formulate scientific and reasonable clinical trial protocol based on the categories, risks and intended use of the medical devices for the clinical study. The applicant shall be responsible for organizing to develop and revise the researcher's manual, clinical trial protocol, informed consent form, case report form, relevant standard operating procedures and other relevant documents, and shall be responsible for organizing necessary trainings for the clinical trials. The applicant shall select the clinical trial institutions and its researchers from the qualified medical device clinical trial institutions according to the characteristics of the medical devices to be used in the clinical study. As an applicant for clinical trials of medical devices, we are responsible for initiating, applying, organizing and monitoring such clinical trials, and shall be responsible for the authenticity and reliability of the clinical trials.

Permit for Medical Device Operation

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》), an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control organ or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class II medical devices shall file with the municipal level food and drug administration and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for an operation permit to the municipal level food and drug administration and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices.

The food and drug supervision and administration department which accepts operation permit application shall grant the operation permit if the enterprise meets the prescribed requirements. An operation permit is valid for five years and may be renewed pursuant to the relevant regulations. An enterprise engaging in medical devices operation shall not operate or use any medical device that has not been legally registered, without qualification certificate, out-dated, invalid or disqualified.

We currently have the Class III medical device operation permits, which are within the validity term.

Special Procedures for Examination and Approval of Innovative Medical Devices

In October 2017, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》, the "**Opinions**"), which aims to encourage the innovation for medical devices. Pursuant to the Opinions, the priority review and approval will be applicable to innovative medical devices supported by the National Science and Technology Major Projects and the National Key R&D Program of China, and the clinical trials of which having been conducted by the National Clinical Research Center, and approved by the management department of the National Clinical Research Center.

Pursuant to the Special Procedures for Examination and Approval of Innovative Medical Devices (《創新醫療器械特別審查程序》) which were promulgated by the NMPA on November 2, 2018 and came into effect on December 1, 2018, special procedures shall be applicable to the examination and approval for medical devices in the following circumstances: (1) the applicant legally owns the invention patent of the core technology of the product through its technological innovation activities in the PRC, or legally obtained the invention patent or the right of use thereof through transfer in the PRC, and the interval between the date of application for the special examination and approval of innovative medical devices to the date of authorized publication should not exceed five years; or the patent administration department of the State Council has disclosed the application for the invention patent of the core technology and the Patent Search and Consultation Center of the National Intellectual Property Administration of the PRC (國家知識產權局專利檢索諮詢中心) has issued the patent search report setting out the novelty and innovation of the core technology solution of the product; (2) the applicant has developed the prototype product and completed the preliminary research under a true and controllable process that generated complete and traceable data; (3) the product has major working mechanism or mechanism of action which is the first of its kind in the PRC, has fundamental improvement in product performance or safety compared with similar products, is of an internationally leading standard in terms of techniques and has significant clinical value. The Center for Medical Device Evaluation of the NMPA (國家藥品監督管理局醫療器械技術審評中心) should give priority to the innovative medical devices in their technical review upon receiving the registration application, after which the NMPA will give priority to the product in their administrative approval.

Two Invoice System

On December 12, 2016, eight government departments including the CFDA issued Notice on Opinions on the Implementation of the "Two Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (關於在公立醫療機構藥品採購中推行兩票制的實施意見 (試行)). According to the Notice, the "Two Invoice System" refers to issuing invoice at the time from a pharmaceutical manufacturer to a circulating enterprise, and issuing invoice again at the time from a circulating enterprise to a medical institution. The Notice requires public medical institutions to gradually implement the "Two Invoice System" for drug procurements and encourages other medical institutions to promote the "Two Invoice System" so that the "Two Invoice System" will strive to be widely promoted nationwide by 2018.

On March 5, 2018, six government departments including National Health Commission of the PRC issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知), which stipulates the implementation of the centralized purchase of high value medical consumables, and that the "Two Invoice System" in relation to high-value medical consumables shall be gradually implemented.

On July 19, 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (關於印發《治理高值醫用耗材改革方案》的通知), which encourages local governments to adopt the "Two Invoice System" combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales. This task is expected to be completed by the end of 2020.

As of the Latest Practicable Date, some provinces including Fujian Province, Shaanxi Province and Anhui Province have implemented the "Two Invoice System" in the field of medical consumables. On 23 July, 2018, Fujian Provincial Medical Security Management Committee Office (福建省醫療保障管理委員會辦公室) issued Notice on the Sharing of Transparent Procurement Results of Medical Devices (Medical Consumables) across the Province (關於開展醫療器械(醫用耗材)陽光採購結果全省共享工作的通知), which stipulates medical consumables procurement strictly implements the "Two Invoice System" and encourages the implementation of the "Two Invoice System". On 23 July, 2018, eight local government departments of Shaanxi Province including Deepen Medical and Healthcare System Reform Leading Group Office of Shaanxi Province (陝西省深化醫藥衛生體制改革領導小組辦公室) issued Notice on Further Promoting the "Two Invoice System" on Medicines and Medical Consumables (關於進一步推進藥品和醫用耗材"兩票制"的通知), which stipulates that on the basis of the full implementation of the "Two Invoice System" of medical consumables in the urban public medical institutions, the primary medical and healthcare institutions of the county and below the county shall begin to implement the "Two Invoice System" in the procurement of medical consumables from 1 August, 2018. On 15 November, 2017, five local government departments of Anhui Province including Food and Drug Administration of Anhui Province (安徽省食藥監局) issued Opinions on Implementation of the "Two Invoice System" in Medical Consumables Procurement by Public Medical Institutions in Anhui Province (for Trial Implementation) (安徽省公立醫療機構醫用耗材採購"兩票制"實施意見(試行)), which stipulates that the Class II or above public medical institutions shall begin to implement the "Two Invoice System" in the procurement of medical consumables from December 1, 2017.

Overseas Clinical Trial Data of Medical Devices

On January 10, 2018, CFDA issued the Technical Guidelines for Accepting Overseas Clinical Trial Data of Medical Devices (接受醫療器械境外臨床試驗數據技術指導原則) (hereinafter referred to as the Technical Guidelines). According to the Technical Guidelines, the overseas clinical trial data refers to all research data or research data of the same stage which generated from the confirmation process of the safety and effectiveness of the medical devices to be registered in China under normal use conditions in the overseas clinical trial institutions with the requirements of the country (region) where the clinical trial is conducted.

The three basic principles to accept overseas clinical trial data are as follow: (i) Ethical principle: Overseas clinical trials shall follow the ethical guidelines established by the Declaration of Helsinki. Applicants are also required to state the ethics of the country (region) in which the clinical trial is conducted and codes and standards established by laws and regulations of the aforesaid country (region) or international codes and standards; (ii) Legal principle: Overseas

clinical trials shall be conducted in a country (region) with clinical trial quality management, and are in accordance with the regulatory requirements for clinical trials of medical devices (including IVD) in China; and (iii) Scientific principle: Overseas clinical trial data shall be true, scientific, reliable and traceable. Applicants shall provide complete trial data and shall not filter.

According to the Technical Guidelines, the overseas clinical trial data submitted by the applicant shall at least include clinical trial protocol, ethical opinions, and clinical trial report which shall include analysis and conclusions on the complete clinical trial data. If the overseas clinical trial data meets the relevant requirements of registration in China, and the data is scientific, complete and sufficient, it will be accepted. If the overseas clinical trial data meets the basic requirements of the Technical Guidelines, but additional information needs to be supplemented according to the relevant technical requirements for registration in China, supplementary clinical trials can be conducted within or outside China. As the supplementary clinical trial data and original overseas clinical trial data are in accordance with the relevant technical requirements of registration in China after comprehensive evaluation, overseas clinical trial data will be accepted.

Advertisements of Medical Devices

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Measures for the Examination of Medical Devices Advertisements (《醫療器械廣告審查辦法》) promulgated by the Ministry of Health, the State Administration for Industry and Commerce and the CFDA on April 7, 2009, amended and came into effect on December 31, 2018, an enterprise qualified for engaging in the production or operation of medical devices shall apply for the publication of any medical device advertisement with the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities, and obtain an approval of such advertisement of medical device. The validity term of such advertisement approval for medical device is one year.

The advertisement of a medical device shall be true and lawful, and its content shall not be false, exaggerated or misleading. A publisher of a medical device advertisement shall verify approval documents and their authenticity prior to the publication. If no approval document was obtained or the authenticity of any approval document has not been verified or the content of the advertisement is inconsistent with the approval documents, such medical device advertisement shall not be published.

Until now, we have obtained the medical device advertisement approval for TAVR system products, the validity term of which is up to March 13, 2020. We will continue to comply with such relevant requirements relating to the advertisements of medical devices in the future.

National Medical Insurance Program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) forwarded by the General Office of the State Council on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has since spread to the whole nation. The State Council promulgated the Guiding Opinions

of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

On January 3, 2016, the State Council issued the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System and the establishment of a unified Basic Medical Insurance for Urban and Rural Residents, which will cover all urban and rural non-working residents except for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

With regard to reimbursement for medical devices and diagnostic tests, the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (Lao She Bu Fa [1999] No. 22) (《關於印發城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見的通知》) (勞社部發[1999]22號)) prescribes the coverage of diagnostic and treatment devices and diagnostic tests where part of the fees is paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies.

Reform Plan on High-Value Medical Consumables

On July 31, 2019, the General Office of the State Council issued the Circular on Reform Plan on Managing High-Value Medical Consumables (Guo Ban Fa No.[2019]37) 《關於印發治理高值醫用耗材改革方案的通知》(國辦發[2019]37號) (the "**Circular**"). According to the Circular, high-value medical consumables are defined as medical consumables directly used on human, with strict requirement on safety, in great demand clinically, relatively highly-priced, and that can pose heavy burdens on patients. The Circular releases several reform initiatives aiming at managing high-value medical consumables, including: (1) the classification and codes of high-value medical consumables in the national medical insurance system will be unified gradually, and rules on unique device identification in full life cycle of the high-value medical consumables, including but not limited to registration, procurement and usage, will be implemented by the National Healthcare Security Administration, the National Medical Products Administration, and the National Health Commission of the PRC by the end of 2020; (2) The mechanism for including high-value medical consumables in basic medical insurance shall be built, and a list of high-value medical consumables shall be compiled, to strengthen the dynamic adjustment mechanism. The access regulations shall be promulgated by the National Health Commission and the Ministry of Finance as of the end of June 2020; (3) the price markups placed on medical consumables at public hospitals will be abolished, and all medical consumables, including high-value medical consumables will be sold at procurement price at all public hospitals as of the end of 2019; (4) the medical insurance payment policy shall be formulated and implemented by the National Healthcare Security Administration, the Ministry of Finance and the National Health Commission of the PRC. Meanwhile, the medical insurance payment standards on high-value medical consumables will be formulated and the dynamic adjustment mechanism will be established. The medical insurance funds and patients will share the cost of high-value medical consumables according to the medical insurance payment standards, and medical institutions shall further reduce procurement prices under the guidance of the Circular.

Export Registration

Pursuant to the Rules on the Application and Issuance of Medical Device Exporting Certificate (《醫療器械產品出口證明申辦規定》) promulgated by the CFDA and came into effect on January 6, 1996, the CFDA represents the PRC government to conduct inspections of safety and legality of the products manufactured by domestic enterprises (including the PRC enterprises, Sino-foreign equity joint ventures and foreign-owned enterprises) in accordance with the spirit of the Notice of the General Office of the State Council on Printing and Distributing the Functional Configuration, Internal Institutions and Staffing Plans of the State Administration of Medicine (Guo Ban Fa No. [1994] 66)(《國務院辦公廳關於印發國家醫藥管理局職能配置、內設機構和人員編製方案的通知》(國辦發[1994]66號)), and to grant Exporting Certificate in accordance with the international conventions so as to prove that such products have obtained legitimate production permit within Chinese territory. Medical Device Exporting Certificate granted by the CFDA must be used with the Safety and Quality Assurance Disclaimer issued by the manufacturers of such products at the same time, and such certificate shall not be used separately. Chinese version of the Exporting Certificate is regarded as the original copy and its English translation is deemed as a copy. Such certificate, except being specified for one time use, is valid for a term of two years.

If any of the following circumstances occurs to a production enterprise of medical device product that has obtained the Exporting Certificate, the CFDA will revoke such Exporting Certificate and inform such exporting country on a timely basis:

(1) the application document is found forfeited or the validity period has expired;

(2) the product received complaints from customers and such quality issue has been proved.

We currently have the exporting certificates for VenusA-Valve, VenusP-Valve and introducer sheath products, which are within the validity term.

OTHER LAWS AND REGULATIONS

Hospital Classification

The Hospital Classification Management Measures (《醫院分級管理辦法》)[1] promulgated by the Ministry of Health divides the hospitals into three classes and ten grades. Class III hospitals are the highest level and are divided into Special, A, B and C grades. The Class I and Class II hospitals are separately divided into A, B and C grades. The Class III hospitals are above regional hospitals that provide high-level specialist medical and healthcare services to several regions and perform advanced teaching and research works. The Class II hospitals are regional hospitals that provide comprehensive medical and healthcare services to a number of communities and undertake certain teaching and research works. The Class I hospitals are primary hospitals or healthcare centers that directly provide preventive, medical care, healthcare, and rehabilitation services to communities of a certain population.

1 The Hospital Classification Management Measures has been abolished according to the Catalogue of Abolished Regulations of the Health Departments issued by the Ministry of Health on April 13, 1998. However, the hospitals are still classified according to the Hospital Classification Management Measures in practice.

Labor and Social Protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the Standing Committee of the NPC on July 5, 1994 and amended and came into effect on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) amended by the Standing Committee of the NPC on December 28, 2012 and came into effect on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and came into effect on September 18, 2008, an employer shall establish and improve labor rules and regulations according to the laws and regulations and shall strictly comply with the national standards, provide trainings to its employees, protect their labor rights and perform its labor obligations. An employer shall enter into a written labor contract with its employees. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. The remuneration payable by an employer to its employees shall not be less than local minimum wage.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of NPC on October 28, 2010, amended and came into effect on December 29, 2018, the Administrative Regulations on Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) amended by the State Council and came into effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and came into effect on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at the applicable rates based on the amounts stipulated by the laws. If it fails to pay required amount of premium to local administrative authorities on time or in full, it may be required to settle the overdue amount or subject to fine.

Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) amended by the Standing Committee of the NPC on August 31, 2014 and came into effect on December 1, 2014, an enterprise shall provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, establish a comprehensive production safety accountability system and production safety rules and develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a department or engage in personnel managing production safety specifically. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with trainings on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

Intellectual Properties

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) amended by the Standing Committee of the NPC on August 30, 2013 and came into effect on May 1, 2014 and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) amended by the State Council on April 29, 2014 and came into effect on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. Upon the expiry of the trademark registration, a renewal shall be made in accordance with requirements within 12 months if necessary. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) amended by the Standing Committee of the NPC on December 27, 2008 and came into effect on October 1, 2009 and the Implementation Rules of The Patent Law of the PRC (《中華人民共和國專利法實施細則》) amended by the State Council on January 9, 2010 and came into effect on February 1, 2010, patents in China are divided into invention patent, utility patent and design patent. Invention patent refers to new technical solutions for a product, method or its improvement; utility patent refers to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use; design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of a product with esthetic feeling and industrial application value. Invention patent shall be valid for 20 years from the date of application while utility patent and design patent shall be valid for ten years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

On December 5, 2018, the State Council submitted the draft of the fourth amendment to the Patent Law of the PRC to the NPC (the "**Draft Amendment to the Patent Law**"). The Draft Amendment to the Patent Law was reviewed by the Seventh Session of the 13th NPC Standing Committee and was published for public consultation from January 4, 2019 to February 3, 2019. As of the Latest Practicable Date, the Draft Amendment to the Patent Law has not been formally promulgated and implemented. Compared with the valid Patent Law which was amended on December 27, 2008 and come into effect on January 1, 2009, the main changes of the Draft Amendment to the Patent Law are concentrated on the following aspects: (i) clarifying the incentive mechanism for inventor or designer relating to service inventions; (ii) extending the duration of design patent; (iii) establishing a new system of "open licensing" (開放許可); (iv) strengthening the joint liability of internet service providers for network patent infringement; (v) improving the distribution of burden of proof in patent infringement cases; and (vi) increasing the compensation for patent infringement.

The Company considered that the implementation of the Draft Amendment to the Patent Law if as presently drafted will not have material impacts on patent submissions of the Group's Core Products and product candidates based on the scope of business and ongoing operation and other activities of our Group.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) amended by the Standing Committee of the NPC on February 26, 2010 and came into effect on April 1, 2010, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and came into effect on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017, the establishment of any domain name root server and institution for operating domain name root servers, managing the registration of domain name and providing registration services in relation to domain name within the territory of China shall be subject to the approval of the Ministry of Industry and Information Technology or provincial, autonomous regional and municipal communications administration. The registration of domain name shall follow the principle of "first apply first register." The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the Ministry of Industry and Information Technology on November 27, 2017 and came into effect on January 1, 2018 specifies the obligation of anti-terrorism and maintaining network security of internet information service providers.

Laws and Regulations relating to EIT

Pursuant to the EIT Law amended by the Standing Committee of the NPC and came into effect on February 24, 2017 and the Implementation Rules of the EIT Law (《企業所得税法實施條例》) promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. Key high and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Product Liability and Protection of Consumers' Rights

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) amended by the Standing Committee of the NPC and came into effect on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

The product quality supervision and administration departments of the State Council are responsible for the supervision and administration of the quality of products of the whole country. All relevant departments of the State Council shall be responsible for the supervision of product quality within their own functions and duties.

Quality of products shall pass standard examinations and no substandard products shall be used as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the State and trade standards for ensuring the health of the human body and safety of lives and property. In absence of such State or trade standards, the products shall conform to the minimum requirements for ensuring the health of the human body and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not come to the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

Pursuant to the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated by the Standing Committee of the NPC on December 26, 2009 and came into effect on July 1, 2010, a patient may make a claim against a medical institution or producer for any damage arising from defects of a medical device. In respect of any claim made by a patient, the medical institution is entitled to make a claim against the producer after the settlement of the compensation paid to the patient.

Laws and Regulations relating to Foreign Investment

Pursuant to the PRC Company Law (《中華人民共和國公司法》) amended by the Standing Committee of the NPC and came into effect on October 26, 2018, limited liability companies and joint stock limited companies established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed or shares they have subscribed for. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

Pursuant to the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) amended by the NDRC and the MOFCOM on June 28, 2017 and came into effect on July 28, 2017 and the Special Management Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單) (2019年版)》) promulgated by the NDRC and MOFCOM on June 30, 2019 and came into effect on July 30, 2019, limitations were stipulated for foreign investments in different industries in the PRC and foreign investments shall be classified into two categories, namely "Catalog of Encouraged Industries for Foreign Investment" and "Special Management Measures (Negative List) for the Access of Foreign Investment." The Special Management Measures (Negative List) for the Access of Foreign Investment is further classified into "Catalog of Industries Limited for Foreign Investment" and "Catalog of Industries Prohibited for Foreign Investment." Industries which do not fall within the "Special Management Measures (Negative List) for the Access of Foreign Investment" are industries permitted for foreign investment.

The Interim Administrative Measures on the Record-filing of the Incorporation and Changes of Foreign-invested Enterprises (2018 Revision) (《外商投資企業設立及變更備案管理暫行辦法(2018年修訂)》) promulgated by the MOFCOM on June 29, 2018 and came into effect on June 30, 2018 specify the incorporation and changes of foreign-invested enterprises which are not subject to the special management measures for the access of foreign investment implemented by the State. Foreign-invested enterprises or their investors shall provide true, accurate and complete information for filling and fill in undertakings for filing and reporting in accordance with these measures. No false statement, misleading statement or material omission is allowed.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, was formally adopted by the 2nd session of the thirteenth National People's Congress on 15 March 2019, and will become effective on 1 January 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The State guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The State guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labour protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in the PRC laws and regulations.

Upon taking effect on 1 January 2020, the Foreign Investment Law will replace the Sino-Foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Enterprise Law (中華人民共和國中外合作經營企業法) and the Wholly Foreign-Owned Enterprises Law (中華人民共和國外資企業法) to become the legal foundation for foreign investment in the PRC.

H Share Full Circulation Pilot Project

Pursuant to the notice regarding "the Implementation of H Share Full Circulation Pilot Project to Deepen the Reform of Overseas Listing issued by the CSRC (中國證監會"深化境外上市制度改革開展H股「全流通」試點") on December 29, 2017, "Responses of Chang Depeng, the Spokesman of CSRC on Enquiries of Reporters regarding H Share Full Circulation Pilot Project" (中國證監會新聞發言人常德鵬就開展H股「全流通」試點相關事宜答記者問), the Provisional Implementation Rules on H Share Full Circulation Pilot Project (H股「全流通」試點業務實施細則 (試行)) issued by China Securities Depository and Clearing Company Limited and Shenzhen Stock Exchange on April 20, 2018 and the Provisional Guidelines of H Share Full Circulation Pilot Project (H股「全流通」試點業務指南(試行)) issued by China Securities Depository and Clearing Company Limited on May 22, 2018, for overseas-listed companies which obtained approval of H Share Full Circulation Pilot Project by CSRC (the "**Pilot Companies**"), the registration authority of relevant share subject to H Share Full Circulation Pilot Project will change from China Securities Depository and Clearing Corporation Limited to a registration authority in Hong Kong, and relevant shares will become shares listed and traded on the Hong Kong Stock Exchange. Pilot Companies will not exceed three, and each of them shall follow certain procedures and meet the following four basic conditions:

(1) It shall comply with the requirements of foreign investments, management of state-owned assets, laws and regulations regarding national security and industrial policies.

(2) The industry in which it engages shall be in line with the concept of innovation, harmony, green, open and sharing, the direction of national industrial policies, as well as national strategies which serve the real economy and support "The Belt and Road Initiative." It shall be a quality enterprise.

(3) Its shareholding structure shall be relatively simple with a market value not less than HK$1 billion.

(4) Its corporate governance and internal decision-making policies shall comply with the laws and regulations and be operable and fully protect rights to information, participating rights and voting rights of its shareholders.

On November 14, 2019, the CSRC issued "Guidance on Application of Full Circulation of Unlisted Shares of H Share Company" (H股公司境內未上市股份申請「全流通」業務指引), which allows that H-share companies and proposed H-share listed companies which meet certain conditions may apply to the CSRC for full circulation.

ISRAELI REGULATORY OVERVIEW

This section of this Prospectus summarizes various regulatory matters that are relevant to us, given our Israeli indirect subsidiary, Keystone Heart.

Clinical Trials in Israel

The Israeli Ministry of Health (the "**MOH**"), which regulates clinical testing, has adopted protocols that correspond, generally, to those of the FDA and the European Medicines Agency, making it comparatively straightforward for studies conducted in Israel to satisfy the requirements of the FDA and the European Medicines Agency, thereby enabling medical technologies subjected to clinical trials in Israel to reach the United States and the European Union ("**EU**") commercial markets in an expedited fashion.

In order to conduct clinical testing on human beings in Israel, special authorization must first be obtained from the ethics committee and general manager of the institution in which the clinical studies are scheduled to be conducted, as required under the Guidelines for Clinical Trials in Human Subjects implemented pursuant to the Israeli Public Health Regulations (Clinical Trials in Human Subjects), as amended from time to time, and other applicable legislation. These regulations require authorization by the institutional ethics committee and general manager as well as from the MOH, except in certain circumstances.

The institutional ethics committee must, among other things, evaluate the anticipated benefits that are likely to be derived from the project to determine if it justifies the risks and inconvenience to be imposed on the human subjects. As well, the committee must ensure that adequate protection exists for the rights and safety of the participants as well as the accuracy of the information gathered in the course of the clinical testing.

To the extent that our Israeli subsidiary may wish to perform clinical studies on its product candidates in Israel, it will be required to obtain authorization from the ethics committee and general manager of each institution at which the clinical trials will be conducted, and in most cases, from the MOH.

Medical Device and Import/Export Regulations

Device and Manufacturing Regulations

International sales of medical devices are subject to foreign governmental regulations, which can vary substantially between different countries. The time required to obtain clearance or approval by a foreign country or to obtain a CE Certificate of Conformity from a Notified Body, as defined under Council Directive 93/42/EEC of 14 June 1993 concerning medical devices, for a medical device may differ from that required for FDA clearance or approval. There are often different requirements imposed as well.

The medical device field in Israel is supervised by AMAR. AMAR is responsible for the registration of medical devices in Israel, granting various types of import permits for medical devices to Israel, monitoring the marketing of medical devices in Israel and the issuance of documents that assist exporters of medical devices manufactured in Israel. However, the manufacture of medical devices in Israel, *per se*, is currently *not* subject to a legally binding framework (other than requirements applicable to manufacturing and/or medical devices

manufacturing factories in Israel in accordance with the applicable business license). Nonetheless, health institutions in Israel often require medical device manufacturers to register their manufactured medical devices with AMAR under the Medical Device Law (as defined below). Also, foreign importers may require AMAR registration certificates as a condition to purchasing a medical device from an Israeli company.

In addition, there is an Israeli statute and Israeli regulations addressing medical devices: the Medical Device Law — 2012 (the "**Medical Device Law**") and the Medical Device (Medical Device Registration and Renewal) Regulations — 2013 (the "**Medical Device Regulations**"), respectively. The Medical Device Law generally requires medical devices manufactured or marketed in Israel to be registered with AMAR, or in the case of a medical device that is manufactured in Israel solely for export outside of Israel and that is not marketed in Israel, requires that notice by the manufacturer be given to the MOH, and imposes a criminal prohibition on manufacturing, importing, marketing, or using medical equipment for which registration is required with AMAR but was not indeed registered (except in exceptional cases). To obtain AMAR registration (if required), medical device manufacturers and/or importers are required to submit a number of documents reflecting the receipt of the necessary regulatory approvals (CE Marking, FDA's 510(k), premarket approval of the FDA, Canadian Medical Devices Conformity Assessment System license), or, for Israeli manufactured devices that are not registered or authorized in any "recognized country" (defined in Section one of the Medical Device Law as one of the countries listed in the First Annex, including U.S.), a risk analysis, a clinical evaluation, a summary of the clinical trials, and expert opinions regarding the device's safety and usefulness. Additional requirements may apply during the registration period, including follow-up reviews and/or formal meetings with reviewers from the MOH.

As of the Latest Practicable Date, registration of our Israeli subsidiary's current medical device product — TriGUARD3 — is not required in Israel, as the product is currently manufactured for export for investigational use only, and not for commercial use. Our Israeli subsidiary intends to register its current medical device product in Israel upon obtaining a CE Marking, at which point our subsidiary will begin to manufacture the product for export for commercial sale.

Import/Export Regulations

Other types of approvals that may be required during the product life-cycle of an Israeli-originated medical device include a Free Sale Certificate (the "**FSC**") and periodic component import approvals, as described below.

Free Sale Certificate. Israeli exports usually do not require licenses (except as explicitly required under law with respect to certain products or technologies). For export of medical devices, Israeli law does not require a permit, *per se*; however, AMAR is authorized to issue an FSC to an Israeli medical devices exporter. The FSC document is, *inter alia*, a declaration that contains certain details, such as (a) confirmation that the product is a medical device under Israeli law; (b) confirmation that the medical device was manufactured in Israel; (c) confirmation that the medical device is registered with AMAR; and (d) confirmation that the medical device was approved for use in Israeli medical institutions. Foreign regulatory and customs authorities may request Israeli exporters to show that they have obtained the FSC.

Import Approvals. The Free Import Order-2014, as amended (the "**Import Order**"), issued by the Minister of Economy, regulates importing into Israel in general and stipulates the specific documentation and governmental authorizations for customs clearance of diverse products.

Business License

In order to operate as a medical device company at its location in Caesarea, Israel, our Israeli subsidiary requires a business license. Overall authority for business licensing is controlled by Israel's Ministry of Interior under Israel's Licensing of Businesses Law, 1968. Permits are generally issued by a local branch of the Ministry of Interior after prior approval by any other relevant government departments, such as the MOH. Permits must be renewed annually. Our Israeli subsidiary's most recent business license, which was issued by the local Haifa branch of the Ministry of Interior, is valid through December 31, 2024.

Environmental, Health and Safety

Certain types of R&D and commercial activities that a medical device company (such as our subsidiary) conducts may require permits from various governmental authorities, including Israel's Ministry of Environmental Protection, the MOH and local municipal authorities. The Ministry of Environmental Protection and the MOH also conduct periodic inspections to review and ensure compliance with the various applicable regulations.

Packaging and waste

Israel's Packaging Law (Packaging Management Law), 2011 (the "**Packaging Law**") establishes measures for the handling of packaging waste and imposes extended responsibility on producers and importers of packaged products and service packaging to collect and recycle any packaging waste for their products. The law sets annual obligatory recycling targets according to the type of material produced. The total packaging waste to be recycled by a producer or importer shall not be less than 60% of the total weight of the single use packaging of the total products sold by the producer or importer during that year. To fulfill their duties, producers and importers are required to sign contractual agreements with an accredited body that will act on their behalf.

Hazardous materials

In Israel, businesses that store or use certain hazardous materials are required to obtain a toxin permit from the Ministry of Environmental Protection, pursuant to the Israeli Dangerous Substances Law 5753-1993. The use of radioactive materials specifically in the development and manufacturing of products in Israel, requires a permit from the Israeli Commissioner for Environmental Radiation (the "**Commissioner**") pursuant to the Pharmacists Regulations (Radioactive Elements and By-products) — 1980. The Commissioner has authority to cancel a permit if a company fails to comply with its conditions. In addition, if the Commissioner determines that certain activities or conditions of the facilities constitute a danger to an individual, the public or the environment, the cancelation of a permit could be immediate and without prior notice. Due to the fact that our Israeli subsidiary does not work with any applicable hazardous materials, we are not subject to this permit requirement.

Workplace health and safety

Israeli law contains numerous work-safety requirements, an area of law which is highly regulated in Israel. The majority of work-safety regulations applies to most employers, in particular manufacturing plants and factories in the sector, many of which may become applicable to our Israeli subsidiary upon commercialization (and hence manufacture) of its medical device product candidates.

The Israeli Work Safety Ordinance (New Version), 1970 (the "**Ordinance**") applies to all standard employers and factories. The Ordinance specifies various work-safety orders, including, among other things, that:

- A factory shall be maintained in clean and hygienic condition;
- A factory shall maintain awareness of employee health at all times. As well, the work spaces shall not be overcrowded in a way that might harm its employees and/or its employees' health; and
- Effective and appropriate measures shall be taken to achieve and maintain, adequate levels of fresh air circulation in each room. Furthermore, effective measures must be taken to achieve and maintain sufficient and adequate lighting, whether natural or artificial, in all parts of the factory where employees are working. Effective measures shall also be taken to achieve and maintain reasonable temperature in each room, such temperature varying depending on the type of work required, and whether or not physical effort is required.

In addition, a factory is obligated to maintain ongoing records. Such records shall note any accidents or illnesses that may have occurred at the factory, as well as any exemptions issued to the factory. Surveys and certificates that must be attached according to any other section of the Ordinance shall be attached to the records, and any other matters prescribed therein.

The Labor Inspection (Organization) Law, 1954, is applicable to any manufacturing plants or factories that are subject to the Ordinance. Under this law, any workplace that has more than 25 employees must establish a joint management-worker Safety Committee, comprised of both employee and employer representatives, in which workers can present grievances and suggestions concerning work safety. The Safety Committee must be responsible for ensuring the factory's compliance with applicable rules and regulations, investigating work related accidents, and suggesting workplace safety improvements. The Regulations of the Labor Supervision Organization (Safety Committee and Safety Trustees), 1960, regulates the work of such Safety Committee. Under the Regulations of the Labor Supervision Organization (Notification of Information and Instruction to Workers), 1984, there must be Safety Manager(s) appointed by any employer/factory subject to the Ordinance. Such Safety Managers must function in accordance with the law and advise the employer regarding any applicable regulations or work-safety related issues. In addition, according to the Regulations of the Labor Supervision Organization (Safety Management Plan), 2013, a factory that employs more than 50 employees must institute a systematic program for managing workplace safety, in order to prevent work related accidents and/or diseases and to ensure that the factory functions in accordance with the work-safety laws.

Under the Regulations of the Labor Supervision Organization (Provision of Information and Employee Training), 1999, an employer must provide employees with information regarding any and all workplace hazards as well as the required information on how to avoid such risks. In addition, the employer must conduct safety guidance and/or training and make sure that all relevant employees are well-trained and duly informed.

The Safety at Work Regulations (Safety Glasses), 1947, obligate employers to provide employees with appropriate gear to prevent eye injuries while engaged in any of the activities defined therein that are considered to pose a risk to employees' eyes. The Safety at Work Regulations (First Aid in Workplaces), 1988, require that any and all workplaces must keep first-aid kits on premises. Such first-aid kits must contain enough equipment for all of the workers. One first-aid kit is required per every 150 workers.

Intellectual Property

The Israeli intellectual property law regime covers the acquisition, maintenance and enforcement of intellectual property rights. Intellectual property law provides for monopolies limited in time and scope with respect to, *inter alia*, inventions, trademarks, and works of copyright, including computer software, films and recorded music. Upon expiration of an intellectual property right, the underlying invention or work of copyright automatically becomes part of the public domain and may be freely used by the public and further developed or improved to make new inventions and new developments or works of copyright.

International treaties in the field of intellectual property set forth minimum monopoly standard levels that contracting states agree to maintain in their territory. Israel is a member of most international intellectual property treaties and maintains standards that often exceed the minimal standards set in those treaties.

The Israel Patent Office ("**ILPO**") is the authority in Israel that provides legal protection for industrial intellectual property through the registration of patents, designs, trademarks and appellations of origin. The office is part of the Israeli Ministry of Justice. The granted right is subject to the examination of an application. In addition, the ILPO provides information and guidance to the public regarding its functions and responsibilities, as well as in matters relating to patents, designs and trademarks. Israel does not maintain a formal copyright registry.

Patents

The Patents Law, 1967, as amended, and the Patents Regulations (Office Practice, Rules of Produce, Documents and Fees), 1968, are the primary legislative bases for patent law in Israel. Israel is a member of the Paris Convention for the Protection of Industrial Property, and a party to the Patent Cooperation Treaty ("**PCT**").

In general, under Israeli patent law, the owner of a patentable invention may apply to the ILPO for a patent. A patentable invention is defined under the law as an invention, whether a product or a process in any technological field, which is new, useful, applicable for industrial use and non-obvious. Each of the above has detailed criteria under the Patents Law. Israeli patent law has adopted the "first to file" standard; if more than one applicant applied for a patent for the same invention, the patent will be granted to the applicant who first validly applied for it.

The term of a patent is 20 years from the first filing (which is the priority date), but it is possible to receive an extension under certain circumstances described in the Patents Law. The Patents Law includes provisions granting relief by way of injunction and compensation in actions for infringements. The Patents Law grants the holder of an exclusive license to an Israeli patent the right to independently enforce that patent, so long as the license is recorded with the ILPO. In addition, there are special provisions in the Patents Law relating to Israel's ability to limit the ILPO's authority under the law in order to protect state security as well as with respect to mandatory licensing arrangements in certain cases as set forth in the law.

Our Israeli subsidiary is the exclusive licensee of various patents issued in Israel. However, given that such license is for a defined field of use, it would not likely be deemed an "exclusive license" according to the Patents Law and would not likely provide our Israeli subsidiary with standing to file a claim of patent infringement of such patents in Israel.

Trademarks

The Trade Marks Ordinance, 1972, provides protection for trademarks, which are defined as marks containing letters, numbers, words, images, symbols or a combination thereof, which are used to identify goods. Service marks are a type of trademark used in connection with services. Registration of marks may be pursued either nationally or internationally in accordance with the provisions of the Israeli Trade Marks Ordinance and the Madrid Protocol. Specific classes of trademarks for which protection is sought are designated in the application filed with the Trademark Office. The registration of the mark confers upon its owner the exclusive use of the mark in relation to the products or services for which it is registered. Registration also serves to protect the public against deception regarding the origin of the goods or services in question. Non-registered marks may also benefit from protection in certain cases. Trademarks that are well-known in Israel as a mark owned by a person or entity that is a citizen of a member state of the Paris Convention for the Protection of Industrial Property or a member of the World Trade Organization, can also be protected even if not actually registered in Israel.

There are many types of marks that cannot be registered, such as: (i) a mark identical with or similar to emblems of exclusively religious significance; (ii) flags and emblems of the State of Israel or its institutions, flags and emblems of foreign states or international organizations, and any mark resembling any of these; or (iii) a mark likely to deceive the public, a mark which contains a false indication of origin, and a mark which encourages unfair trade competition.

The registration of a trade mark is valid for 10 years from the date of filing of the application and the registration may be renewed for additional periods of 10 years in accordance with the provisions of the law. Our Israeli subsidiary does not hold registrations for trademarks in Israel.

Copyright

The Copyright Law, 2007, protects matters of literary and artistic expression, including computer software. Israel is a party to the Berne Convention for the Protection of Literary and Artistic Works, the Universal Copyright Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights Agreement.

A copyright in a work means the exclusive right to do with the work, or a substantial part thereof, one or more of the following acts, in accordance with the type of the work: (i) reproduction with respect to all categories of works; (ii) publication in respect of a work not yet published; (iii) public performance in respect of a literary work, dramatic work, musical work and sound recording; and/or (iv) broadcasting in respect of all kinds of works.

Copyright subsists in the following works: (i) original works that are literary works, artistic works, dramatic works or musical works, fixed in any form; and (ii) sound recordings. Originality of a compilation means the originality in the selection and arrangement of the works or of the data embodied therein. Moral rights are also protected under the Copyright Law, although there are no moral rights in computer software. Under Israeli law, moral rights cannot be assigned. Copyright in a work subsists during the life of the author and for 70 years after his or her death.

Designs

The Patents and Designs Ordinance, 1924 (the "**Designs Ordinance**"), and the new Designs Law, 2017 (the "**Designs Law**") (which replaces the Designs Ordinance with respect to designs registered, filed, and published after August 7, 2018) protect such visual features of a design as shape, configuration, pattern or ornament applied to any article by any industrial process or means, whether manual, mechanical or chemical, separate or combined. To gain protection, the design should be novel or original (under the Designs Ordinance), or both novel and with individual character (under the Designs Law), and should not include any mode or principle of construction or anything which is in substance a mere mechanical device. As such, a design cannot be registered for the shape of a product dictated only by its functional considerations. Examples of products that qualify to be registered as designs include: jewelry, watches, clothes, toys, telephones, furniture and all instruments and working tools, and, under the Designs Law, graphic symbols (excluding fonts) and screen displays, subject, in each case, to the requirements set out in the Designs Ordinance or the Designs Law (as applicable). Holders of design rights may prevent third parties from exploiting the registered design in the territory of registration — that is, the State of Israel. A registered design may receive protection for up to a total of 25 years, or under the Designs Ordinance, up to a period of 18 years, by registering such design with the ILPO.

Trade Secrets

Patent rights and copyrights have limited terms and, as such, one may choose to protect one's intellectual property as a trade secret. Trade secrets include know-how, formulae, business plans, and non-public technical information. A trade secret is defined as any business information which is not part of the public domain or legally discoverable with ease, the confidentiality of which provides its proprietor with an advantage over competitors and which the owner takes reasonable measures to protect from disclosure. Failure to take sufficient measures to maintain the confidentiality of the know-how may result in the loss of trade secret protection. Trade secrets are protected under the Commercial Torts Law, 1999 from unlawful appropriation or unauthorized use by other parties. The court may, at a plaintiff's request, award damages for every wrong, without proof of actual damage, in an amount of no more than NIS100,000.

Israeli Government Funding and Taxation, Including Tax Benefits Programs

Office of the Chief Scientist of the Ministry of Economy/National Technological Innovation Authority

Companies that receive funding historically from the Israeli Office of the Chief Scientist ("**OCS**") of the Ministry of Economy are subject to the terms set out in the Law for the Encouragement of Industrial Research, Development and Technological Innovation, 1984, as amended, and related regulations ("**Innovation Law**") as amended by Amendment Number 7 to the Innovation Law (the "**Amendment**"), which came into force on January 1, 2016. By means of the Amendment, the National Technological Innovation Authority ("**Innovation Authority**") was established in place of the OCS, and was granted far-reaching rights in the establishment of rules for grants provided under specific tracks and many sections of the Innovation Law. The Innovation Law, as amended, requires the payment to the Innovation Authority of royalties on revenues derived from sales of products developed with the support of the OCS or the Innovation Authority and restricts the transfer of ownership of know-how funded by the OCS or the Innovation Authority to a foreign entity and the transfer of manufacturing rights based on such know-how outside of Israel. Our Israeli subsidiary did not receive any funding from the OCS or the Innovation Authority since its incorporation and up to the Latest Practicable Date and is therefore not subject to the Innovation Law and its restrictions.

Israeli Taxation Concerning Israeli Subsidiary and our Shareholding Therein

One of our subsidiaries, Keystone Heart, is incorporated in Israel. The following is a summary of certain aspects of the current tax structure applicable to companies in Israel, under the assumption that our Israeli subsidiary is treated as a resident company of the State of Israel for tax purposes. The following also contains a discussion of the Israeli government tax benefit programs that could potentially benefit an Israeli resident company.

General Corporate Tax Structure in Israel

Israeli resident corporations (such as our Israeli subsidiary) are generally subject to corporate tax on their taxable income (both capital gains and ordinary income) at the rate of 24% in 2017 and 23% in 2018 and thereafter.

Law for the Encouragement of Industry (Taxes), 1969

The Law for the Encouragement of Industry (Taxes), 1969 (the "**Industry Encouragement Law**"), provides certain tax benefits for an "Industrial Company." The Industry Encouragement Law defines an "Industrial Company" as an Israeli resident company incorporated in Israel, of which 90% or more of its income in any tax year, other than income from certain government loans, is derived from an "Industrial Enterprise" owned by it and located in Israel or in the "Area," in accordance with the definition in the Section 3a of the Israeli Income Tax Ordinance (New Version) 1961 (the "**Ordinance**"). An "Industrial Enterprise" is defined as an enterprise which is held by an Industrial Company whose principal activity in any given tax year is industrial production.

The following tax benefits, among others, are available to Industrial Companies:

- amortization over an eight-year period of the cost of patents and rights to use a patent and know-how that were purchased in good faith and are used for the development or advancement of the Industrial Enterprise, commencing from the tax year where the Industrial Enterprise began to use them;

- under certain conditions, the right to elect to file consolidated tax returns with Israeli Industrial Companies controlled by it; and

- expenses related to a public offering are deductible in equal amounts over three years commencing on the year of the offering.

Our Israeli subsidiary has not been qualified as an "Industrial Company" within the meaning of the Industry Encouragement Law, so the benefits described above are not currently relevant to it.

Tax Benefits under the Law for the Encouragement of Capital Investments, 1959

The Law for the Encouragement of Capital Investments, 1959, generally referred to as the "**Investment Law**," provides certain incentives for capital investments in production facilities (or other eligible assets).

The Investment Law was significantly amended several times over the recent years, with the three most significant changes effective as of April 1, 2005 (the "**2005 Amendment**"), as of January 1, 2011 (the "**2011 Amendment**"), and as of January 1, 2017 (the "**2017 Amendment**"). Pursuant to the 2005 Amendment, tax benefits granted in accordance with the provisions of the Investment Law prior to its revision by the 2005 Amendment remain in force but any benefits granted subsequently are subject to the provisions of the amended Investment Law. Similarly, the 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and have the benefits of the 2011 Amendment apply. The 2017 Amendment introduced new benefits for technological enterprises, alongside the existing tax benefits.

Our Israeli subsidiary has not utilized any of the benefits under the Investment Law.

Taxation of Our Company on Capital Gains and Dividends Derived from Our Israeli Subsidiary

Capital gain tax is imposed on the disposal of shares in an Israeli resident company, by a non-Israel resident shareholder. However, a non-Israeli resident (whether an individual or a corporation) that derives capital gains from the sale of shares, purchased after 2009, in an Israeli resident company should be exempt from Israeli capital gains tax (provided that certain exceptions—which are not applicable to our company—do not apply).

A non-Israeli resident (either individual or corporation like our Company) is subject to Israeli income tax on the receipt of dividends at the rate of 25% (30% if the dividends recipient is a "Controlling Shareholder" (as defined below), at the time of distribution or at any time during the preceding 12-month period); those rates are subject to a reduced tax rate under the provisions of an applicable double tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). A "Controlling Shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Our Company would be considered a Controlling Shareholder in respect of our holdings of our Israeli subsidiary.

Distribution of dividends from income attributed to an entity with preferential status under the Investment Law is generally subject to a tax at a rate of 20%.

U.S. REGULATORY OVERVIEW

This section of this Prospectus summarizes various regulatory matters that are relevant to us, given our business operation in the United States.

Government Regulation

Government authorities in the United States at the federal, state, and local level extensively regulate the research and clinical development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing, and export and import of cardiovascular medical devices, such as those that we and our subsidiaries are developing and commercializing.

The U.S. Food and Drug Administration's Regulation of Medical Devices

In the United States, the FDA regulates medical devices under the Federal Food, Drug, and Cosmetic Act ("**FDCA**") and its implementing regulations.

I. The Premarket Process

Unless an exemption applies, as described further below, any medical devices commercially distributed in the United States must first be the subject of a marketing authorization from FDA. FDA classifies medical devices into one of three classes. The classification system is risk-based:

Class I Devices

Class I devices present minimal potential harm for the user and are often simpler in design than Class II and Class III devices. Class I devices include medical devices that generally pose the lowest risk to patients and are devices typically subject only to FDA's general control provisions, such as:

- device registration and listing;
- prohibition against adulteration and misbranding;
- notification and repair, replacement, and refund;
- record keeping;
- unique device identifiers and device tracking, as applicable;
- adverse event and other reporting;
- Good Manufacturing Practice requirements embodied in FDA's Quality System Regulation ("**QSR**"); and
- in limited instances, premarket notification.

An elastic bandage is an example of a Class I device.

Class II Devices

Class II devices fall in the middle of the risk spectrum between Class I and Class III devices. Most medical devices are considered Class II devices. Class II medical devices are devices for which the general controls outlined above are not sufficient for ensuring safety and effectiveness of the devices. The FDCA imposes general controls as well as special controls, which are usually device-specific and include performance standards, postmarket surveillance, patient registries, special labeling requirements, and premarket data requirements, on Class II medical devices. Importantly, Class II medical devices are oftentimes subject to premarket notification requirements (i.e., 510(k) clearance). Examples include certain cardiac monitors (including cardiotachometers and rate alarms). Our V8 and TAV8 are Class II devices.

Class III Devices

Class III devices are usually devices that sustain or support life, are implants, or present potential unreasonable risk of illness or injury. Class III devices are medical devices for which general and special controls alone cannot assure the safety and effectiveness of the device. Class III devices are also subject to premarket approval requirements. Implantable cardiac pacemakers are an example of a Class III device. Among our products intended for the U.S. market, the VenusP-Valve and VenusA-Valve are likely to be classified as Class III devices in the U.S.

An Overview of the Premarket Notification and Premarket Approval Processes

Premarket Notification (510(k) Clearance)

The FDCA requires any person who wishes to market a medical device for which a premarket approval application is not required to submit a premarket notification (a 510(k)) unless exempt (e.g., Class I, 510(k)-exempt medical devices). Some of our products may be subject to this requirement (e.g., TriGUARD3). This notification must be submitted to FDA at least 90 days before the introduction of the device into interstate commerce. The premarket submission must demonstrate to FDA that the device to be marketed is at least as safe and effective ("substantially equivalent") to a legally marketed device (a "predicate" device) that is not subject to premarket approval. This process is commonly referred to as the 510(k) clearance process.

Manufacturers must identify for FDA the predicate device to which they are claiming substantial equivalence. Manufacturers prove substantial equivalence by providing to FDA a combination of thorough technological details about both their device and the predicate device, performance data, non-clinical bench performance testing, non-clinical animal and biocompatibility information, and non-clinical laboratory studies. In approximately ten percent (10%) of cases, FDA will request clinical performance data to demonstrate substantial equivalence.

A legally marketed device or a predicate is:

- a device that was legally marketed prior to May 28, 1976;
- a device which has been reclassified from Class III to Class II or I;

- a device which has been found substantially equivalent through the premarket notification process; or

- a device that was granted marketing authorization via the De Novo classification process (as elaborated below) under section 513(f)(2) of the FDCA that is not exempt from premarket notification requirements.

FDA will review the notification, and determine that a device is substantially equivalent if (1) the device has the same intended use and technological characteristics as the predicate, or (2) the device has the same intended use and different technological characteristics, but does not raise different questions of safety and effectiveness, and the information submitted to FDA demonstrates to FDA that the device is at least as safe and effective as the predicate. A claim of substantial equivalence does not mean that the new and predicate devices must be identical. Substantial equivalence is established with respect to intended use, design, energy used or delivered, materials, chemical composition, manufacturing process, performance, safety, effectiveness, labeling, biocompatibility, standards, and other characteristics, as applicable.

In order for the device to be marketed, FDA must first issue a letter stating that the device is substantially equivalent to the predicate, which is also called a 510(k) clearance letter. FDA does not perform 510(k) pre-clearance facility inspections. The submitter may market the device immediately after 510(k) clearance is granted. The Company has received 510(k) clearances from FDA for V8 and TAV8[1].

The manufacturer should be prepared for an FDA quality system inspection at any time after 510(k) clearance. The Quality System Requirements are found in the U.S. Code of Federal Regulations ("**C.F.R.**") at 21 C.F.R. 820.

After a device receives FDA's 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change or modification in its intended use, requires a new 510(k) clearance or, if the modified device is not substantially equivalent, could require a premarket approval (as defined below) or De Novo classification through the De Novo classification process.

Premarket Approval

Premarket approval (the "**PMA**") is the FDA process of scientific and regulatory review to evaluate the safety and effectiveness of Class III medical devices. Through PMA, applicants must provide to FDA's satisfaction reasonable assurance of safety and effectiveness for the intended use(s) of the device. A PMA application must be supported by valid scientific evidence, including extensive preclinical (including bench tests and laboratory and animal studies) and clinical studies as well as information about the device and its components regarding, among other things, device design, manufacturing and labeling. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. The outside advisory panel review may be initiated by the agency, or the applicant may request the outside advisory panel's review. The panel consists of members that have the relevant expertise and experience to assess the safety

1 InterValve, which is a subsidiary of the Company, is the holder of 510(k).

and efficacy of the applicable devices, such as physicians, nurses, and scientists. FDA will forward a copy of the PMA to each member of the panel for review. The panel will hold a public meeting to review the application. Subsequent to the meeting, the panel will submit a report to FDA with its recommendation on whether to approve or deny the device. FDA will then consider the report, transcript, and other relevant information to issue a decision. In addition to the above, the FDA will also conduct a preapproval inspection of the manufacturing facility as part of the PMA application review to ensure compliance with the QSR. PMA is the most rigorous type of marketing application required by FDA, and it typically takes several years and investment of significant financial resources to obtain FDA's approval.

Even if FDA approves the premarket approval application, it may place restrictions on the device or the labeling or require additional clinical studies, monitoring or other post-market requirements. FDA may also impose post-market surveillance requirements, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device. If the FDA's evaluation of the PMA application or the manufacturing facility is not favorable, the FDA may deny the PMA application or issue a "not approvable" letter. The FDA may also require additional clinical trials, which can delay the PMA process by several years or otherwise make obtaining PMA infeasible.

If the appropriate classification and the regulatory pathway for a medical device is not clear, it is possible to seek guidance from FDA on the proper classification of a medical device and applicable regulatory requirements for such a device through a request for classification ("**513(g) Request**"). Upon receipt of the 513(g) Request, FDA will provide a response with the proper classification of the device, as well as requirements applicable to such a device under the FDCA.

De Novo Classification Process

The De Novo classification process provides a pathway to classify novel medical devices for which general controls alone, or general and special controls, provide reasonable assurance of safety and effectiveness for the intended use, but for which there is no legally marketed predicate device. The De Novo classification process is a risk-based classification process.

This regulatory route is also available for devices of a new type that are classified automatically as Class III, or a device that FDA has determined is not substantially equivalent to a predicate after the agency reviewed a premarket notification. If the Company develops products that fit into either of these two scenarios, then it will need to pursue the De Novo classification process in order to market the device in the United States.

A request for the De Novo classification process should include a risk-benefit analysis demonstrating that, when subject to general controls or general and special controls, the probable benefits to health from use of the device outweigh any probable injury or illness from such use. If a product is classified as Class I or II through the direct De Novo classification process, then that device may serve as a predicate device for subsequent 510(k) premarket notifications, including by competitors. FDA recommends holding a pre-submission meeting with FDA prior to submitting a request for the De Novo classification process.

Unless a specific exemption or waiver applies, premarket notification submissions, requests for the De Novo classification process, and PMA applications are subject to user fees to be paid by the applicant. The PMA and De Novo classification process user fees are significantly higher than the user fees for 510(k) notifications.

Pre-Clinical and/or Clinical Studies

Prior to seeking marketing authorization for medical devices, a developer of a medical device must prepare information demonstrating the safety and effectiveness of the medical device in development. Such information is often derived from preclinical or clinical studies. During the preclinical stage, the developers oftentimes test the prototype devices in controlled laboratory settings. Preclinical studies are intended to reduce risk of harm in human subjects, and are designed to provide evidence to support the safety of the device. However, it may not be possible to eliminate the risk of harm to human subjects entirely.

In addition, for certain devices (e.g., implantable devices) the safety and effectiveness of a device may need to be demonstrated through clinical studies. Clinical studies are required for a small percentage of 510(k) clearance and most PMA applications. When conducting clinical studies, manufacturers, sponsors[1], clinical investigators[2], and institutional review boards are subject to FDA regulatory requirements known as Good Clinical Practices, and must comply with various regulations regarding informed consent (21 C.F.R. 50), responsibilities of Institutional Review Boards ("**IRBs**") (21 C.F.R. 56), certain disclosure requirements for clinical investigators (21 C.F.R. 54), and regulatory requirements for Investigational Devices (21 C.F.R. 812).

The Company is currently conducting a multi-center clinical trial to evaluate the safety and efficacy of our CEP product, TriGUARD3, in order to apply for 510(k) clearance in the United States.

Investigational Device Exemptions

Prior to beginning clinical studies, FDA may require the sponsors to submit Investigational Device Exemption ("**IDE**") applications, including when using a significant risk device in the clinical study, when conducting an investigation that is exempt from the informed consent requirement, or when FDA otherwise requires an IDE application to be submitted. In such instances, the clinical study cannot proceed until FDA approves the IDE application. A significant risk device is a device that (1) is intended as an implant and presents a potential for serious risk to the health, safety, or welfare of a subject; (2) is purported or represented to be for a use in supporting or sustaining human life and presents a potential for serious risk to the health, safety, or welfare of a subject; (3) is for a use of substantial importance in diagnosing, curing, mitigating, or treating disease, or (4) otherwise preventing impairment of human health and presents a potential for serious risk to the health, safety, or welfare of a subject.

1 Sponsors are responsible for selecting qualified investigators and providing them with the information they need to conduct the investigation properly, ensuring proper monitoring of the investigation, ensuring that IRB review and approval are obtained, submitting an IDE application to FDA, and ensuring that any reviewing IRB and FDA are promptly informed of significant new information about an investigation. They also are responsible for maintaining certain study records.

2 Investigators are responsible for ensuring that an investigation is conducted according to the signed agreement into which they enter with the sponsor; the investigational plan and applicable FDA regulations; for protecting the rights, safety, and welfare of subjects under the investigator's care; and for the control of devices under investigation. Investigators are also responsible for ensuring that informed consent is obtained in accordance with FDA regulations and for maintaining certain study records.

If the device to be studied is a non-significant risk device, the clinical study may begin without FDA's review of the IDE application; FDA considers such investigations to have approved IDEs, if the sponsor complies with the labeling requirement for the device, informed consent requirement, and the sponsor receives an IRB approval for the investigation, after providing an explanation to the reviewing IRB on why the device is not a significant risk device, among other requirements. An IDE supplement must be submitted to and approved by the FDA before a sponsor or investigator may make a change to the investigational plan that may affect its scientific soundness; study indication; or the rights, safety, or welfare of human subjects.

For clinical studies with significant risk devices, FDA will expect to see in the IDE application:

- reports of prior investigations, such as prior clinical, animal, and laboratory testing of the device;
- an investigational plan for the device, including the proposed indications for use, objectives, protocol, risk analysis, and monitoring procedures;
- investigator agreement;
- manufacturing information;
- quality control information;
- a list of investigators;
- a list of IRBs that reviewed or will be asked to review the investigation;
- labeling; and
- informed consent materials.

We completed a clinical trial in China for VenusP-Valve. We are in the process of animal testing for VenusP-Valve in the United States and plan to submit a pre-submission meeting request to FDA in the first half of 2020 to obtain the agency's feedback on our planned IDE application.

Regardless of whether a clinical study is with a significant risk device or a non-significant risk device, clinical studies may need to be registered on the National Institute of Health's clinical trials registry at **www.clinicaltrials.gov**, unless subject to certain exceptions (e.g., small studies for determining the feasibility and for testing prototype devices). Information related to the product, patient population, study sites, investigators, and other aspects of the clinical trial are then made public as part of the registration. Sponsors are also obligated to disclose the results of their clinical trials after completion. The multi-center TriGuard study referenced above has been registered.

Types of Clinical Studies for Medical Devices

Several types of clinical studies may be required to demonstrate the safety and effectiveness of a medical device. An early feasibility study is a limited clinical investigation of a device when nonclinical testing methods cannot be used or are not sufficient for obtaining the information needed for advancing the developmental process. The device design at this point typically is not yet final, and information from early feasibility studies may provide guidance for device modifications. Early feasibility studies are designed for testing a specific indication (e.g., innovative device for a new or established intended use, marketed device for a novel clinical application), and typically involve only a small number of subjects (e.g., less than ten). A traditional feasibility study is a clinical study designed to provide preliminary information on a final or near-final device's safety and effectiveness data for the purpose of preparing an appropriate pivotal study. Traditional feasibility studies do not necessarily need to be preceded by early feasibility studies. Finally, pivotal studies provide definitive evidence of a device's safety and effectiveness for a specific indication. Pivotal studies are typically conducted on a statistically justified number of subjects, and may or may not be preceded by early or traditional feasibility studies. While reviewing feasibility studies proposed in IDE applications, FDA will review whether the study is conceptually reasonable, whether preclinical trial results support continued study of the investigational device, and whether the potential risks are adequately mitigated. When reviewing a proposed pivotal study, FDA will review the trial endpoints; methodology such as randomization, follow-up, and blinding; and the statistical analysis plan for the study. The sponsor may begin the investigation 30 days after FDA receives the IDE application; however, the sponsor may not conduct the investigation if the agency notifies the sponsor that the investigation may not begin.

FDA may also disapprove the IDE application after reviewing the application. FDA may do so when there is a reason to believe that the risks to the subjects are not outweighed by the anticipated benefits to the subjects and the importance of the knowledge to be gained, informed consent (as elaborated below) is inadequate, the investigation is scientifically unsound, or there is a reason to believe that the device as used is ineffective. FDA may also disapprove the application when the sponsor fails to respond to the agency's request for additional information, when an untrue statement of a material fact or omission of material information in the application is discovered, or if the agency has other concerns.

Informed Consent

Because many devices used in clinical studies have not previously received FDA's review for safety and effectiveness, or even if they have, receiving the subjects' informed consent is critical to ensuring that the subjects are fully aware of the potential risks involved with participating in the clinical study, in addition to having other necessary information. For this reason, most clinical trials are subject to FDA's regulations on informed consent. FDA regulations require the investigator of a clinical investigation to obtain legally effective informed consent from the subjects before the investigation can begin. While certain clinical uses of investigational devices may be exempt from informed consent requirements, in most cases, informed consent is required for investigational uses of a device.

For informed consent to be effective, the informed consent must include elements such as:

- a statement that the study involves research, an explanation of the research and the expected duration of the subject's participation, and identification of any procedures which are experimental;

- reasonably foreseeable risks or discomforts to the subject;
- any benefits to the subject reasonably expected from the research;
- a disclosure of appropriate alternative procedures or courses of treatment, if any, that might be advantageous to the subject;
- a description on how confidentiality of records identifying the subject will be maintained and that notes the possibility that the FDA may inspect the records;
- for research involving more than minimal risk, an explanation of any compensation and whether any medical treatments are available;
- an explanation of whom to contact about the research and research subjects' rights, and whom to contact in the event of an injury; and
- a statement that participation is voluntary, and that the subject may discontinue participation at any time without penalty or loss of benefits to which the subject is otherwise entitled.

In addition, if a clinical trial prospectively compares a device-based intervention subject to FDA regulation against a control in human subjects, or the clinical trial is a pediatric post-market surveillance trial ("applicable clinical trial"), the following sentence must be included in informed consent documents: "A description of this clinical trial will be available on http://www.ClinicalTrials.gov, as required by U.S. Law. This Web site will not include information that can identify you. At most, the Web site will include a summary of the results. You can search this Web site at any time."

In certain cases when the subjects are children or others with impaired consent capacity, guardians, parents, or legally authorized representatives may be able to provide the required consent. However, informed consents may need to be modified to further protect the subjects' rights, and safeguards such as providing a waiting period to allow additional time for decision making, re-assessing the subjects' consent capacity after initiation of the clinical study, or having the IRB or another third party observe the consent process may be necessary to ensure that the informed consent is and remains valid throughout the investigation.

Institutional Review Boards

Under FDA regulations, an IRB is an appropriately constituted group that has been formally designated to review and monitor biomedical research involving human subjects. The IRB has the authority to approve, require modifications in (to secure approval), or disapprove research. The IRBs review serves an important role in the protection of the rights, safety and welfare of human research subjects.

The purpose of IRB review is to assure, both in advance and by periodic review, that appropriate steps are taken to protect the rights, safety and welfare of humans participating as subjects in the research. To accomplish this purpose, IRBs use a group process to review research protocols and related materials (e.g., the informed consent documents referenced above). The IRB must monitor and review an investigation throughout the clinical study.

If an IRB determines that an investigation involves a significant risk device, it must notify the investigator and, if appropriate, the sponsor. The sponsor may not begin the investigation until approved by FDA.

FDA requires IRBs to be registered. The institutions where the study is to be conducted should be contacted to determine if they have their own IRB. If the study is conducted at a site that does not have its own IRB, the investigators should be queried to see if they are affiliated with an institution with an IRB that would be willing to act as the IRB for that site in the study. There are also independent/contract IRBs that can serve as the IRB for a site.

An IRB must comply with all applicable requirements of the IRB regulation referenced above and the IDE regulations in reviewing and approving device investigations involving human testing. FDA does periodic inspections of the IRB's records and procedures to determine compliance with the regulations.

II. Post-market Requirements

Once FDA issues marketing authorization for a medical device, including the Company's devices, the medical device will be subject to various post-approval requirements, including registration and listing, compliance with current Good Manufacturing Practices ("**cGMP**") through the QSR, labeling and packaging requirements, as well as compliance with regulations concerning advertising and promotion.

Prohibition against Adulteration and Misbranding

Medical device manufacturers must ensure that they introduce into interstate commerce devices that comply with the FDCA. Section 301(a) of the FDCA prohibits introduction into interstate commerce of adulterated or misbranded medical devices. A device may be deemed adulterated for several reasons, including, but not limited to, that (1) it consists of any filthy, putrid, or decomposed substance; (2) it is manufactured or held under insanitary conditions; (3) the device fails to comply with the QSR rules; (4) the device does not comply with performance standards; or (5) there is no PMA that covers the device even though the device is subject to such requirement. In addition, the FDA may consider a device to be misbranded for several reasons, including (1) a false or misleading label or labeling; (2) lack of pre-market notification for devices that are subject to the requirement; and/or (3) non-compliance with label requirements, such as a lack of a manufacturer, packer, or distributor statement, net quantity statement, statement of identity, or adequate directions for use.

Registration and Listing

The FDCA requires all persons and parties that own or operate any establishment engaged in the manufacture, preparation, propagation, compounding, or processing of a medical device to register with the FDA. This registration enables the agency to keep track of the establishment information for medical devices that are being marketed in the United States. In particular, the regulations require an owner or operator of an establishment that has not previously engaged in the manufacture, preparation, propagation, compounding, assembly, or processing of medical devices to register the establishment with FDA within 30 days of entering into operation. All facilities must renew their registrations between October 1 and December 31 of each fiscal year. The failure to properly register constitutes a violation of the FDCA.

In addition, FDA requires a list of medical devices in commercial distribution to be submitted to FDA by the owner or operator of an establishment (including specification developers, medical device sterilizers, medical device repackagers or relabelers, reprocessors of a single use device, manufacturers of components or accessories that are packaged for commercial distribution, or initial importers of medical devices), or in certain circumstances by the parent, subsidiary, or affiliate of the owner or operator. The owner or operator must at the time of registering the establishment also list its devices. Any updates to information provided to FDA during the registration and listing process must be reflected on FDA's database within 30 days of such change. The failure to properly register and list constitutes a violation of the FDCA.

Labeling and Packaging

In order to market a medical device in the United States, manufacturers must also comply with FDCA requirements for labeling and packaging. Labeling and packaging requirements include:

- adequate directions for use, which may include:
    - quantity of dose, including usual quantities for each of the uses for which it is intended and usual quantities for persons of different ages and different physical conditions;
    - frequency of administration or application;
    - duration of administration or application;
    - time of administration or application, in relation to time of meals, time of onset of symptoms, or other time factors;
    - route or method of administration or application;
    - preparation for use, i.e., adjustment of temperature, or other manipulation or process; and
    - statements of all conditions, purposes, or uses for which such device is intended, including conditions, purposes, or uses for which it is prescribed, recommended, or suggested in its oral, written, printed, or graphic advertising, and conditions, purposes, or uses for which the device is commonly used.
- the net quantity statement, expressed in terms of the weight, measure, and numerical count of the device (i.e., the number or weight of the product);
- manufacturer, packer, or distributor declaration;
- warning statements for certain devices; and
- device-specific user labeling requirements for certain products.

Prescription devices are exempt from the adequate directions for use requirement, but instead must include information for use, including indications, effects, routes, frequency and duration of administration, contraindications, and other information with which licensed practitioners can use the device safely and effectively.

Moreover, FDA requires medical devices to bear a Unique Device Identifier ("**UDI**"), in order to allow for identification of medical devices through distribution and use. All medical devices distributed in the United States must bear a UDI, unless an exception or alternative applies. A medical device label must display the UDI in two forms – plain text that is easily readable, and using automatic identification and data capture technology. FDA regulations also require that the UDI be marked directly on the device if the device is intended to be used more than once and intended to be reprocessed before each use. However, the direct-marking requirement does not apply to devices whose safety or effectiveness can be affected by such method of marking.

Quality System Regulation

Medical devices marketed in the United States are also subject to cGMPs. FDA promulgated the cGMP requirements in the QSR, outlined in 21 C.F.R. Part 820. The QSR provides principles for finished device manufacturers to follow during the design, manufacture, storage, labeling, and packaging of finished devices (including certain components) intended for human use and commercial distribution. Manufacturers must develop their quality system and comply with the QSR by considering the risk posed by their respective device, and the complexity of and risks inherent in the manufacturing processes.

Additionally, company management must establish a policy for ensuring quality and must ensure that the policy is implemented at the organization. The organizational structure must also be developed to enable the design and manufacture of the devices in compliance with the QSR. When developing a medical device, the manufacturer must prepare procedures to ensure that appropriate design controls are in place to prevent potential deficiencies in the device. Procedures must involve appropriate verification, review, and approval of design changes before implementation of design changes, and each manufacturer must maintain a design history file for each type of device.

Medical device manufacturers must also establish and implement procedures for proper medical device storage to prevent mix-ups, damage, contamination, or other adverse effects pending use or distribution. The procedures must ensure that no obsolete, rejected, or deteriorated products can be used or distributed. The procedures must include methods for authorizing the receipt from and the dispatch to the storage areas. Additionally, manufacturers must maintain and store all required records at a location reasonably accessible to responsible officials of the manufacturer and to FDA employees during FDA inspections. It is recommended that manufacturers mark records as confidential to assist FDA in determining which records should not be released to the public.

Manufacturers must also maintain a device master record, which includes or refers to the location for the device specifications, production process specifications, quality assurance procedures, packaging and labeling specifications, and installation, maintenance, and servicing procedures and methods. Device history records must include or refer to the location of information regarding the dates of manufacture, the quantity manufactured, the quantity released for distribution, acceptance records, any UDI or universal product code, and the primary identification label and labeling used for each production unit. All required records must be stored for a minimum of two years or for a period as long as the time equivalent to the design and expected life of the device, whichever is longer.

Each manufacturer is required to develop and monitor the production process so that its devices are produced according to the specifications. Where deviation is possible, control procedures must be established to ensure conformance to specifications. All inspection and test equipment must be capable of verifying and producing valid results, and procedures for routine calibration, inspection, and maintenance must be established. There must be a set of procedures designed for controlling non-conforming products. Such procedures must address the identification, documentation, evaluation, segregation, and disposition of the non-conforming products. Each manufacturer must also establish procedures for corrective and preventive actions, including analyzing quality audit reports, processes, operations, and other sources of quality data to identify the potential causes of non-conformance. Such causes must be investigated, and corrective and preventive actions must be implemented and verified to prevent future non-compliance.

Quality audits must also be conducted to ensure that the quality system complies with the QSR. These audits may be conducted by internal personnel, or at other times, by external independent auditors. Corrective and preventive actions may be necessary following the company's quality audits, depending upon the results of the audits. The manufacturer must document the quality audits taken, and the management must review the results of the audit. A manufacturer's non-compliance with the QSR may render the manufacturer's medical devices adulterated, and may invite FDA scrutiny and enforcement actions.

Promotion and Advertising

FDA classifies and regulates products based on a product's intended use. This allows the agency to determine the regulatory scheme (e.g., drug, device, food, cosmetic, consumer product, etc.) to which the product must be subjected. Intended use is defined as the objective intent of the parties legally responsible for the labeling of devices. To determine the intended use, FDA may consider such parties' expressions or the circumstances surrounding the distribution of the product. This objective intent may, for example, be shown by labeling claims, advertising matter, or oral or written statements. The agency takes a holistic view of the many factors outlined above and does not necessarily rely on just one factor, although label and labeling claims always remain critical in determination of a product's intended use.

FDA regulates the label and labeling of medical devices – including both over-the-counter and prescription devices – and advertising of restricted medical devices. Under the FDCA, "label" is defined as a display of written, printed, or graphic matter upon the immediate container of any article. In addition, "labeling" is defined as all labels and other written, printed, or graphic matter upon any article or any of its containers or wrappers, or accompanying such article. FDA interprets this definition broadly to mean that any materials supplementing or explaining an article is labeling, and that no physical attachment needs to connect the product and the materials. FDA considers as labeling materials such as brochures, booklets, mailing pieces, catalogs, letters, exhibits, literature, audio, or visual matter. In addition, while the FDCA does not define "advertising," FDA considers advertising to include advertisements in published journals, magazines, other periodicals, and newspapers, and advertisements broadcast through media such as radio, television, and telephone communication systems.

Medical device label and labeling information must comply with the regulatory requirements and must contain specific pieces of information. Such required information includes:

- statement of identity;
- manufacturer, packer, or distributor statement;
- net quantity statement;
- adequate directions for use (unless exempt);
- any warning statements; and
- indications for use.

In addition, medical device label and labeling must disclose required risk information, and such requirements may apply to communications made in various venues, including social network services. In particular, information on medical device labels, labeling, and advertisements cannot claim that the device is safe and effective for uses that FDA has not reviewed. Non-compliance or violation of such requirements may render the products misbranded or adulterated for lack of a cleared premarket notification or premarket approval, and subject the product and/or the company to further enforcement actions.

Moreover, even if FDA has already cleared or approved a medical device for a particular use, promotion of uses other than those that FDA has cleared or approved may constitute off-label promotion, which FDA considers to be unlawful. FDA is concerned about off-label promotion because while the device at issue may have been cleared or approved as safe and effective for certain uses, in off-label promotion the device is being marketed for indications for which the agency has not reviewed the safety and effectiveness. Off-label promotion may render a device adulterated or misbranded, and can expose the company, its employees, and officers to significant civil and criminal liabilities including fines and incarceration, and may also constitute a violation of the False Claims Act.

Medical Device Reporting

FDA requires certain parties to report to FDA adverse events and product problems if the adverse events and product problems meet certain requirements. This mandatory requirement applies to manufacturers, importers, and device user facilities. In particular, manufacturers must submit a Medical Device Report ("**MDR**") to FDA within 30 days of receiving or otherwise learning of information that reasonably suggests that their devices may have caused or contributed to a death or serious injury, or malfunctioned and the device or a similar device that the manufacturer markets would be likely to cause or contribute to a death or serious injury, if the malfunction were to occur again. In addition, manufacturers must provide a five-day report to FDA within five working days once becoming aware from any source that remedial action is necessary for preventing an unreasonable risk of substantial harm to the public health, or if FDA requests such a written report. Similar requirements exist for importers and device user facilities.

MDR may be submitted through FDA's electronic Medical Device Reporting database, and must include information such as patient information (e.g., name, gender, etc.), outcomes of the adverse event, date of the event, date of the report, device information including the brand name, product code, and model number, and any remedial action taken. There is also a requirement to file Supplemental Reports upon learning information that would have been included in the MDR, had it been known at the time of filing. FDA considers a Supplemental Report to be required when new facts prompt the company to alter or supplement any information or conclusions contained in the original MDR or in any prior supplemental reports. The supplemental information must be submitted within one month (30 calendar days) following receipt of the information. Non-compliance with the Medical Device Reporting requirement is a prohibited act under the FDCA, and may result in FDA enforcement action (as detailed below).

III. Import & Export of FDA-Regulatory Products and FDA's Enforcement Authority

FDA has the authority to bring regulatory enforcement actions against products that fail to comply with the FDCA. This authority is strengthened at the border, where the agency can refuse products based on their *appearance* of violation. Certain products may be subject to specific regulatory requirements for export.

FDA's Authority at the Border against Imported Products

All medical devices being imported into the United States must comply with the FDA regulatory requirements. In fact, FDA exercises a much stronger regulatory authority at the border against products being imported into the United States than against products in domestic commerce. Section 801 of the FDCA grants FDA the authority to refuse imported products if it *appears* from the examination of such products or from other sources that the products violate the FDCA (e.g., labeling non-compliance, lack of premarket notification or PMA); in other words, the burden falls on the owner or the consignee of the products to prove that the products comply with the FDCA and the regulations promulgated pursuant to the law, rather than FDA needing to prove the products' non-compliance.

If FDA determines through the examination of the products or from other sources that the products that are being imported appear to violate the FDCA, the agency will detain the products and will provide the owner or consignee an opportunity to introduce testimony to demonstrate the product's compliance with the law. In certain circumstances, FDA may permit reconditioning of the products and will release the products from detention if subsequent to reconditioning, the products comply with the FDCA and its regulatory requirements. However, if the importer or manufacturer fails to recondition the products or otherwise demonstrate that the products comply with the law, FDA will refuse the products and the products must be destroyed or exported out of the United States within 90 days of the refusal.

Based on this authority, FDA also operates Import Alerts, which list products that FDA has determined to have the appearance of violation. If FDA finds that a product that is being imported into the United States is on an Import Alert, FDA will automatically detain the product upon its arrival to the United States, and the owner or consignee of the products will need to introduce testimony to prove that the products comply with the laws, and to eventually seek the products' release. To be completely removed from an Import Alert, the manufacturer, owner, or consignee of the products subject to the Import Alert will need to submit a petition to FDA proving that the conditions causing the products to violate the law have been addressed.

Export Requirements

Products exported from the United States are subject to foreign countries' import requirements and the exporting requirements of FDA, as applicable. In particular, international sales of medical devices manufactured in the United States that are not approved or cleared by the FDA for use in the United States, or are banned or deviate from lawful performance standards, are subject to FDA export requirements. Medical devices that are marketed lawfully in the United States may be exported without prior FDA notification or approval.

Foreign countries often require, among other things, a Certificate of Foreign Government ("**CFG**") for export. To obtain a CFG, the device manufacturer must submit an application to FDA asking FDA to certify that the product is in compliance with the U.S. law (subject to a valid premarket notification or PMA) or that the manufacturing facilities were in compliance with the FDA's QSR regulations at the time of the last FDA inspection.

FDA Enforcement Action

In general, FDA employs a risk-based enforcement approach to identify non-compliance and violations of the FDCA and its implementing regulations, and to bring enforcement actions against the medical device manufacturer, distributor, marketer, or other responsible parties as necessary depending on the severity of the non-compliance and violations. FDA's enforcement actions may include:

- *Warning Letters, Untitled Letters, It-Has-Come-to-Our-Attention ("**IHCTOA**") Letters.* If FDA finds non-compliance or violations of the FDCA or the regulations through inspections or other market monitoring activities, FDA may send correspondence to the responsible party notifying the party of the non-compliance or violations. These correspondences may allege non-compliance with the QSR, unlawful advertising and promotion of medical devices, non-compliance with medical device labeling regulations, or any other violation of the FDCA. FDA typically outlines the alleged non-compliance and violations in these correspondences, and requests that the recipient respond with the proposed steps for correcting and preventing future violations. If the response does not sufficiently address FDA's concerns, FDA may bring additional enforcement actions.

- *Recall.* FDA has the authority to order recall of medical devices that do not comply with the FDCA, if the agency finds that there is a reasonable probability that the devices could cause serious, adverse health consequences or death. FDA exercises this authority rarely and the responsible parties usually carry out the recall voluntarily. Insanitary manufacturing conditions, marketing of unapproved devices, or defective products, among others, may result in a medical device recall.

- *Seizure*. FDA may attempt to remove from interstate commerce medical devices that are adulterated or misbranded, pursuant to Section 304 of the FDCA. FDA files a Complaint for Forfeiture and upon obtaining a warrant, directs the United States to marshal to seize the violative medical devices. Before commencing seizure actions, the agency may send prior warnings to attempt to convince the responsible party to voluntarily recondition and bring the products into compliance. If the responsible party does not comply, the agency may institute seizure actions.

- *Injunction*. An injunction is a civil judicial process initiated to stop or prevent violation of the law, such as to halt the flow of violative products in interstate commerce, and to correct the conditions that caused the violation to occur. FDA may seek to enjoin the actions of the party or parties responsible for non-compliance or conduct violative of the FDCA. If FDA considers the non-compliance or violation to be serious, FDA may file a complaint for injunction by coordinating with the Department of Justice to enjoin the responsible party from further engaging in violative conduct.

- *Criminal Prosecution.* Criminal prosecution may be recommended in appropriate cases for violation of Section 301 of the FDCA. Misdemeanor convictions, which do not require proof of intent to violate the FDCA, can result in fines and/or imprisonment up to one year. Felony convictions, which apply in the case of a second violation or intent to defraud or mislead, can result in fines and/or imprisonment up to three years.

- *Criminal Fines*. Fines under the FDCA may reach up to USD500,000 depending on the severity of the circumstances. Specifically, fines may reach USD500,000 for a corporation that commits a felony or for a corporation that commits a misdemeanor that results in death. Fines may reach up to USD250,000 for an individual who commits a felony or who commits a misdemeanor that results in death.

United States Reimbursement

Once a medical device is approved, cleared, or otherwise determined to be not subject to approval or clearance requirements, the medical device may be marketed in the United States. While medical devices are sold and used in various healthcare settings, implantable cardiac medical devices, including cardiac devices such as the Company's TAV8 Balloon Aortic Valvuloplasty Catheter and V8 Balloon Transluminal Aortic Valvuloplasty Catheter, are typically sold to hospitals, which in turn submit claims to government or commercial payers. Thus, the ability to successfully market and sell medical devices is dependent on the availability of third-party reimbursement to hospitals. Payment methodologies and coverage parameters can vary significantly based on payer and site of care, and these policies are subject to change.

The largest U.S. government health program is Medicare, which is administered by CMS in accordance with broad program requirements established by Congress in the Social Security Act. Medicare reimburses acute care hospitals under the Medicare inpatient prospective payment system (IPPS). Under the IPPS, upon the discharge of a patient, CMS assigns the patient to stay a Medicare severity diagnosis related group (MS-DRG), which is a classification system that groups clinically similar procedures/conditions that require comparable inpatient resources. For each discharge, CMS makes a single MS-DRG payment to the hospital, subject to certain adjustments. The MS-DRG payment is intended to compensate the hospital for the patient's room and board, medicine, surgical and diagnostic procedures, and supplies that were provided to the patient during the encounter. CMS has established MS-DRGs that describe intracardiac procedures, which vary based on whether the patient has a major complication or comorbidity. Medicare may make additional payment under the IPPS on a temporary basis for the use of certain costly new technologies that provide substantial clinical improvement. For procedures that are furnished in the outpatient hospital setting, the Medicare outpatient prospective payment system (OPPS) is based on the procedure's ambulatory payment classification (APC) assignment. The APC payment typically includes all integral, ancillary, supportive, dependent, and adjunctive services associated with the primary procedure or service, subject to various adjustments. There

are several established APCs for endovascular and cardiac procedures. Separate, temporary pass-through payments may be available for the cost of new medical devices. Medicare payments to physicians are based on the relative amount of physician work, practice expenses, and malpractise insurance costs associated with a procedure. Payments also vary based on whether a procedure is performed in a physician office (non-facility) or in a facility setting (e.g., a hospital). CMS updates the IPPS, OPPS, and physician fee schedule regulations and payment rates annually through the rule making process. There can be no assurance that Medicare payment policies for procedures using the Company's products will be sufficient to cover facility costs or otherwise support adoption.

Because hospitals typically receive a single prospective payment for treating a Medicare patient, rather than reimbursement for all costs incurred, hospitals have an incentive to provide care efficiently. CMS has increasingly emphasized value-based care in recent years, including by launching various innovative bundled payment models under which hospitals and other entities are accountable for financial and quality performance for episodes of patient care. Such models may allow hospitals and physicians to share savings achieved by certain procedure cost reductions, such as savings that may be achieved through standardizing implantable and disposable devices including cardiac implants and disposable cardiac devices.

CMS and its contractors may establish specific criteria governing the conditions under which a medical device or procedure is covered by Medicare; that is, FDA clearance is not sufficient to guarantee coverage. In order to qualify for Medicare coverage, a technology must fall within a Medicare benefit category as established by the Social Security Act, and meet a statutory "reasonable and necessary" standard based on an assessment of published and peer-reviewed clinical evidence. In some cases, CMS will cover technologies only if they are performed within the context of a clinical study. For instance, CMS covers Transcatheter Aortic Valve Replacement (TAVR) procedures under a "Coverage with Evidence Development" policy. For TAVR procedures used to treat symptomatic aortic valve stenosis when furnished according to FDA-approved indications, the National Coverage Determination (NCD) contains requirements including specific procedural volume requirements for heart teams and hospitals as well as mandatory participation in a prospective, national, audited registry. TAVR procedures for uses that are not expressly listed as an FDA-approved indication must be performed in the context of an approved clinical study. CMS has proposed revising this policy to provide hospitals with more flexibility in meeting the procedural volume requirements.

About one-third of Medicare beneficiaries voluntarily enroll in a Medicare Advantage plan. Under the Medicare Advantage program, CMS contracts with private health plans to provide benefits to enrollees. Medicare Advantage plans negotiate directly with hospitals, physicians, and other providers on payment amounts.

Commercial health plans also typically negotiate rates with hospitals for services provided to plan members; in some cases, rates are tied to Medicare reimbursement. Commercial insurers likewise have taken an increasingly active role in assessing the clinical efficacy and cost effectiveness of medical technologies. Payers may deny coverage of a new medical device or procedure on the basis of being experimental or investigational, or they may impose significant restrictions on the parameters under which a medical device or procedure will be covered. Favorable coverage policies for new technologies typically require peer-reviewed published literature demonstrating clinical effectiveness, and in some cases an assessment of cost-effectiveness. The safety and efficacy of our products and product candidates and their applications in TVR procedures had been discussed in various peer-reviewed publications. For example, as of the Latest Practicable Date, there had been seven representative publications

featuring VenusP-Valve, five featuring VenusA-Valve, one featuring VenusA-Plus and three featuring V8 and TAV8, specifically highlighting their respective designs and clinical results. Most of the publications had contributions from the leading physicians in the clinical trials of our products and product candidates, and one of our advisory board members was the co-author of one publication on VenusP-Valve. Certain commercial health plans, such as Aetna and Highmark West Virginia, have adopted coverage policies expressly recognizing circumstances under which balloon valvuloplasty may be considered medically necessary and when it could be considered experimental.

Congress periodically considers legislation to control costs within government-financed health care programs. In the past, such legislation has included reductions to Medicare and Medicaid payments to hospitals, expanded value-based purchasing, and other payment reforms. In addition, under the sequestration provisions of the Budget Control Act of 2011, as subsequently amended, a 2% cut is applied to Medicare payments to providers and health plans through fiscal year 2025, although Congress and the Administration could enact legislation at any time that modifies this requirement. Adoption of future legislation changing the level of government spending on health care or other coverage reforms could impact the ability of hospitals to adopt new medical technologies.

Federal insurance and health care reform legislation known as the Patient Protection and Affordable Care Act (ACA) became law in 2010. The ACA is intended to expand health insurance coverage, including for at least a portion of drug costs, through a combination of insurance market reforms, an expansion of Medicaid and subsidies. It contains many provisions designed to generate the revenues necessary to fund the coverage expansions and reduce the costs of Medicare and Medicaid. Among other things, the ACA also included provisions that created programs to shift the industry to value-based care, required all individuals to have health insurance with limited exceptions, and imposed increased taxes. One of these taxes is a 2.3% excise tax on United States sales of most medical devices. Such tax was suspended for calendar years 2016 through 2019, and is currently slated to go into effect on January 1, 2020. The President of the United States, President Trump, and certain members of Congress support repealing the ACA and replacing it with alternative reforms. It is uncertain whether such efforts will ultimately succeed, or how any such alternative policy would be structured.

Additional reforms affecting payment for health care services have been considered by state legislatures. State budget pressures have resulted in the adoption of Medicaid provider payment reductions in some states, and state Medicaid programs increasingly provide benefits through managed care programs under contracts with private health plans. The Trump Administration has proposed more significant Medicaid financing reforms that could ultimately lead to a reduction in payments to Medicaid providers.

Federal and State Fraud and Abuse Laws

For our products that have received regulatory approval in the United States, and to the extent that we receive further regulatory approval of our products, we are and will continue to be subject to various federal and state laws aimed at prohibiting fraud and abuse in the healthcare industry. These laws may impact, among other things, our sales, marketing, technical support and education programs, and other relationships with hospitals, other referral sources and key opinion leaders. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business prior to and after receiving regulatory approval of our product candidates.

Federal health care laws apply when we interact with health care providers who are in a position to refer patients to our customers and/or when our customers submit claims for items or services that are reimbursed under Medicare, Medicaid, or other federally-funded health care programs, including laws summarized below related to kickbacks, false claims, self-referrals and health care fraud. There are often similar state false claims, anti-kickback, and anti-self-referral and insurance laws that apply to state-funded Medicaid and other health care programs and private third-party payers.

The laws that may affect our ability to operate include:

- *the federal Anti-Kickback Statute* – which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service for which payment may be made, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs, in each case unless such arrangement meets a regulatory "safe harbor" (see below for additional information regarding Anti-Kickback Statute safe harbors);

- *the federal Stark Law* – which prohibits, among other things, a physician from referring a patient to an entity for certain "designated health services" reimbursable by Medicare if the physician (or a close family member) has a financial relationship with that entity, including an ownership or investment interest, a loan or debt relationship or a compensation relationship, unless an exception to the Stark Law is fully satisfied. Some states have self-referral laws similar to the Stark Law for Medicaid and commercial claims;

- *federal civil and criminal false claims and civil monetary penalty laws, such as the federal False Claims Act* – which impose criminal and civil penalties, and authorize civil whistleblower or qui tam actions (an action brought by an individual on behalf of a government) against individuals or entities for, among other things: knowingly presenting or causing to be presented to the federal government, claims for payment that are false or fraudulent; making a false statement or record material to a false or fraudulent claim or obligation to pay or transmit money or property to the federal government; or knowingly concealing, or knowingly and improperly avoiding or decreasing, an obligation to pay money to the federal government. In addition, the government may assert that a violation of the federal Anti-Kickback Statute also constitutes a violation for purposes of the False Claims Act. Further, the government may take the position that off-label promotion results in a company receiving reimbursement for an off-label use in violation of the federal False Claims Act;

- *the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA)* – which prohibits knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private), and knowingly and willfully falsifying, concealing, or covering up by any trick or device, a material fact, or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items, or services relating to healthcare matters;

- *HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (HITECH), and the Privacy and Security Rules promulgated thereunder* – which govern the use, disclosure, and security of protected health information by "Covered Entities," (which are health care providers that submit electronic claims, health plans, and health care clearing houses) and by their "Business Associates" (which is anyone that performs a service for or on behalf of a Covered Entity involving the use or disclosure of protected health information and is not a member of the Covered Entity's workforce). Rules under HIPAA and HITECH include specific security standards and breach notification requirements. The U.S. Department of Health and Human Services (HHS) (through the Office for Civil Rights) has direct enforcement authority against Covered Entities and Business Associates with regard to both the Security and Privacy Rules, including civil and criminal liability;

- *the federal false statements statute* – which prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;

- *the federal transparency requirements under the ACA, including the provision commonly referred to as the Physician Payments Sunshine Act* – which require manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to HHS information related to payments or other transfers of value made to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and

- *federal consumer protection and unfair competition laws* – which broadly regulate marketplace activities and activities that potentially harm consumers.

The federal fraud and abuse laws summarized above are interpreted broadly and enforced aggressively by various state and federal agencies, including CMS, the Department of Justice, the Office of Inspector General (OIG) for the U.S. Department of Health and Human Services (HHS), and various state agencies. For example, the federal Anti-Kickback Statute's definition of "remuneration" has been broadly interpreted to include anything of value, including gifts, discounts, credit arrangements, payments of cash, ownership interests and providing anything at less than its fair market value. Recognizing that the federal Anti-Kickback Statute is broad and may technically prohibit many innocuous or beneficial arrangements within the health care industry, the OIG for HHS has issued a series of regulatory "safe harbors." These safe harbor regulations (e.g., personal services, warranty and discount safe harbors) set forth certain requirements that, if met, assure immunity from prosecution under the federal Anti-Kickback Statute. Although full compliance with these provisions protects against prosecution under the federal Anti-Kickback Statute, the failure of a transaction or arrangement to fit within a specific safe harbor does not necessarily mean that the transaction or arrangement is illegal, or that prosecution under the federal Anti-Kickback Statute will occur.

The healthcare industry has also experienced increased enforcement of the federal False Claims Act and, in particular, "qui tam" or "whistleblower" actions. The federal False Claims Act's qui tam provisions allow a private individual to bring actions on behalf of the federal government. Such individuals are permitted to share in any amounts paid by the entity to the government in a judgment or settlement. In addition, states have enacted false claim laws similar to the federal False Claims Act, including some applicable to any third party payer. A violation of the False Claims Act may subject an actor to treble damages, or payment of up to three times the actual damages, in addition to significant civil monetary penalties.

EUROPEAN UNION REGULATORY OVERVIEW

In the European Economic Area ("**EEA**"), which consists of the member states of the EU and three states of the European Free Trade Association, namely Iceland, Liechtenstein and Norway, the production and marketing of medical devices is regulated under European law and the implementing national laws of the individual member states. The following gives an overview of certain European laws, regulations and requirements that are relevant for our business in the EEA. In the individual member states of the EEA, national law may have to be observed beyond the requirements of EU legislation. National provisions are not taken into account in this overview.

As a vote in favour of the UK leaving the EU was given in a referendum held on June 23, 2016 ("**Brexit**"), the extent to which the following applies to the medical device industry in the UK following the eventual Brexit will depend on the nature of the arrangements that will be put in place between the UK and the EU. There may be a significant period of uncertainty leading up to the eventual Brexit, including, among other things, legal uncertainty in relation to regulatory changes.

Regulation under the EU Medical Device Directive

The Medical Device Directive 93/42/EEC ("**MDD**") defines safety and performance requirements for medical devices sold in the EU. As a principle, according to Article 17 of the MDD, medical devices can only be marketed in the EU if they bear the CE Marking. The same applies to the marketing of medical devices in the above mentioned EEA member states and, based on bilateral treaties, in Switzerland and Turkey. The MDD defines, *inter alia*, the general requirements for the mandatory CE certification process. Further requirements for the marketing of specific medical devices may arise from additional regulations. For example, Commission Directive 2003/32/EC of April 23, 2003 provides for specifications of the requirements of the MDD for medical devices manufactured utilizing tissues of animal origin.

The CE Marking may generally only be affixed to a medical device if the product complies with the essential requirements of the MDD and has been subject to conformity assessment procedures as provided in the MDD and its annexes.

According to Annex IX of the MDD, medical devices are divided into four risk classes: Class I, Class IIa, Class IIb and Class III. Class I represents the lowest risk class, Class III represents the highest risk one.

These risk categories generally correspond to those established by the U.S. FDA, with the exception that U.S. FDA does not sub-divide into Class IIa and Class IIb. Most implanted devices as well as most cardiac devices fall under Class III, including our VenusA-Valve, VenusA-Plus and VenusP-Valve.

Except in the case of Class I medical devices, the conformity assessment is carried out by a "Notified Body". Notified Bodies are independent, nationally accredited bodies that evaluate the conformity of medical products with applicable legislation on behalf of the manufacturers. They ensure the application of uniform assessment factors as defined by the MDD. There may be several Notified Bodies in member or contracting states and manufacturers can refer to a body of their choice. The conformity assessment includes inspection and examination of a medical device, its design, and the manufacturing environment and processes associated with it.

Depending on the device's risk class, the conformity assessment extends to the quality assurance system established by the manufacturer and/or the product design, as well as to the technical documentation to be compiled by the manufacturer for each device. Generally, pursuant to Annex X of the MDD, the safety and performance of a medical device have to be assessed on the basis of clinical data. If no pertinent clinical data are available from scientific literature, the manufacturer must present the results of clinical trials on the relevant device. If the Notified Body finds, as a result of its conformity assessment, that the quality assurance system and/or the product design is compliant with the applicable legal provisions, it will issue a "certificate of conformity" which is valid for a maximum of five years and which is the legal precondition for the manufacturer to apply the CE Marking. The Notified Body is obliged to perform regular audits and, before the expiry date of a certificate of conformity, renewal and surveillance audits at the manufacturer's site upon prior notification. In addition to these notified audits, on the basis of a Commission Recommendation of 2013 on the audits and assessments performed by notified bodies in the field of medical devices, the EEA members and contracting states were advised by the European Commission to conduct unannounced audits (including testing of product samples) on a regular basis.

If the requirements for application of the CE Marking are not (or no longer) fulfilled, or in other cases of non-compliance with applicable medical devices law:

- the Notified Body has the power to withdraw, suspend or limit the scope of the applicable certificate of conformity, in accordance with the principle of proportionality;

- the competent supervisory authority of the EU member state or contracting state of the EEA may enforce the provisions of the MDD, e.g. by preventing the product from being put on the market, ordering a recall or shutting down a manufacturing site; and

- criminal or administrative sanctions (e.g. fines) may apply.

In principle, the manufacturer is responsible to ensure compliance with applicable provisions including affixing the CE Marking to his products. If a manufacturer does not have a physical location in the EU, he is required to appoint a so called "Authorized Representative" who ensures compliance with the regulatory requirements for medical devices set out in the MDD.

Advertising and Sales Activities

Legislation on advertising and promotion of medical devices is not harmonized under European law. As a result, the legal landscape differs from one EU member or contracting state to the other. However, at the EU level, medical device manufacturers are represented by Eucomed (European Confederation of Medical Supplier Association), who has established a code of business practice which ensures that promotional materials are fair, balanced, objective and unambiguous. In addition, all information related to a medical device including labeling, instructions for use, presentations, brochures and advertising, must be in line with the language requirements as regulated individually by each member state (cf. Article 4 of the MDD).

Despite not being specific to the advertising of medical devices, further European directives such as Directive 2006/114/EC concerning misleading and comparative advertising or Directive 2005/29/EC concerning unfair business-to-consumer commercial practices can also be applicable to the medical device industry. Advertising towards doctors or other healthcare professionals may be subject to an even stricter national regulatory framework, particularly including sophisticated anti-bribery and anti-corruption laws as well as criminal laws.

Post Market Surveillance and Vigilance

The MDD regulates vigilance requirements as a form of post market surveillance, i.e. obligations to notify the authorities of certain (serious) incidents. In principle, any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in the labelling or the instructions for use which might lead to or might have led to the death of a patient or user or to a serious deterioration in his state of health has to be reported. Product recalls by the manufacturer can also trigger an obligation to report. The manufacturer has to appoint a safety officer having the necessary professional qualifications to fulfill the reporting requirements and to coordinate the necessary actions.

In addition to the surveillance obligations under the MDD, the guidance document MEDDEV 2.12-1 describes the requirements for a medical device vigilance system as understood by the European authorities in detail. The MEDDEV guidelines are not legally binding. However, it is anticipated that the guidelines are followed within the EU member states and, therefore, work towards a uniform application of relevant MDD provisions.

Changes to the Regulatory Framework

The EU legislative institutions enacted Regulation (EU) 2017/745 of April 5, 2017 on medical devices ("**MDR**"), which is directly applicable in all EU member states and will replace the MDD on May 26, 2020. The MDR consolidates the regulations on medical devices, active implantable and in vitro diagnostics and aims to provide for more control over the device supply chain by defining obligations not only for manufacturers of medical devices and their Authorized Representatives, but also for distributors and importers seated in the EU. None of the certificates of conformity issued under the MDD will be valid under the MDR as there is no grandfathering under the new law. However, manufacturers may continue to use the current certificates issued under the MDD, provided they have not expired, for four years after the date of application. Certificates expire in May 2024 at the latest.

The MDR will lead to changes of the risk classification of certain medical devices, most notably related to substances and software. There will be additional software requirements for medical devices that are standalone software such as mobile cardiac monitoring, which will fall under risk Class IIb under the MDR. Certain devices such as heart valve sizers are up-classed to Class III. Some Class I devices will require review and oversight by a Notified Body. Under the MDR, the 14 essential requirements set out in the MDD to which conformance is mandatory will be extended to and replaced by 23 general safety and performance requirements. Manufacturers are required to appoint a person responsible for regulatory compliance (PRRC).

The conformity assessment for most devices of Class II and above will require specific clinical data on the device under review – not only general clinical literature – in order to support the efficacy of the conformity assessment. In addition, the MDR stipulates obligations to report to EUDAMED (European database on medical devices). A secure web-based portal will serve as a central repository for information on market surveillance exchanged between national competent authorities and the European Commission. Under the MDR, a unique device identifier (UDI) shall be affixed to the labelling of the product and at all higher levels of packaging.

In addition to the accreditation by the competent national authority, Notified Bodies are required to become certified under the MDR. As of November 15, 2019, there were seven already certified Notified Bodies within the EU: BSI Assurance UK Ltd., BSI Group, The Netherlands B.V., DARE!! Services B.V., DEKRA Certification GmbH, IMQ ISTITUTO ITALIANO DEL MARCHIO DI

QUALITÀ S.P.A., TÜV Rheinland LGA Products GmbH and TÜV SÜD Product Service GmbH Zertifizierstellen. Under the MDR, for certain categories of medical devices, Notified Bodies must seek a scientific opinion from the European Medicines Agency (EMA) before they can issue a CE certificate. This applies, e.g., for medical devices that contain an ancillary medicinal substance to support the proper functioning of the device. EMA has published guidelines describing the new and revised responsibilities of the agency in relation to different categories of medical device.

Post-market surveillance and clinical follow-up will generally become more stringent under the MDR. The MDR clearly distinguishes between vigilance as the identification, reporting and trending of serious incidents and the conduct of safety related corrective actions, and post market surveillance as the monitoring of information from various sources used to periodically reconfirm that the benefits of the device continue to outweigh its risks. However, the vigilance requirements in the MDR share a lot of similarities with the current MEDDEV 2.12-1 guidelines on a medical device vigilance system and are therefore not entirely new.

Intellectual Property

Each of the 28 member states of the EU has its own intellectual property law which covers the acquisition, maintenance and enforcement of intellectual property rights. Aspects of the national intellectual property laws are controlled by EU regulations, directives and treaties for harmonization purposes and to set a minimum standard. The national intellectual property laws provide for monopolies limited in time and scope with respect to, *inter alia*, inventions, trademarks, and works of copyright, including computer software, films and recorded music. Upon expiration of all applicable intellectual property rights, the underlying invention or work of copyright automatically becomes part of the public domain and may be freely used by the public and further developed or improved to make new inventions and new developments or works of copyright.

International treaties in the field of intellectual property set forth minimum monopoly standard levels that contracting states agree to maintain in their territory. The EU member states are members of most international intellectual property treaties and maintain standards that in some cases exceed the minimal standards set in those treaties.

It is the national intellectual property offices that have the authority to facilitate formal protection for intellectual property through the registration of patents, designs, trademarks and appellations of origin.

In parallel, some rights may also be registered with and/or managed by central offices such as the European Union Intellectual Property Office ("**EUIPO**") or the European Patent Office ("**EPO**"). In addition, certain regulations provide for the protection designations of origin, protected geographical indications and traditional specialties. Most granted rights are subject to the examination of an application. The EU does not maintain a formal copyright registry, but, to our best of knowledge, some of the member states offer a discretionary option to register copyrights.

Patents

Each of the 28 member states of the EU has its own national patent law, but there are regulations, directives and treaties to try to harmonize certain aspects of the national laws. All member states of the EU are members of the Paris Convention for the Protection of Industrial Property, members of the PCT, and members of the European Patent Convention ("**EPC**"). In general, in the EU, the owner of a patentable invention may apply to a national patent office or to the EPO for a patent.

Most Member States define a patentable invention on the basis of the EPC regulation, which states that a patentable invention must be new, industrially applicable and based on an inventive step.

Each of these has detailed criteria under either the EPC or the national law of the member states. EPC and the national law of the member states have adopted the "first to file" standard; if more than one applicant applied for a patent for the same invention, the patent will be granted to the applicant who first validly applied for it. The term of a patent is 20 years from the date of filing.

However, in the EU member states, Regulation (EC) No 469/2009 permits the granting of Supplementary Protection Certificates, which in practical effect extend the term of patents for specific pharmaceutical products by up to 5 years.

The EU "Enforcement Directive" (2004/48/EG) provides that all EU member states must have in place injunction procedures for stopping infringements of intellectual property rights.

OVERVIEW

Our Company was incorporated in the PRC on July 3, 2009 and was converted into a joint stock limited liability company on November 29, 2018.

We are the leading transcatheter heart valve medical device player in China in terms of implantation volume in 2018. According to Frost & Sullivan, we had a 79.3% market share in China by implantation volume of TAVR products in 2018. Our self-developed product, VenusA-Valve, is the first TAVR product approved by the NMPA and commercialized in China. As the pioneer in the transcatheter heart valve industry in China, we enjoy first mover advantages. We believe that our first mover advantages, together with our comprehensive product pipeline covering all four heart valves, robust intellectual property portfolio with 193 issued patents and 196 patent applications as of the Latest Practicable Date, and visionary management team, will serve as high entry barriers and differentiate us from our peers. Our mission is to become a global leader in the development and commercialization of transcatheter solutions for structural heart diseases.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes key milestones in our development:

Year	Milestone
2009	Our Company was incorporated.
2012	Clinical trial of VenusA-Valve began.
2013	Clinical trial of VenusP-Valve began.
2014	We were the champion in the biomedical industry finals of the Third National Innovation and Entrepreneurship Competition (中國第三屆創新創業大賽行業總決賽). We were selected as a Key Enterprise Research Institute (重點企業研究院) of Zhejiang province by the Department of Science and Technology of Zhejiang Province (浙江省科學技術廳). We participated in the Cardiovascular Diseases Medical Equipment and Blood Purification Products Development Project (心血管疾病診療器械及血液淨化產品開發項目) of the National Science & Technology Pillar Program (國家科技支撐計劃) in the 12th Five-Year Plan of the PRC, which passed the inspection of the Ministry of Science and Technology of the PRC.
2015	Clinical trial of VenusA-Valve was completed. We received the tier 1 prize in the China Bio Game Medical Health Entrepreneurship Competition (中國Biogame醫健創業大賽). We were the champion in the 2nd Innovations in Cardiology Competition of the China Innovations in Cardiology (中國心血管創新論壇第二屆心血管創新大賽).
2016	We participated in the Key Technology Plan (重大科技事項重點發展項目) of Zhejiang province. We were selected as a Leading Innovative Team for Heart Valve Project (領軍型創新團隊) of Zhejiang province by the Department of Science and Technology of Zhejiang Province. We were selected as the Annual Best Investment Case of the 2016 Medical Health Investment Brilliance Ranking—Innovative Medical Equipment (2016醫療健康投資卓悅榜 – 創新醫療器械年度最佳投資案例).
2017	VenusA-Valve received marketing approval from the NMPA and was subsequently commercialized. We acquired InterValve which developed V8 and TAV8. We were selected to become a project leader in the National Key Research and Development Plan (國家重點研發計劃) in the 13th Five-Year Plan of the PRC. We entered into a collaboration agreement with SCU to co-establish an "Advanced Cardiovascular Materials Engineering Lab (先進心血管材料工程實驗室)." We were a co-sponsor of the 7th Vietnam Congress of Congenital and Structural Heart Diseases: "Single Ventricle from A to Z."
2018	Clinical trial of VenusP-Valve in China was completed. We launched Phase II of the REFLECT Trial for TriGUARD3. We completed the acquisition of Keystone.

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities and the dates of establishment and commencement of business of our subsidiaries most relevant to the core operations of our Group are shown below:

Name of Subsidiary	Place of Incorporation	Principal Business Activities	Date of Establishment and Commencement of Business	Percentage of Ownership of our Company
Venus Medtech of America	California, United States	Medical device research	August 5, 2011	100%
InterValve Medical Inc.	Delaware, United States	Medical device sales	November 18, 2016	100%
Venus Medtech (Hong Kong) Limited	Hong Kong	Investment holding	September 20, 2018	100%
Keystone Heart	Israel	Research, development and manufacturing of cerebral protection devices	November 17, 2004 (acquired by the Company on December 26, 2018)	100%

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

(1) Establishment of Our Company and Initial Shareholding Changes

On July 3, 2009, our Company was incorporated in the PRC as a limited liability company, with an initial registered capital of RMB5 million. The shareholding structure of our Company upon incorporation is set forth below:

Name of Shareholder	Registered Capital Subscribed to	Shareholding Percentage
Shangyu Qiming Investment Limited (上虞啓明投資有限公司)	RMB4,450,000	89%
Mr. Qiming Sun	RMB500,000	10%
Shanghai Angqie Biotech Limited (上海昂切生物科技有限公司)[1]	RMB50,000	1%
Total	RMB5,000,000	100%

Note:

(1) Shanghai Angqie Biotech Limited held its interest in our Company on behalf of (i) Mr. Zi in an amount of RMB15,000 and (ii) Mr. Zeng in an amount of RMB35,000, of the RMB50,000 registered capital it subscribed to. Mr. Zeng and Mr. Zi have been closely involved in the management of our Company since incorporation. For details of the background of Mr. Zeng and Mr. Zi, see "Directors, Supervisors and Senior Management."

After establishment, our Company had undergone its first increase of registered capital on May 26, 2011 and a series of share transfers, such that as of December 27, 2012, the shareholding structure of our Company is as set forth below:

Name of Shareholder	Registered Capital Subscribed to	Shareholding Percentage[3]
Ms. Yuanxin Yang[1]	RMB8,340,275	33.36%
Ms. Caiying Hu	RMB7,475,000	29.90%
Ms. Bangsong Ding[2]	RMB2,895,825	11.58%
Top Signs Global Investments Limited	RMB2,500,000	10.00%
Mr. Shuilong Xiao	RMB1,706,250	6.83%
Mr. Dingqing Sun	RMB568,750	2.28%
Mr. Yushi Liu	RMB500,000	2.00%
Stand Stature International Limited	RMB500,000	2.00%
Shangyu Qiming Investment Limited (上虞啓明投資有限公司)	RMB288,900	1.16%
Ms. Meihua Zhao	RMB225,000	0.90%
Total	RMB25,000,000	100.00%

Notes:

(1) Ms. Yuanxin Yang is the sister of Ms. Sarah Qiuhong Yang, Mr. Zeng's wife. She held all of her shareholding on behalf of Mr. Zeng.

(2) Ms. Bangsong Ding is the mother of Mr. Zi and held all of her shareholding on behalf of Mr. Zi.

(3) The aggregate of the percentage figures in the above table may not add up to 100% due to rounding of the percentage figures to two decimal places.

(2) Major Shareholding Changes of Our Company during the Track Record Period

The major shareholding changes of our Company during the Track Record Period are set out below:

(a) Pre-IPO Investments in Our Company

From June 2013 to May 2019, our Company obtained several rounds of investments from the Pre-IPO Investors through increases in registered capital and share transfers. For details, see "History, Development and Corporate Structure — Pre-IPO Investments."

(b) Subscription and Purchase of Registered Capital by the Employee Entities

Pursuant to the Employee Incentive Scheme, details of which are described in "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Scheme," our Company offered certain key employees beneficial interests in the Employee Entities, which purchased registered capital from a then Shareholder and subscribed to the increased registered capital of our Company on November 27, 2017, as set out below:

Type of Employee Entity	Name of Employee Entity	Consideration	Registered capital subscribed to/purchased
Offshore Employee Entities[1]	Mars Holding Limited[2]	US$1,370,833	RMB1,246,212
	Blue Summit Management Limited	US$540,025	RMB740,932
	Mercury Holding Limited	US$706,187	RMB641,988
	Jupiter Holding Limited	US$83,081	RMB75,528

Type of Employee Entity	Name of Employee Entity	Consideration	Registered capital subscribed to/purchased
PRC Employee Entities[3]	Hangzhou Qichu[2]	RMB560,795	RMB509,814
	Hangzhou Mingnuo	RMB166,162	RMB151,056
	Hangzhou Qifei	RMB166,162	RMB151,056
	Hangzhou Qihe	RMB166,162	RMB151,056
	Hangzhou Qilai	RMB83,081	RMB75,528
	Hangzhou Qili	RMB83,081	RMB75,528
	Hangzhou Qinuo	RMB41,540	RMB37,764
	Hangzhou Qisheng	RMB41,540	RMB37,764
	Hangzhou Qixin	RMB20,770	RMB18,882

Notes:

(1) As of November 27, 2017, the Offshore Employee Entities were controlled by Mr. Zeng as the sole voting shareholder of each Offshore Employee Entity. On November 9, 2018, Mr. Zeng transferred his voting share in each Offshore Employee Entity to Mr. Lim at consideration of US$1 to optimize the corporate structure of our Company.

(2) On September 11, 2018, Hangzhou Qichu transferred its interest in the registered capital of RMB210,101 to Mars Holding Limited at nil consideration to optimize the corporate structure of our Company.

On October 11, 2018, Mars Holding Limited, on behalf of one of the grantees under the Employee Incentive Scheme, transferred (i) its interest in the registered capital of RMB840,414 to Legend Architectural Design Co., Ltd, an Independent Third Party, at a consideration of US$16,000,000; and (ii) its interest in the registered capital of RMB105,052 to Poseidon Capital Partners Management Limited, an Independent Third Party, at a consideration of US$2,000,000. The consideration for the share transfer was determined by arms' length negotiations between the parties. For details, see "History, Development and Corporate Structure — Pre-IPO Investments."

(3) As of November 27, 2017, the general partner of each of the PRC Employee Entities was Hangzhou Nuoxin Investment Management Limited (杭州諾心投資管理有限公司), of which Mr. Zeng was the sole shareholder. On September 26, 2018, Mr. Zeng transferred his shareholding in Hangzhou Nuoxin Investment Management Limited to Mr. Zi at nil consideration to optimize the corporate structure of our Company.

As of the Latest Practicable Date, the Employee Entities held in aggregate 20,293,824 Shares in our Company, representing 6.46% interest in our Company. For the percentage shareholding owned by each of the Employee Entities in our Company, see "– Corporate Structure Immediately Prior to the Global Offering." For details of these arrangements, see "Appendix VI — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Scheme."

(c) Merger of Our Company and Hangzhou Aihua

On May 11, 2018, our Company and Hangzhou Aihua Technology Consultation Limited (杭州艾華技術諮詢有限公司), a company incorporated in the PRC with a registered capital of RMB10,000, 99% owned by Mr. Zi and 1% owned by Ms. Bangsong Ding, Mr. Zi's mother, entered into an agreement, pursuant to which Hangzhou Aihua Technology Consultation Limited merged into our Company. Hangzhou Aihua Technology Consultation Limited was subsequently de-registered in 2018 according to the relevant PRC laws and regulations. After the merger, the registered capital of our Company increased from RMB42,010,267 to RMB42,020,267.

Reasons for this merger include, among others, restructuring of the interests of Mr. Zi in our Company. After this merger, Mr. Zi became a direct shareholder of our Company with an interest in registered capital of RMB94. As confirmed by our PRC Legal Advisor, this merger has been properly and legally completed.

(d) Conversion into a Joint Stock Limited Liability Company

On November 26, 2018, our Board passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited liability company and the change of name of our Company from Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械有限公司) to Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司). Pursuant to the promoters' agreement dated November 26, 2018 entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of August 31, 2018 into 300,000,000 Shares of our Company at a ratio of 1.6656:1. On November 26, 2018, our Company convened our inaugural meeting and our first general meeting, and passed related resolutions approving the conversion into a joint stock limited liability company, the articles of association and the relevant procedures. Upon the completion of the conversion, the registered capital of our Company became RMB300,000,000 divided into 300,000,000 Shares with a nominal value of RMB1 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on November 29, 2018 when our Company obtained a new business license.

(e) Share Pledge of Mr. Zi's Shares

On January 30, 2019, Mr. Zi provided a pledge of 9,000,000 Shares, representing approximately 2.15% of the issued share capital of our Company after the Global Offering (assuming the Over-allotment Option is not exercised), 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 Guaranteed Loan (as defined below in "Relationship with Our Controlling Shareholder), effective from January 30, 2019 to January 29, 2020. For details, see "Relationship with Our Controlling Shareholders."

(f) Increase of Registered Capital of our Company from RMB300,000,000 to RMB314,150,943

On May 15, 2019, our Company passed a resolution at an extraordinary general meeting to increase the registered capital of our Company from RMB300,000,000 to RMB314,150,943. The additional 14,150,943 Shares were issued to a number of new investors. See "– Pre-IPO Investments — (13) E Round Pre-IPO Investment by Certain Pre-IPO Investors."

PRE-IPO INVESTMENTS

(1) Overview

Our Company obtained several rounds of investments from the Pre-IPO Investors, namely (i) Qiming Venture Partners, (ii) Sequoia Capital China, (iii) Goldman Sachs, (iv) DCP Capital, (v) Dinova Capital and (vi) certain other Pre-IPO Investors, details of which are set out below. For the background of the Pre-IPO Investors, see "(15) Information relating to the Pre-IPO Investors" below.

(2) A Round Pre-IPO Investment by Qiming Venture Partners and Dinova Capital

On June 21, 2013, each of Ming Zhi Investments Limited and Shenzhen Dinova entered into a capital increase agreement with our Company and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Consideration	Registered Capital Subscribed to	Date on which consideration was fully settled
Qiming Venture Partners				
1.	Ming Zhi Investments Limited	RMB104,952,900	RMB4,250,000	July 4, 2013
Dinova Capital				
2.	Shenzhen Dinova	RMB18,521,100	RMB750,000	July 4, 2013

(3) B-1 Round Pre-IPO Investment by Qiming Venture Partners and Sequoia Capital China

On July 28, 2013, each of Ming Zhi Investments Limited and SCC Venture IV-Bright (HK) Limited entered into an equity transfer agreement with certain of our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by transfer of the registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Name of Transferor	Consideration	Registered Capital Transferred	Date on which consideration was fully settled
Qiming Venture Partners					
1.	Ming Zhi Investments Limited	Ms. Caiying Hu	US$8,000,000	RMB2,000,000	September 3, 2013
Sequoia Capital China					
2.	SCC Venture IV-Bright (HK) Limited	Top Signs Global Investments Limited	US$5,000,000	RMB1,250,000	September 27, 2013
		Stand Stature International Limited	US$2,000,000	RMB500,000	September 27, 2013

(4) B-2 Round Pre-IPO Investment by Qiming Venture Partners, Sequoia Capital China and Certain Other Pre-IPO Investors

On July 20, 2015, each of Blaze 02 Limited, QM22 Limited, SCC Venture IV-Bright (HK) Limited, Shanghai Tianzhiwei Investments Management Limited and Suzhou Qiming Ronghe Venture Investment Fund (Limited Partnership) entered into an equity transfer agreement with certain of our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by transfer of the registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Name of Transferor	Consideration	Registered Capital Transferred	Date on which consideration was fully settled
Qiming Venture Partners					
1.	QM22 Limited	Mr. Shuilong Xiao	US$8,031,250	RMB1,606,250	September 25, 2015
		Top Signs Global Investments Limited	US$6,250,000	RMB1,250,000	September 15, 2015
Sequoia Capital China					
2.	SCC Venture IV-Bright (HK) Limited	Mr. Yushi Liu	US$2,500,000	RMB500,000	September 16, 2015
		Mr. Dingqing Sun	US$1,718,750	RMB343,750	September 30, 2015
Other Pre-IPO Investors					
3.	Blaze 02 Limited	Mr. Qiming Zhang	US$26,807,000	RMB5,361,400	September 18, 2015
4.	Shanghai Tianzhiwei Investments Management Limited	Shangyu Qiming Investment Limited	US$1,444,500	RMB288,900	August 19, 2015
		Mr. Qiming Zhang	US$568,000	RMB113,600	August 19, 2015
5.	Suzhou Qiming Ronghe Venture Investment Fund (Limited Partnership)	Mr. Dingqing Sun	US$1,125,000	RMB225,000	October 8, 2015
		Mr. Shuilong Xiao	US$500,000	RMB100,000	October 8, 2015

(5) B-3 Round Pre-IPO Investment by Dinova Capital and Certain Other Pre-IPO Investors

On January 25, 2016, each of Adventure 03, Zhejiang Dinova, Golden Heat Management Company Limited, DNA 01, Sloan New Products Investment Company Limited, Prime State Ventures Limited, Shenzhen Dinova, Beijing Genesis Capital Investment (Holding) Co., Ltd., Tibet Fenglong Xinglian Investment Center (Limited Partnership) entered into an equity transfer agreement with certain of our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by transfer of the registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Name of Transferor	Consideration	Registered Capital Transferred	Date on which consideration was fully settled
Dinova Capital					
1.	Adventure 03	Blaze 02 Limited	US$6,302,000	RMB1,260,400	February 16, 2016
2.	Zhejiang Dinova	Blaze 02 Limited	US$4,665,600	RMB933,120	February 16, 2016
3.	DNA 01	Blaze 02 Limited	US$1,334,400	RMB266,880	February 16, 2016
4.	Shenzhen Dinova	Shanghai Tianzhiwei Investments Management Limited	US$2,012,500	RMB402,500	February 16, 2016
Other Pre-IPO Investors					
5.	Golden Heat Management Company Limited	Blaze 02 Limited	US$4,500,000	RMB900,000	February 16, 2016
6.	Sloan New Products Investment Company Limited	Blaze 02 Limited	US$1,005,000	RMB201,000	February 16, 2016
7.	Prime State Ventures Limited	Blaze 02 Limited	US$500,000	RMB100,000	February 16, 2016
8.	Beijing Genesis Capital Investment (Holding) Co., Ltd.	Ms. Yuanxin Yang	US$500,000	RMB100,000	February 16, 2016
9.	Tibet Fenglong Xinglian Investment Center (Limited Partnership)	Ms. Yuanxin Yang	US$2,000,000	RMB400,000	February 16, 2016

(6) C-1 Round Pre-IPO Investment by Goldman Sachs

On February 24, 2016, each of Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. entered into an equity transfer agreement with certain of our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by transfer of the registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Name of Transferor	Consideration	Registered Capital Transferred	Date on which consideration was fully settled
Goldman Sachs					
1.	Broad Street Investments Holding (Singapore) Pte. Ltd.	Ms. Yuanxin Yang	US$6,337,837.84	RMB1,018,581	March 3, 2016
2.	MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd.	Ms. Yuanxin Yang	US$662,162.16	RMB106,419	March 3, 2016

(7) C-2 Round Pre-IPO Investment by Goldman Sachs

On March 14, 2016, each of Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. entered into a capital increase agreement with our Company and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Consideration	Registered Capital Subscribed to	Date on which consideration was fully settled
Goldman Sachs				
1.	Broad Street Investments Holding (Singapore) Pte. Ltd.	US$9,054,054.05	RMB1,207,207	April 1, 2016
2.	MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd.	US$945,945.95	RMB126,126	April 1, 2016

(8) C-3 Round Pre-IPO Investment by Goldman Sachs

On May 12, 2017, each of Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. entered into a capital increase agreement with our Company and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Consideration	Registered Capital Subscribed to	Date on which consideration was fully settled
Goldman Sachs				
1.	Broad Street Investments Holding (Singapore) Pte. Ltd.	US$18,108,108.11	RMB1,719,356	May 22, 2017
2.	MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd.	US$1,891,891.89	RMB179,634	May 22, 2017

(9) D-1 Round Pre-IPO Investment by DCP Capital

On April 26, 2018, Muheng Capital Partners (Hong Kong) Limited and Jiaxing Dechanghong Investment Partnership (Limited Partnership) entered into a capital increase agreement with our Company and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Consideration	Registered Capital Subscribed to	Date on which consideration was fully settled
DCP Capital				
1.	Muheng Capital Partners (Hong Kong) Limited	US$39,000,000	RMB2,337,772	June 6, 2018
2.	Jiaxing Dechanghong Investment Partnership (Limited Partnership)	RMB200,000,000	RMB1,908,492	May 17, 2018

(10) D-2 Round Pre-IPO Investment by Qiming Venture Partners, Dinova Capital and Certain Other Pre-IPO Investors

On April 26, 2018, each of Ming Zhi Investments Limited, KYW Fitness & Wellness Management Limited, Ningbo Yuming Investment Management Partnership (Limited Partnership), Zhejiang Dinova, DNA 01 entered into an equity transfer agreement with Blaze 02 Limited, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by transfer of the registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Name of Transferor	Consideration	Registered Capital Transferred	Date on which consideration was fully settled
Qiming Venture Partners					
1.	Ming Zhi Investments Limited	Blaze 02 Limited	US$3,686,170	RMB350,000	May 11, 2018
Dinova Capital					
2.	Zhejiang Dinova	Blaze 02 Limited	US$463,770	RMB44,035	May 11, 2018
3.	DNA 01	Blaze 02 Limited	US$222,400	RMB21,117	May 11, 2018
Other Pre-IPO Investors					
4.	KYW Fitness & Wellness Management Limited	Blaze 02 Limited	US$1,000,000	RMB94,949	May 11, 2018
5.	Ningbo Yuming Investment Management Partnership (Limited Partnership)	Blaze 02 Limited	US$500,000	RMB47,475	May 11, 2018

(11) D-3 Round Pre-IPO Investment by Certain Pre-IPO Investors

On April 26, 2018, each of Hangzhou Kouwen Shareholding Investment Partnership (Limited Partnership), Shenzhen Futian Tongchuang Weiye Big Health Business Investment Partnership (Limited Partnership), Golden Heat Management Company Limited and Hangzhou Erlangshen Investment Partnership (Limited Partnership) entered into an equity transfer agreement with Shenzhen Dinova, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by transfer of the registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Name of Transferor	Consideration	Registered Capital Transferred	Date on which consideration was fully settled
1.	Hangzhou Kouwen Shareholding Investment Partnership (Limited Partnership)	Shenzhen Dinova	RMB32,868,379	RMB470,220	May 11, 2018
2.	Shenzhen Futian Tongchuang Weiye Big Health Business Investment Partnership (Limited Partnership)	Shenzhen Dinova	RMB16,434,190	RMB235,110	May 11, 2018
3.	Golden Heat Management Company Limited	Shenzhen Dinova	US$1,395,605	RMB132,512	May 11, 2018
4.	Hangzhou Erlangshen Investment Partnership (Limited Partnership)	Shenzhen Dinova	RMB5,478,063	RMB78,370	May 11, 2018

(12) D-4 Round Pre-IPO Investment by Certain Pre-IPO Investors

On October 11, 2018, each of Legend Architectural Design Co., Ltd and Poseidon Capital Partners Management Limited entered into an equity transfer agreement with Mars Holding Limited, pursuant to which Mars Holding Limited, on behalf of one of the grantees under the Employee Incentive Scheme, transferred some of its interest in the registered capital of our Company to the aforementioned Pre-IPO Investors. Details are set forth below:

No.	Name of Pre-IPO Investor	Name of Transferor	Consideration	Registered Capital	Date on which consideration was fully settled
1.	Legend Architectural Design Co., Ltd	Mars Holding Limited	US$16,000,000	RMB840,414	November 28, 2018
2.	Poseidon Capital Partners Management Limited	Mars Holding Limited	US$2,000,000	RMB105,052	November 27, 2018

(13) E Round Pre-IPO Investment by Certain Pre-IPO Investors

On May 15, 2019, 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) entered into a capital increase agreement with our Company and our then shareholders, pursuant to which each of the aforementioned Pre-IPO Investors agreed to invest in our Company by subscription of the increased registered capital of our Company. Details are set forth below:

No.	Name of Pre-IPO Investor	Consideration	Registered Capital Subscribed to	Date on which consideration was fully settled
1.	Jiangsu Zhaoyin Modern Production Shareholding Investment Fund Phase I (Limited Partnership)	RMB121,950,000	RMB5,597,716	June 20, 2019
2.	Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership)	RMB1,350,000	RMB62,661	June 20, 2019
3.	Taizhou Huitianjin Investment Partnership (Limited Partnership)	RMB95,900,000	RMB4,402,516	June 14, 2019
4.	Start New Limited	US$10,000,000	RMB3,144,654	June 19, 2019
5.	Huzhou Muxin Health Production Investment Partnership (Limited Partnership)	RMB20,550,000	RMB943,396	May 24, 2019

(14) Shareholding structure after the Pre-IPO Investments

For the shareholding structure of our Company after the completion of the Pre-IPO Investments, please refer to "– Corporate Structure Immediately Prior to the Global Offering."

(15) Information relating to the Pre-IPO Investors

Information of the Pre-IPO Investors are set out below:

(a) Qiming Venture Partners

Ming Zhi Investments (BVI) Limited is an investment holding company incorporated in the British Virgin Islands. It is a wholly-owned subsidiary of Ming Zhi Investments Limited, a company incorporated in Hong Kong, which is in turn 96.94% owned by Qiming Venture Partners III, L.P. ("**QVP III**"), an exempted limited partnership registered in the Cayman Islands, and 3.06% owned by Qiming Managing Directors Fund III, L.P. ("**QMD III**"), an exempted limited partnership registered in the Cayman Islands. Qiming GP III, L.P., an exempted limited partnership organized in the Cayman Islands, is the general partner of QVP III. Qiming Corporate GP III, Ltd is the general partner of Qiming GP III, L.P. and QMD III.

QM22 (BVI) Limited is an investment holding company incorporated in the British Virgin Islands. It is a wholly-owned subsidiary of QM22 Limited, a company incorporated in Hong Kong, which is in turn wholly-owned by Qiming Venture Partners III Annex Fund, L.P. ("**QVP III Annex**"), an exempted limited partnership registered in the Cayman Islands. Qiming GP III, L.P., an exempted limited partnership registered in the Cayman Islands, is the general partner of QVP III Annex. Qiming Corporate GP III, Ltd is the general partner of Qiming GP III, L.P..

QVP III, QMD III and QVP III Annex are venture capital funds which are operated under Qiming Venture Partners and registered in the Cayman Islands, focusing on investments in companies in the media and Internet, information technology, consumer and retail, healthcare and clean technology sectors across China. Qiming Venture Partners is a Sophisticated Investor (as referred to in the Guidance Letter HKEx-GL92-18 issued by the Hong Kong Stock Exchange in April 2018). Qiming Corporate GP III, Ltd. ("**QCorp III**") is a Cayman Islands exempted company. Voting and investment power of the Shares owned by Ming Zhi Investments (BVI) Limited and QM22 (BVI) Limited is exercised by the board of directors of QCorp III, which consists of Mr. Duane Kuang, an Independent Third Party, Mr. Gary Rieschel, an Independent Third Party and Ms. Leung.

(b) Sequoia Capital China

SCC Venture IV-Bright (HK) Limited is a limited company incorporated in Hong Kong. Its sole shareholder is Sequoia Capital China Venture Fund IV, L.P., an investment fund whose primary purpose is to make equity investment in private companies and which is a Sophisticated Investor (as referred to in the Guidance Letter HKEx-GL92-18 issued by the Hong Kong Stock Exchange in April 2018).

(c) Goldman Sachs

Broad Street Investments Holding (Singapore) Pte. Ltd. ("**BSIH**") and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. ("**MBD**," together with BSIH, collectively the "**Goldman Sachs Entities**") are companies incorporated under the laws of the Republic of Singapore with limited liability as investment vehicles. BSIH is ultimately wholly owned by The Goldman Sachs Group, Inc. (the "**Goldman Sachs Group**"), a company incorporated under the laws of Delaware and whose shares are listed on the NYSE (ticker symbol: GS). BSIH is managed by the Principal Investments Area of the Goldman Sachs Group ("**PIA**"). PIA is a Sophisticated Investor (as referred to in the Guidance Letter HKEx-GL92-18 issued by the Hong Kong Stock Exchange in April 2018). MBD is held by multiple employee funds of the Goldman Sachs Group, among which, all general partners of the funds are wholly-owned subsidiaries of the Goldman Sachs Group.

(d) DCP Capital

Muheng Capital Partners (Hong Kong) Limited is a company incorporated in Hong Kong and is wholly-owned by Red Giant Limited, a company incorporated in the Cayman Islands, which is ultimately owned by DCP Capital Partners, L.P., a limited partnership organized in the Cayman Islands. DCP General Partner, Ltd., a company incorporated in the Cayman Islands, is the general partner of DCP Capital Partners, L.P..

Jiaxing Dechanghong Investment Partnership (Limited Partnership) is a limited partnership organized in the PRC and focused on investments holding in China. Jiaxing Demenghong Investment Partnership (Limited Partnership) (嘉興德盟弘投資管理合夥企業(有限合夥)), a limited partnership organized in the PRC, is the general partner of Jiaxing Dechanghong Investment Partnership (Limited Partnership).

Each of DCP General Partner, Ltd. and Jiaxing Demenghong Investment Partnership (Limited Partnership) is a company and a limited partnership managed by DCP Capital. DCP Capital is an international private equity firm that manages private equity funds which invest in portfolio companies with a focus on opportunities in Asia. DCP Capital Partners L.P. and Jiaxing Dechanghong Investment Partnership (Limited Partnership) are Sophisticated Investors (as referred to in the Guidance Letter HKEx-GL92-18 issued by the Hong Kong Stock Exchange in April 2018).

(e) Dinova Capital

Shenzhen Dinova, Zhejiang Dinova, Adventure 03 and DNA 01 are entities managed by Dinova Capital, an international venture capital firm focusing on investments in healthcare and innovative technology industry, and controlled by Mr. Zi. For details of the background of these entities, see "Relationship with Our Controlling Shareholders."

(f) Other Pre-IPO Investors

Blaze 02 Limited is an investment holding company incorporated in Hong Kong and is wholly-owned by Adventure 08 Limited, which is in turn wholly-owned by Ms. Minmin Sun, who is an Independent Third Party.

Shanghai Tianzhiwei Investments Management Limited (上海天之緯投資管理有限公司) is an investment holding company incorporated in the PRC. It is 50% owned by each of Ms. Bangsong Ding, the mother of Mr. Zi and Ms. Jinxian Min, an Independent Third Party, respectively. Shanghai Tianzhiwei Investments Management Limited does not currently hold any shares of our Company.

Suzhou Qiming Ronghe Venture Investment Fund (Limited Partnership) (蘇州啓明融合創業投資合夥企業(有限合夥)) is a limited partnership organized in the PRC, of which Suzhou Qicheng Investment Management Partners (Limited Partnership) (蘇州啓承投資管理合夥企業(有限合夥)) is the general partner.

Golden Heat Management Company Limited is an investment holding company incorporated in Hong Kong and is wholly-owned by Mr. Michael Yi Wei Zhao, who served as a Director of our Company from January 25, 2016 to November 26, 2018. Save as disclosed above, Golden Heat Management Company Limited is an Independent Third Party.

Sloan New Products Investment Company Limited is an investment holding company incorporated in Hong Kong and is wholly-owned by Sloan Investment Company Limited, a company incorporated in the British Virgin Islands and in turn wholly-owned by Mr. Chi Keung Chan, who is an Independent Third Party.

Prime State Ventures Limited is an investment holding company incorporated in the British Virgin Islands and wholly-owned by Mr. Kim Cheung, who is an Independent Third Party.

Beijing Genesis Capital Investment (Holding) Co., Ltd. is an investment holding company incorporated in the PRC and is 50% owned by each of Mr. Quan Li, an Independent Third Party, and Ms. Yumei Wang, an Independent Third Party, respectively.

Tibet Fenglong Xinglian Investment Center (Limited Partnership) is a limited partnership organized in the PRC and focused on investment holding. Dazi Delian Investment Management Limited (達孜德聯投資管理有限公司), a wholly-owned subsidiary of Beijing Genesis Capital Investment (Holding) Co., Ltd., is its general partner.

KYW Fitness & Wellness Management Limited is an investment holding company incorporated in Hong Kong and wholly-owned by Ms. Kristine Yi Wang, who has family relationship with Mr. Michael Yi Wei Zhao.

Ningbo Yuming Investment Management Partnership (Limited Partnership) is a limited partnership organized in the PRC and focused on investment holding. Mr. Jia Zhenyu is its general partner, who is an Independent Third Party.

Shenzhen Futian Tongchuang Weiye Big Health Business Investment Partnership (Limited Partnership) and Hangzhou Kouwen Shareholding Investment Partnership (Limited Partnership) are limited partnerships organized in the PRC and focused on asset management. Shenzhen Tongchuang Jinxiu Asset Management Limited (深圳同創錦繡資產管理有限公司), a private equity investment company incorporated in the PRC, is the general partner of Shenzhen Futian Tongchuang Weiye Big Health Business Investment Partnership (Limited Partnership). Hangzhou Tongchuang Weiye Asset Management Limited (杭州同創偉業資產管理有限公司), another private equity investment company, is the general partner of Hangzhou Kouwen Shareholding Investment Partnership (Limited Partnership). Shenzhen Tongchuang Jinxiu Asset Management Limited and Hangzhou Tongchuang Weiye Asset Management Limited are wholly-owned subsidiaries of Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理有限公司).

Hangzhou Erlangshen Investment Partnership (Limited Partnership) is a limited partnership organized in the PRC and focused on investment holding. Hangzhou Qianying Zhanyi Investment Management Co., Ltd. (杭州千鷹展翼投資管理有限公司) is its general partner.

Legend Architectural Design Co., Ltd is an investment holding company incorporated in the British Virgin Islands and wholly-owned by Mr. Wei Cui, who is an Independent Third Party.

Poseidon Capital Partners Management Limited is an investment holding company incorporated in the Cayman Islands and wholly-owned by Ms. Yaqian Wang, who is an Independent Third Party.

Jiangsu Zhaoyin Modern Production Shareholding Investment Fund Phase I (Limited Partnership) is a limited partnership organized in the PRC and focused on equity investments and relevant consulting businesses. Jiangsu Zhaoyin Chanye Fund Management Ltd. (江蘇招銀產業基金管理有限公司) is its general partner.

Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership) is a limited partnership organized in the PRC and focused on equity investments and relevant consulting businesses. Shenzhen Hongshu Chengzhang Investment Management Ltd. (深圳紅樹成長投資管理有限公司) is its general partner.

Taizhou Huitianjin Investment Partnership (Limited Partnership) ("**Huitianjin**") is a limited partnership organized in the PRC and focused on equity investment and relevant consulting businesses. Shanghai Renjin Investment Management Center (Limited Partnership) (上海仁金投資管理中心(有限合夥)) ("**Shanghai Renjin**") is its general partner. Shanghai Renjin, two corporate limited partners and 26 individual limited partners of Huitianjin each holds an interest of less than 10% in the share capital of Huitianjin. Shanghai Renjin is owned as to 50% by Shanghai Renren Asset Management Limited (上海仁仁資產管理有限公司), which is in turn owned as to 95% by Ms. Jianping Liang and 5% by Mr. Jin Liang, who are Independent Third Parties. The remaining 50% shareholding of Shanghai Renjin is held by Ms. Jianping Liang. The pre-IPO investment of Huitianjin in our Company was funded by the capital of Huitianjin.

Start New Limited is an investment holding company incorporated in Hong Kong and is wholly-owned by ABCI Investment Management Limited which is ultimately wholly-owned by Agricultural Bank of China whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 1288) and Shanghai Stock Exchange (Stock Code: 601288).

Huzhou Muxin Health Production Investment Partnership (Limited Partnership) is a limited partnership organized in the PRC and focused on investments in healthcare, industrial and medical businesses. Dunhou Shareholding Investment Management (Hangzhou) Limited (敦厚股權投資管理(杭州)有限公司) is its general partner.

Save as disclosed above, each of the Pre-IPO Investors is an Independent Third Party.

Terms of the Pre-IPO Investments

The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	A Round	B-1 Round	B-2 Round	B-3 Round	C-1 Round	C-2 Round	C-3 Round	D-1 Round	D-2 Round	D-3 Round	D-4 Round	E Round
Investment cost per share	HK$3.9	HK$4.4	HK$5.5	HK$5.5	HK$6.8	HK$8.2	HK$11.5	HK$17.4	HK$11.5	HK$11.0	HK$20.9	HK$24.5
Discount to the Offer Price[1]	87.4%	85.8%	82.3%	82.3%	78.1%	73.5%	62.9%	43.9%	62.9%	64.5%	32.6%	21.0%
Lock-up Period	Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all current Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them.											
Use of proceeds from the Pre-IPO Investors' investment	We utilized the proceeds from A to D-4 Rounds Pre-IPO Investments for general corporate operations, R&D, sales and marketing. As of the Latest Practicable Date, the proceeds from these rounds of Pre-IPO Investments had been fully used up. As of the Latest Practicable Date, we utilized approximately RMB124.4 million of the proceeds of approximately RMB309 million from E Round Pre-IPO Investment for the clinical trials of Keystone, staff costs, R&D, sales and marketing. We plan to utilize the remaining RMB184.6 million for the same purposes as stated above by the end of 2019.											
Strategic benefits to our Company brought by the Pre-IPO Investors	At the time of the investors' investment, the Directors are of the view that our Company can be benefited from the additional funds provided by the Pre-IPO Investors in our Company and the knowledge and experience of the Pre-IPO Investors.											

Note:

(1) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$31.0 per Share (being the mid-point of the indicative Offer Price range of HK$29.0 to HK$33.0).

(17) Rights of the Pre-IPO Investors

Pursuant to the amended Shareholders' agreement entered into among shareholders of our Company on April 26, 2018 and the other agreements mentioned below, the Pre-IPO Investors had been granted certain special rights, including, among others, divestment rights, dividend rights, liquidation rights, rights to elect director and participate in the Board, preemptive rights, rights to approve increase in share capital and right of first refusal and co-sale. Except the profit guarantee and divestment rights as described below, all other special rights shall cease to be effective and be discontinued upon Listing.

(a) Profit Guarantee

On April 26, 2018, Muheng Capital Partners (Hong Kong) Limited ("**Muheng**") and Jiaxing Dechanghong Investment Partnership (Limited Partnership) ("**Jiaxing**") entered into a profit guarantee agreement, as amended by a supplemental agreement dated April 30, 2019, with, among others, Mr. Zeng and Mr. Zi (the "**Profit Guarantee Agreement**"). Pursuant to the Profit Guarantee Agreement, Mr. Zeng and Mr. Zi guaranteed to Muheng and Jiaxing that the audited consolidated net profit of our Company for the financial year ending December 31, 2023 (the "**2023 Audited Net Profit**") shall not be less than RMB500,000,000 (subject to certain adjustments in the event of dilution of the shareholding percentage of Muheng and Jiaxing in the Company, except the Global Offering) (the "**2023 Audited Net Profit Target**"), failing which Muheng and Jiaxing may elect to require that Mr. Zeng, Mr. Zi and the entities through which Mr. Zeng and Mr. Zi hold their Shares in our Company to transfer such number of Shares representing the following shareholding percentage in the total issued share capital of our Company (the "**Profit Guarantee Compensation Shares"**): the shareholding percentage of Muheng and Jiaxing in our Company immediately prior to the transfer of the Profit Guarantee Compensation Shares x ((2023 Audited Net Profit Target/Actual 2023 Audited Net Profit) -1). In any event, the Profit Guarantee Compensation Shares shall not represent more than 2% of the then total issued share capital of our Company.

(b) Divestment Rights

On April 30, 2019, Jiaxing entered into an additional agreement with, among others, Mr. Zeng and Mr. Zi (the "**DCP Agreement**"). Pursuant to the DCP Agreement, the parties agreed that in the event that (i) the planned listing of the Domestic Shares in the PRC (the "**A Share Listing**") is not completed by December 31, 2022, with a valuation of our Company (calculated using the total issued share capital of our Company at the relevant time) immediately prior to the A Share Listing of not less than US$850 million, as agreed among the parties after arms' length negotiations with reference to the expected valuation of our Company by the aforesaid date and the expected return of investment of the investors, and (ii) the Shares held by Jiaxing cannot be traded on the Hong Kong Stock Exchange by December 31, 2022, Jiaxing is entitled to request Mr. Zeng, Mr. Zi and the entities through which Mr. Zeng and Mr. Zi hold their Shares in our Company to repurchase the Domestic Shares held by Jiaxing in part or in full (the "**Jiaxing Divestment Option**"). The purchase price will be equal to the investment amount paid by Jiaxing plus 10% compound interest per annum from the date of settlement of the investment amount to the date of payment of the repurchase price (as adjusted by any distributable profit). The Jiaxing Divestment Option is not available to the Unlisted Foreign Shares or H Shares held by Muheng. The Jiaxing Divestment Option will cease to have effect in the event that the relevant Domestic Shares are qualified to be traded on the Hong Kong Stock Exchange or are qualified to apply for conversion of relevant Domestic Shares into H Shares by the end of 2022.

On May 15, 2019, Jiangsu Zhaoyin Modern Production Shareholding Investment Fund Phase I (Limited Partnership) and Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership) (the "**CMB Entities**") entered into an agreement with, among others, Mr. Zeng and Mr. Zi (the "**CMB Agreement**"). Pursuant to the CMB Agreement, the parties agreed that in the event that (i) the A Share Listing is not completed by December 31, 2023, with a valuation of our Company (calculated using the total issued share capital of our Company at the relevant time) at the time of the A Share Listing of not less than US$1.2 billion, as agreed among the parties after arms' length negotiations with reference to the expected valuation of our Company by the aforesaid date and the expected return of investment of the investors, and (ii) the Shares held by the CMB Entities cannot be traded on the Hong Kong Stock Exchange by the same time, the CMB

Entities are entitled to request Mr. Zeng, Mr. Zi and the entities through which Mr. Zeng and Mr. Zi hold their Shares in our Company to repurchase the Domestic Shares held by the CMB Entities in part or in full (the "**CMB Divestment Option**"). The purchase price will be equal to the investment amount paid by the CMB Entities plus 10% compound interest per annum from the date of settlement of the investment amount to the date of payment of the repurchase price (as adjusted by any distributable profit). The CMB Divestment Option will cease to have effect in the event that the relevant Domestic Shares are qualified to be traded on the Hong Kong Stock Exchange or are qualified to apply for conversion of relevant Domestic Shares into H Shares by the end of 2023.

On June 7, 2019, SCC Venture IV-Bright (HK) Limited ("**SCC**") entered into an agreement with Mr. Zeng and Mr. Zi (the "**SCC Agreement**"). Pursuant to the SCC Agreement, the parties agreed that with effect from the Listing, in the event that the A Share Listing is not completed by June 30, 2022 and the Shares held by SCC cannot be traded on the Hong Kong Stock Exchange, SCC is entitled to request Mr. Zeng and Mr. Zi to repurchase the Unlisted Foreign Shares held by SCC in part or in full (the "**SCC Divestment Option**") by delivering a written notice. The purchase price for each Share will be equal to the average price of H Shares in the ten days prior to the date of the written notice, which is calculated by dividing the total trading amount of H Shares in the ten days by the total trading volume of H Shares in the ten days. If (i) the conversion of the Unlisted Foreign Shares of SCC into H Shares is approved subsequent to the Listing, or (ii) the Unlisted Foreign Shares subsequently become qualified to be traded on the Hong Kong Stock Exchange after Listing, the SCC Agreement and the SCC Divestment Option will cease to have effect.

Following the Listing and prior to the A Share Listing, the share capital of our Company will comprise H Shares, Unlisted Foreign Shares and Domestic Shares, which carry different rights and are regarded as different classes of Shares under the Articles of Association. Whereas H Shares will be freely transferable on the Hong Kong Stock Exchange after the Listing, Domestic Shares and Unlisted Foreign Shares are not tradeable publicly. As such, Jiaxing, the CMB Entities and SCC are subject to significantly different risks, relating to the lack of liquidity of the Domestic Shares and Unlisted Foreign Shares (as the case may be) they invested in if the A Share Listing does not proceed, compared to investors in the Global Offering who invest in H Shares. The Jiaxing Divestment Option, the CMB Divestment Option and the SCC Divestment Option were granted to cater for such risks which investors in the Global Offering are not subject to. In addition, the Jiaxing Divestment Option, the CMB Divestment Option and the SCC Divestment Option were granted by Mr. Zeng and Mr. Zi and will not be funded by the Company. Therefore, they do not fall within Guidance Letter HKEx-GL43-12 issued in October 2012 by the Hong Kong Stock Exchange and can survive the Listing.

(18) Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Hong Kong Stock Exchange; and (ii) the special rights granted to the Pre-IPO Investors shall cease to be effective and be discontinued upon the Listing (save for (a) the profit guarantee as described above, and (b) the divestment rights as described above), the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Hong Kong Stock Exchange on October 13, 2010 and as updated in March 2017 and the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

PUBLIC FLOAT

The Shares held by Jiaxing Dechanghong Investment Partnership (Limited Partnership), Shenzhen Dinova, Zhejiang Dinova, Suzhou Qiming Ronghe Venture Investment Fund (Limited Partnership), Beijing Genesis Capital Investment (Holding) Co., Ltd., Tibet Fenglong Xinglian Investment Center (Limited Partnership), Ningbo Yuming Investment Management Partnership (Limited Partnership), Shenzhen Futian Tongchuang Weiye Big Health Business Investment Partnership (Limited Partnership), Hangzhou Kouwen Shareholding Investment Partnership (Limited Partnership), Hangzhou Erlangshen Investment Partnership (Limited Partnership), 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), Huzhou Muxin Health Production Investment Partnership (Limited Partnership), the PRC Employee Entities and Ms. Meihua Zhao will not be considered as part of the public float as the Shares they hold are Domestic Shares which will not be converted into H Shares and listed following the completion of the Global Offering.

The Shares held by Horizon Binjiang LLC, QM22 (BVI) Limited, SCC Venture IV-Bright (HK) Limited, Adventure 03 Limited, DNA 01 (Hong Kong) Limited, Sloan New Products Investment Company Limited, Blaze 02 Limited, Prime State Ventures Limited, KYW Fitness & Wellness Management and MZX Hong Kong Limited will not be considered as part of the public float as the Shares they hold are Unlisted Foreign Shares which will not be converted into H Shares and listed following the completion of the Global Offering.

The Shares held by Ming Zhi Investments (BVI) Limited will not be considered as part of the public float because it is under the control of QCorp III (as defined above), which is entitled to control the exercise of more than 10% of the voting power at the general meeting of our Company. QCorp III is a substantial shareholder and a core connected person of our Company as defined under the Listing Rules.

The Shares held by the Offshore Employee Entities will not be considered as part of the public float because they are controlled by Mr. Lim, a core connected person of our Company as defined under the Listing Rules.

The Shares held by Legend Architectural Design Co., Ltd, Poseidon Capital Partners Management Limited and Start New Limited are Unlisted Foreign Shares which will be converted into H Shares and listed following the completion of the Global Offering. As these entities will not be core connected persons of our Company upon Listing, are not accustomed to take instructions from core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by core connected persons, the H Shares held by them will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

The Shares held by each of Broad Street Investments Holding (Singapore) Pte. Ltd. (7,278,710 Unlisted Foreign Shares and 20,893,939 H Shares upon conversion after completion of the Global Offering), MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. (760,463 Unlisted Foreign Shares and 2,182,946 H Shares upon conversion after completion of the Global Offering), Muheng Capital Partners (Hong Kong) Limited (3,934 Unlisted Foreign Shares and 16,690,318 H Shares upon conversion after completion of the Global Offering) and Golden Heat Management Company Limited (7,373,650 Unlisted Foreign Shares and 1,617,676 H Shares upon conversion after completion of the Global Offering) comprise (i) Unlisted Foreign Shares which will

not be converted into H Shares and listed following the completion of the Global Offering, and (ii) H Shares which will be converted from Unlisted Foreign Shares following the completion of the Global Offering. As they will not be core connected persons of our Company upon Listing, are not accustomed to take instructions from core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their respective acquisition of Shares was not financed directly or indirectly by core connected persons, the H Shares held by them will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing. The Unlisted Foreign Shares held by them will not be considered as part of the public float as they will not be converted into H Shares and listed following the completion of the Global Offering.

Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all current Shareholders could not dispose of any of the Shares held by them.

THE A SHARE LISTING

We plan to conduct the offering and listing of A shares at an appropriate time after the Global Offering. As of the Latest Practicable Date, we have not determined the size and scope of the contemplated A share offering and have not made any application to any recognized stock exchange in the PRC for approval for the listing of any A shares. There is no assurance we will conduct an A share offering in the future.

ACQUISITIONS AND INVESTMENTS

Formation of Sino-Foreign Equity Joint Venture with Colibri Heart Valve LLC

On August 16, 2016, our Company entered into an equity joint venture contract with Colibri Heart Valve LLC ("**Colibri**"), a Delaware corporation of which our Company has 6.89% shareholding, pursuant to which we agreed with Colibri to establish a Sino-foreign equity joint venture with the name of Venibri Medtech Inc (浙江啓明科瑞醫療科技有限公司) ("**Venibri**"), in order to develop, register, market and sell heart valve products in China.

Venibri would develop and commercialize Colibri's balloon expandable aortic product and our self-expanding aortic product that utilize Colibri's proprietary tissues and related technology in China and certain other countries in Asia. Pursuant to a license and collaboration agreement we entered into with Colibri on August 16, 2016, we and Colibri granted to Venibri the right to develop, manufacture and commercialize such products in China and certain other countries in Asia as defined in the agreement.

Venibri is a limited liability company incorporated under the laws of the PRC with a registered capital of US$10 million, of which we agreed to contribute US$8.5 million (85%) and Colibri agreed to contribute US$1.5 million (15%). Venibri was established on August 16, 2016. We will contribute US$8.5 million, in an equivalent RMB amount in cash, to the registered capital of Venibri in a period of 30 years pursuant to the equity joint venture contract. Colibri contributed US$1.5 million to the registered capital of Venibri on February 27, 2017.

Regulatory recordation of the MOFCOM was completed for the formation of Venibri. The formation of Venibri has been properly and legally completed, as advised by our PRC Legal Advisor.

Acquisition of Certain Assets of InterValve, Inc.

On November 25, 2016, in order to achieve better promotion, utilization and popularization of TAVR, our subsidiary, InterValve Medical Inc., entered into an asset purchase agreement with InterValve, Inc. (the "**InterValve Seller**"), a Delaware corporation and an Independent Third Party, pursuant to which InterValve Medical Inc. agreed to purchase from the InterValve Seller certain assets for a consideration of approximately US$2.9 million and a royalty equal to 5% of the annual worldwide royalty product sales (excluding in the PRC) for certain products as defined in the asset purchase agreement (the "**InterValve Royalty**," and the acquisition, the "**InterValve Acquisition**"). The assets purchased under the InterValve Acquisition included all intellectual property, patient data set, inventory, raw materials, goods, information system and hardware, and certain machinery, equipment and governmental permits with respect to the business of treatment of heart valves then owned by the InterValve Seller. The consideration for the InterValve Acquisition was determined by arms' length negotiations between the parties, with reference to the value of the intellectual property, patient data, inventory, machinery, governmental permits and other assets purchased.

Our Group has satisfied the consideration of approximately US$2.9 million payable for the InterValve Acquisition in cash, which was fully settled in May 2018, but shall continue to pay the InterValve Royalty until the later of (i) the expiration of certain intellectual property rights specifically listed in an appendix to the asset purchase agreement or (ii) the fifteenth anniversary of the closing date of the InterValve Acquisition on June 6, 2017.

Regulatory approvals of Health Canada and the British Standards Institutions have been obtained for the InterValve Acquisition. The InterValve Acquisition has been properly and legally completed.

Acquisition of Keystone

In order to develop a comprehensive product portfolio to achieve full product offerings for transcatheter heart valve replacement procedures and to execute our global expansion strategy, (i) our Company entered into a share purchase agreement dated January 11, 2018, as amended and supplemented by an addendum dated May 23, 2018 (the "**Share Purchase Agreement**"), with, among others, Keystone Heart, and (ii) Venus Medtech (Hong Kong) Limited, our wholly-owned subsidiary, entered into an agreement and plan of merger dated September 22, 2018 (the "**Plan of Merger**") with, among others, Keystone Heart, a company incorporated in Israel and an Independent Third Party before completion of the Keystone Acquisition (as defined below). Pursuant to the Share Purchase Agreement and the Plan of Merger, we acquired all equity interests in Keystone Heart and Keystone Heart became a wholly-owned subsidiary of Venus Medtech (Hong Kong) Limited (the "**Keystone Acquisition**").

Keystone Heart is a medical device company developing and manufacturing CEP devices to reduce the risk of stroke, neurocognitive decline and dementia caused by brain emboli associated with cardiovascular procedures. See "Business" for details of the business and operations of Keystone Heart.

Pursuant to the Share Purchase Agreement and the Plan of Merger, the consideration for the Keystone Acquisition comprises: (i) US$71.9 million payable to the then shareholders of Keystone Heart; and (ii) US$2.9 million milestone payment for certain management of Keystone Heart accrued from the date of the Plan of Merger to closing, as further discussed below.

The consideration for the Keystone Acquisition was determined after arms' length negotiations between the parties with reference to, among other things, (i) the net assets value of Keystone Heart, (ii) the business prospects of Keystone Heart, and (iii) the revenue expected to be generated by Keystone TriGUARD3 CEP device.

As of the Latest Practicable Date, our Group had already paid approximately US$34.2 million for the consideration of the Keystone Acquisition to the then shareholders of Keystone Heart. The remaining US$37.7 million shall be paid following the authorization and clearance by the FDA to market and sell Keystone TriGUARD3™ CEP device (the "**FDA Milestone**").

In addition, pursuant to the Plan of Merger, our Company agreed to pay a bonus of US$5 million to certain management members of Keystone Heart (the "**Milestone Bonuses**"): US$2 million had been paid upon closing and US$2 million had been paid following the completion of the REFLECT Phase II enrollment, and therefore in total US$4 million had been paid as of the Latest Practicable Date. The remaining US$1 million shall be paid following the FDA Milestone.

US$2.9 million, representing the sum of (i) US$2 million, being the Milestone Bonuses paid upon closing, and (ii) US$0.9 million, being the portion of the remaining US$3 million accrued from the date of the Plan of Merger to the closing, is recognized as part of the consideration pursuant to the relevant accounting standards. See Note 33 of Appendix IA to this Prospectus.

Regulatory approval of the Registrar of Companies and Partnerships of the Ministry of Justice of Israel has been obtained for the Keystone Acquisition. The Keystone Acquisition has been properly and legally completed on December 26, 2018.

We will use part of our net proceeds from the Global Offering to fund payment of consideration and other transactions expenses related to the Keystone Acquisition. For details, see "Future Plans and Use of Proceeds."

PRC REGULATORY REQUIREMENTS

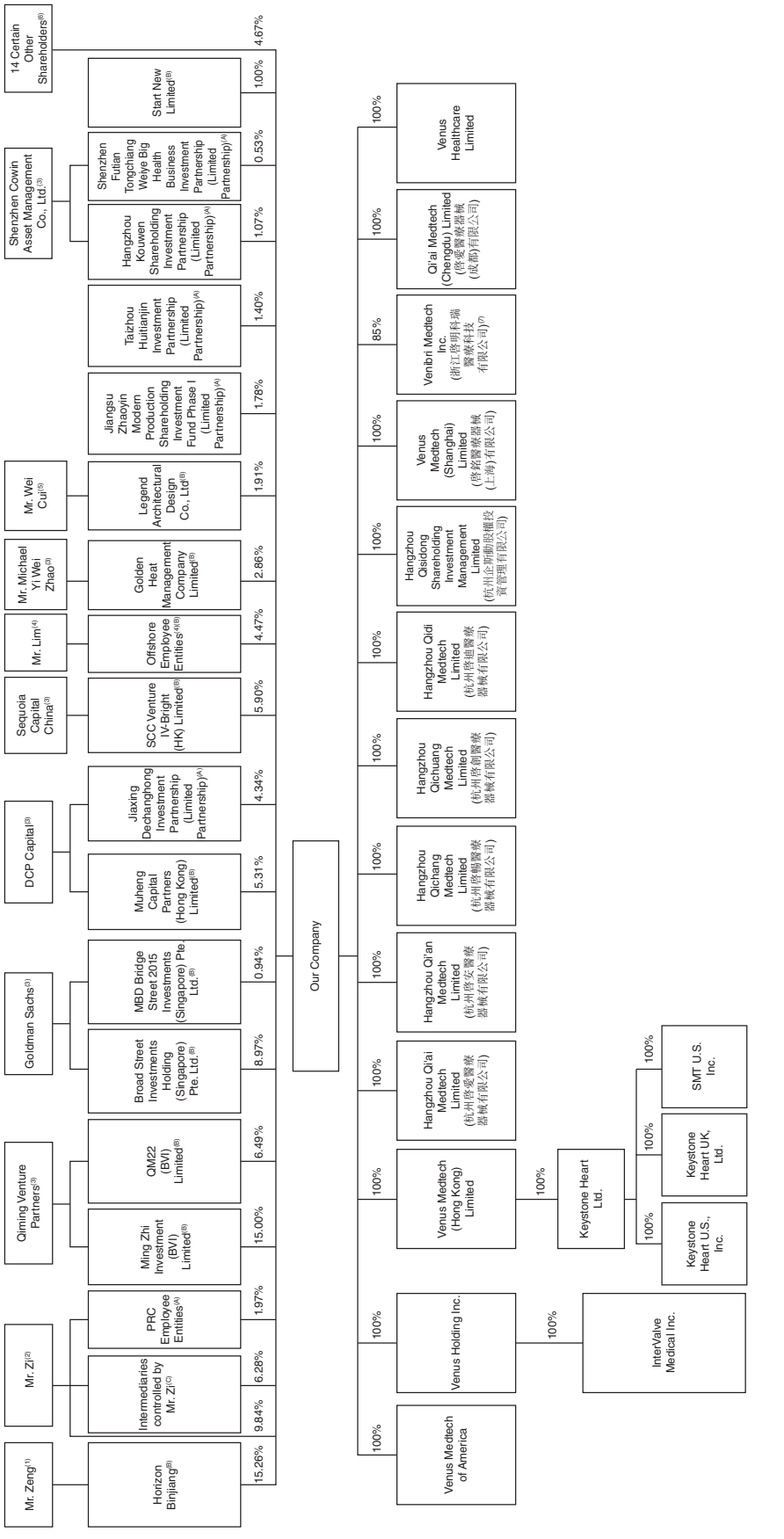
The SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**"), issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for PRC residents under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the

SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive, and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which came into effect on June 1, 2015, pursuant to which, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of the SAFE.

As of the Latest Practicable Date, one of our ultimate Shareholders holding less than 1% shareholding of our Company did not conduct his registration with the SAFE. Our PRC Legal Advisor is of the view that given SAFE Circular 37 and the relevant laws and regulations do not contain provisions on the legal responsibility of a company in the event that shareholders of that company did not conduct their registration with the SAFE, unless the SAFE or its local branches release explicit requirements or adopt different interpretation on the relevant PRC laws and regulations in the future, it is unlikely that our Company and its PRC subsidiaries will be sanctioned by the SAFE or its local branches.

CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING *(Note (0))*



Notes:

(0) The aggregate of the percentage figures in this chart may not add up to 100% due to rounding of the percentage figures to two decimal places.

(1) Horizon Binjiang is a company incorporated in California, the United States, and wholly-owned by Mr. Zeng. For details, see "Relationship with Our Controlling Shareholders."

(2) For details of Mr. Zi's shareholding and how he controlled the intermediaries and the PRC Employee Entities, see "Relationship with Our Controlling Shareholders."

(3) For details of the background of Qiming Venture Partners, Qiming Venture Partners, Goldman Sachs, DCP Capital, Sequoia Capital China, Mr. Michael Yi Wei Zhao and Shenzhen Cowin Asset Management Co., Ltd., see "– Pre-IPO Investment — Information relating to the Pre-IPO Investors."

(4) Mr. Lim indirectly held shareholding of our Company through the Offshore Employee Entities. For details of Mr. Lim's shareholding and how he controlled the Offshore Employee Entities, see "– Establishment and Development of our Company — (2) Major Shareholding Changes of our Company during the Track Record Period."

(5) For details of the background of Legend Architectural Design Co., Ltd, see "– Pre-IPO Investment — Information relating to the Pre-IPO Investors."

(6) 14 certain other Shareholders each held less than 1% shareholding of our Company immediately prior to the Global Offering, with details as set out below:

Ms. Meihua Zhao[(A)], an Independent Third Party, held shareholding of our Company of 0.51%.

MZX Hong Kong Limited[(B)] held shareholding of our Company of 0.29%. It is a company incorporated in Hong Kong and is wholly-owned by Mr. Haiyue Ma, our Chief Financial Officer.

For details of the background of the other Shareholders, including Tibet Fenglong Xinglian Investment Center (Limited Partnership)[(A)] (0.91%), Suzhou Qiming Ronghe Venture Investment Fund (Limited Partnership)[(A)] (0.74%), Sloan New Products Investment Company Limited[(B)] (0.46%), Huzhou Muxin Health Production Investment Partnership (Limited Partnership)[(A)] (0.30%), Poseidon Capital Partners Management Limited[(B)] (0.24%), Beijing Genesis Capital Investment (Holding) Co., Ltd.[(A)] (0.23%), Blaze 02 Limited[(B)] (0.23%), Prime State Ventures Limited[(B)] (0.23%), KYW Fitness & Wellness Management Limited[(B)] (0.22%), Hangzhou Erlangshen Investment Partnership (Limited Partnership)[(A)] (0.18%), Ningbo Yuming Investment Management Partnership (Limited Partnership)[(A)] (0.11%) and Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership)[(A)] (0.02%), see "– Pre-IPO Investment — Information relating to the Pre-IPO Investors."

(7) The remaining 15% shareholding of Venibri Medtech Inc. is owned by Colibri Heart Valve LLC, of which our Company holds 6.89% shareholding.

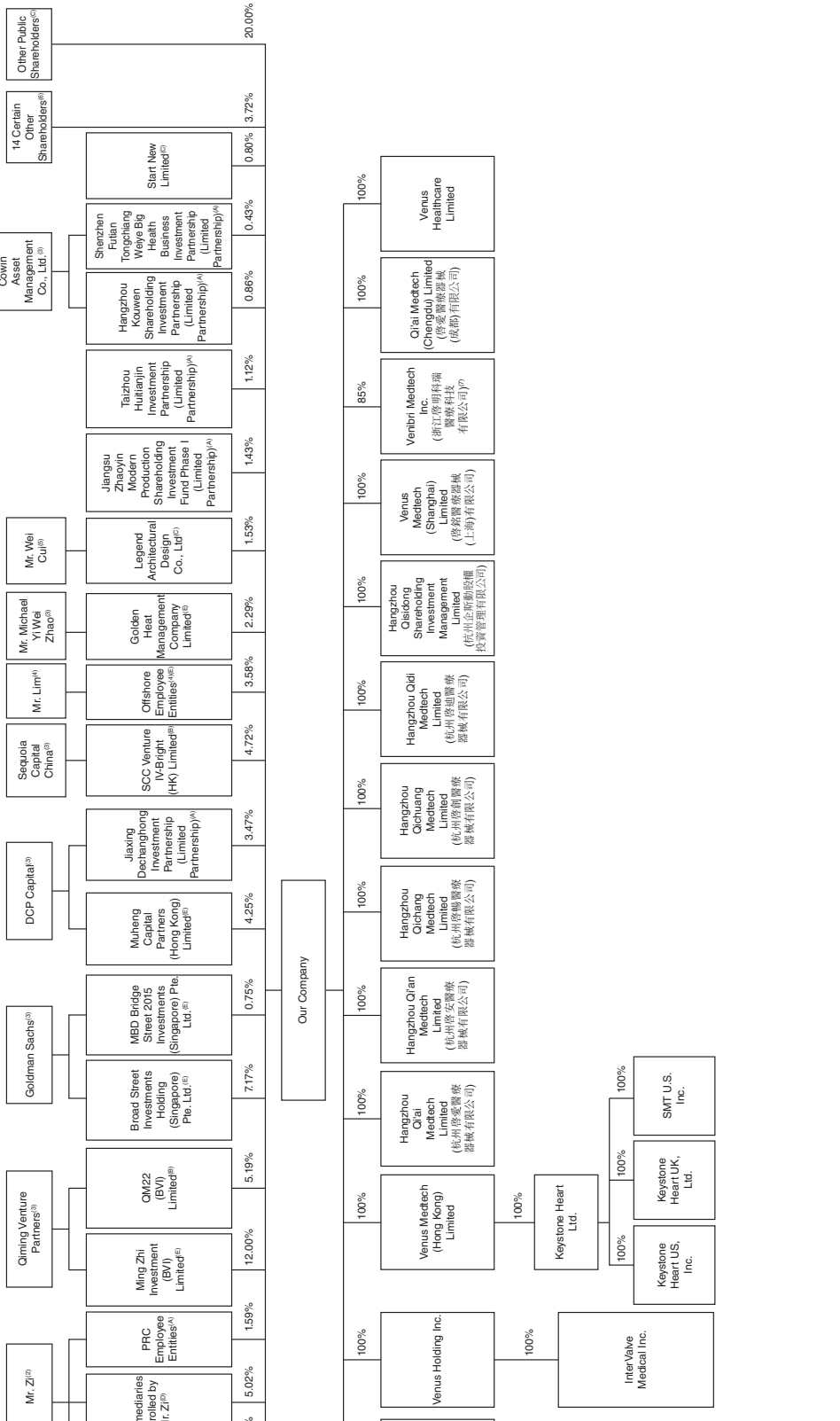
Remarks

(A) The Shares held by these Shareholders are Domestic Shares.

(B) The Shares held by these Shareholders are Unlisted Foreign Shares.

(C) The Shares held by Shenzhen Dinova and Zhejiang Dinova are Domestic Shares. The Shares held by Adventure 03 and DNA 01 are Unlisted Foreign Shares.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING (ASSUMING THE OVER-ALLOTMENT OPTION IS NOT EXERCISED)



Notes:

(0)-(5), (7) See page 209 for notes (0)-(5) and (7)

(6) The 14 certain other Shareholders will hold shareholding of our Company immediatedly following the Global Offering (assuming the Over-allotment Option is not exercised) as follows:

Tibet Fenglong Xinglian Investment Center (Limited Partnership)[(A)] (0.73%), Suzhou Qiming Ronghe Venture Investment Fund (Limited Partnership)[(A)] (0.59%), Ms. Meihua Zhao[(A)] (0.24%), Sloan New Products Investment Company Limited[(B)] (0.37%), Huzhou Muxin Health Production Investment Partnership (Limited Partnership)[(A)] (0.41%), MZX Hong Kong Limited[(B)] (0.23%), Poseidon Capital Partners Management Limited[(C)] (0.19%), Beijing Genesis Capital Investment (Holding) Co., Ltd.[(A)] (0.18%), Blaze 02 Limited[(B)] (0.18%), Prime State Ventures Limited[(B)] (0.18%), KYW Fitness & Wellness Management Limited[(B)] (0.17%), Hangzhou Erlangshen Investment Partnership (Limited Partnership)[(A)] (0.14%), Ningbo Yuming Investment Management Partnership (Limited Partnership)[(A)] (0.09%) and Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership)[(A)] (0.02%).

Remarks

(A) The Shares held by these Shareholders are Domestic Shares.

(B) The Shares held by these Shareholders are Unlisted Foreign Shares.

(C) The Shares held by these Shareholders are H Shares.

(D) The Shares held by Shenzhen Dinova and Zhejiang Dinova are Domestic Shares. The Shares held by Adventure 03 and DNA 01 are Unlisted Foreign Shares.

(E) The Shares held by these Shareholders comprise (i) Unlisted Foreign Shares and (ii) H Shares, as follows:

Ming Zhi Investments (BVI) Limited (16,788,728 Unlisted Foreign Shares and 30,342,501 H Shares);

Broad Street Investments Holding (Singapore) Pte. Ltd. (7,278,710 Unlisted Foreign Shares and 20,893,939 H Shares);

MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. (760,463 Unlisted Foreign Shares and 2,182,946 H Shares);

Muheng Capital Partners (Hong Kong) Limited (3,934 Unlisted Foreign Shares and 16,690,318 H Shares);

Offshore Employee Entities: Blue Summit Management Limited (1,786,103 Unlisted Foreign Shares and 3,504,966 H Shares); Jupiter Holding Limited (129 Unlisted Foreign Shares and 539,226 H Shares); Mars Holding Limited (1,502,097 Unlisted Foreign Shares and 2,147,150 H Shares); Mercury Holding Limited (1,079 Unlisted Foreign Shares and 4,583,416 H Shares); and

Golden Heat Management Company Limited (7,373,650 Unlisted Foreign Shares and 1,617,676 H Shares).

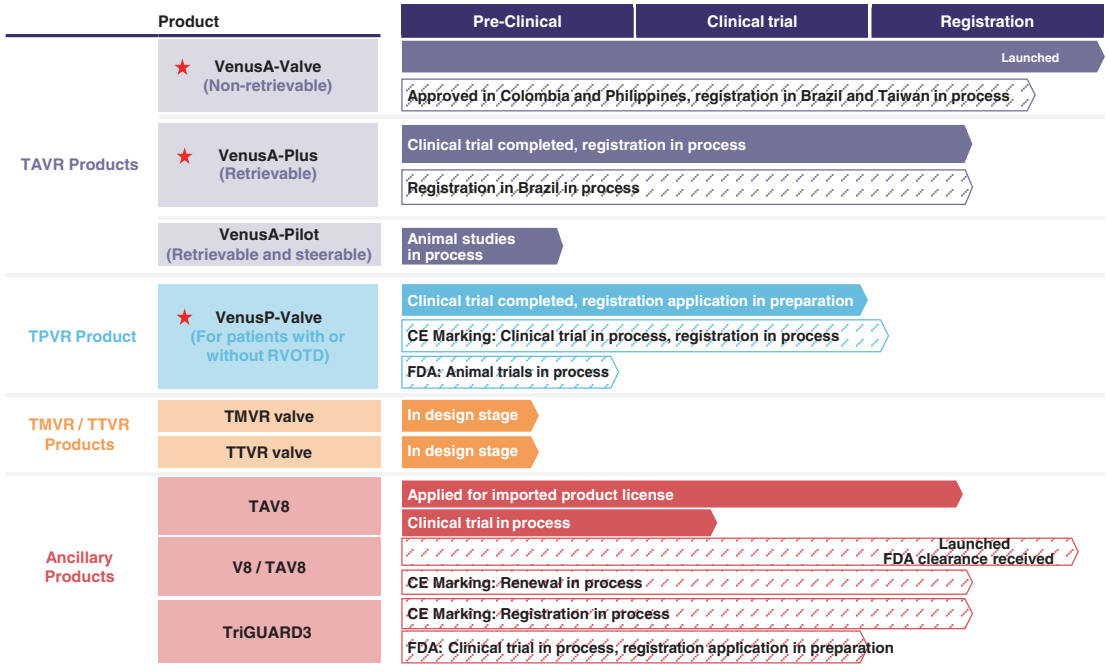
OVERVIEW

We are the leading transcatheter heart valve medical device player in China in terms of implantation volume in 2018. According to Frost & Sullivan, we had a 79.3% market share in China by implantation volume of TAVR products in 2018. Our self-developed product, VenusA-Valve, is the first TAVR product approved by the NMPA and commercialized in China. As the pioneer in the transcatheter heart valve industry in China, we enjoy first mover advantages. We believe that our first mover advantages, together with our comprehensive product pipeline covering all four heart valves, robust intellectual property portfolio with 193 issued patents and 196 patent applications as of the Latest Practicable Date, and visionary management team, will serve as high entry barriers and differentiate us from our peers. Our mission is to become a global leader in the development and commercialization of transcatheter solutions for structural heart diseases.

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. According to Frost & Sullivan, the global TAV market expanded at a CAGR of 27.9% from US$1,500 million in 2014 to US$4,100 million in 2018, and is estimated to reach US$10,400 million in 2025, representing a CAGR of 14.3%. At its early stage of development with the first TAVR product launched in August 2017, China's TAV market is estimated to grow significantly at a CAGR of 65.0% from US$28.7 million in 2018 to US$956.6 million in 2025. The global TPV market is estimated to grow at a CAGR of 14.4% from US$220.4 million in 2018 to US$564.5 million in 2025. China's TPV market is estimated to increase at a CAGR of 57.8% from US$12.1 million in 2020 to US$118.5 million in 2025. As of the Latest Practicable Date, there was no TMVR or TTVR product approved in any market globally. According to Frost & Sullivan, the addressable market of TMVR and TTVR products is considerably larger than that of TAVR and TPVR products, indicating significant growth potential. According to Frost & Sullivan, the global prevalence of mitral regurgitation is estimated to reach 108.6 million in 2025 from 95.1 million in 2018 and the global prevalence of tricuspid regurgitation is expected to reach 55.9 million in 2025 from 48.6 million in 2018.

To capitalize this market opportunity and to address the unmet medical needs in China and globally, we were founded in 2009 to focus on the design, development and commercialization of transcatheter heart valve products. With over 15 years of experience in the medical device industry and as the senior management of several well-known medtech companies, the general manager of our Company, Mr. Zi, and the chairman of the Board, Mr. Zeng, have brought in both global vision and local expertise to every major aspect of our business. Under their leadership, we have developed a comprehensive product portfolio that covers the transcatheter solutions for all four heart valves as well as key ancillary products. Our self-developed product, VenusA-Valve, is the first TAVR product approved by the NMPA and commercialized in China. We expect that our self-developed TPVR product candidate, VenusP-Valve, once launched, to be the first TPVR product approved by the NMPA, the first self-expanding TPVR product globally and the first TPVR product for patients with RVOTD after receiving TAP treatment globally. We also added a key clinical-stage CEP device, TriGUARD3, into our portfolio with our acquisition of Keystone in December 2018. As the forerunner in China's transcatheter heart valve sector over the past ten years, we have accumulated extensive clinical data and established strong relationships with KOLs and leading physicians and hospitals, all of which are expected to differentiate us from our competitors and position us to further solidify our leadership position in the industry.

The following chart summarizes the development status of our products and product candidates as of the Latest Practicable Date:



"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

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. As of the Latest Practicable Date, we owned an aggregate of 389 patents and patent applications which consisted of 93 issued patents and 60 patent applications in China and 100 issued patents and 136 patent applications overseas including key markets such as the U.S. and the EU.

- *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. Since we launched VenusA-Valve in August 2017, we generated revenue of RMB18.2 million, RMB115.3 million and RMB86.2 million in 2017, 2018 and the five months ended May 31, 2019, respectively, primarily from the sales of VenusA-Valve.

To accomplish our mission to become a global leader of transcatheter solutions for structural heart diseases, we plan to strengthen our presence in the TAV market in China by growing sales of VenusA-Valve in hospitals that already use our products and penetrating sales into new hospitals with physician education and training. At the same time, we plan to launch our other heart valves and key ancillary products to offer comprehensive transcatheter heart valve solutions and to expand our presence in North America, the EU and emerging markets. We will also consider strategic partnership and acquisition opportunities that have the potential to broaden our product portfolio and strengthen our R&D and manufacturing capabilities.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors.

Market leader in a large untapped and fast-growing transcatheter heart valve industry in China

We are the leading transcatheter heart valve medical device player in China in terms of implantation volume in 2018. According to Frost & Sullivan, we had a 79.3% market share in China by implantation volume of TAVR products in 2018. We believe our transcatheter valve product pipeline will benefit from a large untapped and fast-growing market of transcatheter solutions for structural heart diseases.

We commercialized the first TAVR product in China, VenusA-Valve, in August 2017. The TAV market remains under-penetrated with significant potential to grow in China and globally. The growth of TAV market is mainly driven by an aging population, increasing preference of transcatheter procedures over other treatments such as open-chest surgeries, and growing physician awareness and hospital adoption of TAVR procedures. According to Frost & Sullivan, the global TAV market is estimated to reach US$10,400 million in 2025 from US$4,100 million in 2018 representing a CAGR of 14.3%. The penetration rate of TAVR globally is expected to reach 8.2% in 2025 from 3.5% in 2018. In China, the market size is estimated to grow significantly from US$28.7 million in 2018 to US$956.6 million in 2025, representing a CAGR of 65.0%, and the penetration rate is expected to grow from 0.1% in 2018 to 4.7% in 2025, each outpacing the global market.

TAVR procedures mainly treat patients with structural aortic valve diseases, in particular aortic valve stenosis for which aging is one of the leading causes. The world's aging population is experiencing growth in terms of both numbers and proportion of the overall population. According to Frost & Sullivan, the global population over the age of 65 is estimated to reach 793.5 million in 2025, representing 9.7% of the global population, from 647.3 million in 2017,

representing 8.6% of the global population. China's population over the age of 65 is estimated to reach 238.4 million in 2025, representing 16.7% of the Chinese population, from 166.6 million in 2018, representing 11.9% of the Chinese population according to the National Bureau of Statistics of China. Along with the increase in aging population, prevalence of aortic stenosis is expected to increase. According to Frost & Sullivan, the population of aortic stenosis patients was 4.2 million in China and 19.3 million globally in 2018, and is estimated to reach 4.9 million in China and 22.1 million globally in 2025. Mortality rates of severe aortic stenosis patients are high with over 50% of deaths within two years for such patients without aortic valve replacement. The vast population of aortic stenosis patients creates significant market demands for TAVR products.

The increasing preference of TAVR over SAVR in the past several years has contributed to the growth of the TAV market and is expected to continue to drive the TAV market to expand. Traditionally, SAVR has been the primary treatment procedure for aortic valve stenosis patients. However, it cannot be performed on surgically ineligible patients and is also not an optimal treatment for high and intermediate surgical risk patients. Globally, more than 30% of the patients with severe aortic valve stenosis are not treated due to surgical risks. With the breakthrough technology of TAVR and the approval by the FDA and the EMA to apply TAVR on high to intermediate surgical risk patients, TAVR has become the frontline treatment for severe aortic stenosis patients. In August 2019, the FDA approved the application of certain heart valve products in TAVR procedures that treat low surgical risk patients. Such approval will significantly increase the demand for TAVR procedures given the vast population of low surgical risk patients eligible for TAVR. According to Frost & Sullivan, the low surgical risk patients account for a majority of the total patients eligible for TAVR. The population of eligible low risk patients globally is expected to increase to 2.3 million in 2025 from 2.0 million in 2018. Driven by the increasing preference for TAVR and the expansion of its application to low risk patients, the number of TAVR procedures is expected to grow at a CAGR of 15.0% globally and 73.2% in China from 2018 to 2025 according to Frost & Sullivan.

With the growing physician awareness and hospital adoption of TAVR, the number of hospitals conducting TAVR procedures increased dramatically over the years, which caters to the surging demands for TAVR procedures in China and globally. In the U.S., the number of hospitals conducting TAVR procedures grew more than doubled to 600 in 2018 from 252 in 2013. In China, the number of hospitals with capacity to perform TAVR procedures is expected to grow to over 600 in 2025, according to Frost & Sullivan.

Other than TAVR, our product pipeline also addresses the untapped market of transcatheter solutions for pulmonary valve, mitral valve and tricuspid valve dysfunctions. According to Frost & Sullivan, the global TPV market is estimated to reach US$564.5 million in 2025 from US$220.4 million in 2018 representing a CAGR of 14.4% and the China market is estimated to grow at a CAGR of 57.8% from US$12.1 million in 2020 to US$118.5 million in 2025 after the first TPVR product launch expected in 2020. The global TMV and TTV markets remain in the early stages of development with significant growth potential. As of the Latest Practicable Date, there was no TMVR or TTVR product approved in any market globally. Compared to TAVR and TPVR, there is greater demand for TMVR and TTVR products to address the medical needs of a vast population of mitral and tricuspid regurgitation patients. According to Frost & Sullivan, the global prevalence of mitral regurgitation is estimated to reach 108.6 million in 2025 from 95.1 million in 2018 and the global prevalence of tricuspid regurgitation is expected to reach 55.9 million in 2025 from 48.6 million in 2018. With a product pipeline covering all heart valves, we believe that we are well-positioned to benefit from the potential growth of the transcatheter heart valve market in China and globally. Since the TMV market and the TTV market are in general at an early stage relating to product development and operation procedures in China and globally, and TMVR and TTVR procedures raise certain inherent biomechanical challenges to product design, despite of

the larger addressable markets of TMV and TTV, we initiated our business by developing TAVR and TPVR products first, which has generated and will continue to generate revenue for, among others, developing our TMVR and TTVR products. For details on inherent biomechanical challenges, please refer to "Industry Overview."

Significant first mover advantages in China enhanced by our focus on innovation

We are the pioneer in the transcatheter heart valve market in China. We introduced the first TAVR product using the transfemoral approach in China, VenusA-Valve, which transformed the TAV market in China. Our TPVR product candidate, VenusP-Valve, is the first transcatheter pulmonic valve developed by a Chinese company which was permitted to carry out human clinical trials in China and Europe. We expect VenusP-Valve to be the first TPVR product approved in China, the first self-expanding TPVR product globally and the first TPVR product for patients with RVOTD after receiving TAP treatment globally. As the first mover in the transcatheter heart valve industry in China, we have enjoyed significant advantages by virtue of extensive clinical data and close relationships with KOLs and leading physicians and hospitals. We believe that these advantages will help drive sales of our TAVR products and advance our other heart valve product candidates, which will further solidify our leadership position in China and build the foundation for our global expansion.

Clinical Data. We have accumulated extensive clinical data on our TAVR and TPVR products over the past several years, with the largest clinical data set among our competitors in China in terms of the number of patients covered. We are also the first company that initiated clinical trials for TAVR products in China. We completed the registration clinical trial for VenusA-Valve in January 2015 with a total enrollment of 101 patients. Among the 101 patients, the all-cause mortality rate was 5.0% at 30 days, 5.9% at 12 months, 8.9% at 24 months, 12.9% at 36 months and 14.9% at 48 months after the procedure and the disabling stroke rate was 1.0% at 12 months after the procedure. The all-cause mortality rate among the 101 patients at 30 days and at 12 months after the procedure was lower than that of competing products from our competitors according to Frost & Sullivan. No single patient from the registration trial needed re-implantation of aortic valves after the procedure as of the Latest Practicable Date. As of the Latest Practicable Date, VenusA-Valve had been used in 2,260 TAVR procedures since its commercialization in August 2017 with outstanding clinical performance. Among such patients, the all-cause mortality rate was 0.3% and the disabling stroke rate was 0.0% at 30 days, six months and 12 months, respectively, after the procedure. We are also the first company that initiated clinical trials for TPVR products in China. We completed the registration clinical trial for VenusP-Valve in January 2018 with a total enrollment of 55 patients. As of the Latest Practicable Date, we had completed the 24-month follow-up with all these subjects. The all-cause mortality rate was 3.6% at 24 months and the subjects' cardiac function has significantly improved, as evidenced by the decrease of patients' RVEDVI after procedures.

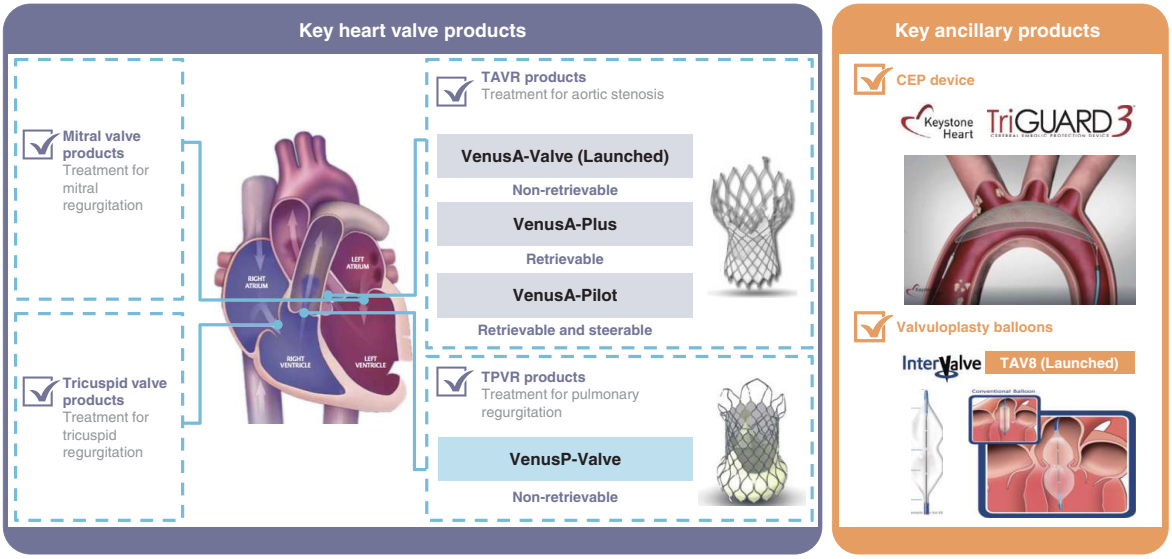
Relationship with KOLs, Physicians and Hospitals. Over the years, we have established a well-known brand and strong relationships with KOLs and leading physicians and hospitals in China and globally through clinical trials, TAVR training programs, academic conferences, R&D collaborations and sales and marketing efforts. We are the first company in China that has implemented a systematic TAVR training program which helped build our brand name and relationships with physicians and hospitals. As of the Latest Practicable Date, we had arranged TAVR training operations to physicians at 156 hospitals in China. Our products have contributed to setting up TAVR and TPVR procedure guidelines for physicians. The Chinese College of Cardiovascular Physicians (中國醫師協會心血管內科醫師分會) and Chinese Society of Cardiology (中華醫學會心血管病學分會) published the Consensus of Transcatheter Aortic Valve Replacement

Clinical Pathway in China (《中國經導管主動脈瓣置換術臨床路徑2018》) (the "**Clinical Pathway**") in 2018, the Consensus of Chinese Experts on Transcatheter Aortic Valve Replacement (《經導管主動脈瓣置換術中國專家共識》) (the "**Consensus**") in 2015 and the Recommendations of Chinese Experts on Percutaneous Pulmonary Valve Replacement (《經皮肺動脈瓣置入術中國專家建議》) (the "**Recommendations**") in 2016, the outcome of which includes providing guidelines for physicians conducting TAVR and TPVR procedures using different heart valve products and access points and further promoting the awareness and acceptance of TAVR and TPVR procedures among physicians in China. Clinical trials for our VenusA-Valve and VenusP-Valve contributed to the underlying clinical experience in publishing the guidelines on TAVR and TPVR procedures set forth in the Clinical Pathway, the Consensus and the Recommendations.

We believe that our first mover advantages in China are further enhanced by our focus on innovation and our robust intellectual property portfolio, which serves as a barrier for others to enter the transcatheter market. As of the Latest Practicable Date, we owned an aggregate of 389 patents and patent applications which consisted of 93 issued patents and 60 patent applications in China and 100 issued patents and 136 patent applications overseas. We have also received a number of awards and recognitions in China for our innovation and technology advancement. For example, we were the champion in the biomedical industry finals of the Third National Innovation and Entrepreneurship Competition (中國第三屆創新創業大賽行業總決賽). We were one of the few companies authorized by the Ministry of Science and Technology of the PRC to develop transcatheter heart valves under the "National Science & Technology Pillar Program" (國家科技支撐計劃) as part of the 12th Five-Year Plan, which was successfully completed. We have been selected to develop the new generation of transcatheter heart valve products under the same program as part of the 13th Five-Year Plan.

Comprehensive product portfolio solidifying our leading position and addressing unmet medical needs

We have developed a comprehensive product portfolio to address the unmet medical needs of transcatheter heart valve replacement procedures. Our product portfolio covers transcatheter procedures of all four heart valves (i.e. aortic, pulmonary, mitral and tricuspid valves) and includes our TAVR product (VenusA-Valve), TAVR product candidates (VenusA-Plus and VenusA-Pilot), TPVR product candidate (VenusP-Valve) and mitral and tricuspid valve product candidates. Beyond the core heart valve products, we also offer key ancillary products for valve replacement solutions including valvuloplasty balloons (V8/TAV8) and CEP device (TriGUARD3) to achieve full product offerings for transcatheter heart valve replacement procedures. The following chart demonstrates our current product and product candidates:



We have strategically designed our portfolio to cover the major transcatheter heart valve replacement procedures in order to provide one-stop solutions to patients with structural heart valve diseases. It allows us to offer our products as one package, for example, VenusA-Valve combined with TAV8 and TriGUARD3. We believe that one-stop offering of our products will improve clinical efficacy as a result of physician experience and product compatibility, which in turn will help us build customer loyalty. We believe that it serves as an important entry barrier for our peers and solidifies our leading position in the industry. We also believe our full product offering will help us implement a flexible pricing strategy, diversify our revenue sources and realize synergies for our R&D, manufacturing and commercialization activities.

Established transcatheter heart valve platform supported by our global expert network

We have built a team with global vision and vast experience in the medical device industry and established an integrated platform with robust R&D, manufacturing and commercialization capabilities. Our business is supported by an advisory board comprised of world-leading researchers and practitioners in the transcatheter heart valve medical device space. Our platform enables seamless collaboration among different functional groups at key points in the development lifecycle of a new medical device candidate with the aim of increasing both the efficiency of development and the likelihood of success. We believe that this platform is the engine that drives our business and allows us to manage the risks of innovative medical device development.

R&D

We focus on developing innovative heart valve disease treatment and have a proven track record of independently developing and commercializing transcatheter heart valve replacement devices. Our strong R&D teams based in China, the U.S. and Israel, 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, who was also the inventor of 74 issued patents and 57 patent applications relating to interventional cardiovascular devices as of the Latest Practicable Date. Our R&D staff in the U.S. is led by Mr. Zeng, who has over 15 years of experience in the U.S. medical device industry with expertise in product development and served as the director for LifeTech Scientific Corporation, a well-known listed medtech company. Mr. Zeng has extensive experience in developing interventional cardiovascular devices, as the inventor of 39 relevant issued patents and 81 relevant patent applications as of the Latest Practicable Date. In addition, the R&D team of Keystone is led by Mr. Amit Ashkenazi, who has vast experience in R&D of medical devices including cardiovascular devices. Mr. Amit Ashkenazi was the inventor of eight issued patents and 21 patent applications relating to interventional cardiovascular devices as of the Latest Practicable Date. To strengthen our R&D capabilities, we also collaborate with well-known physicians and professionals from top hospitals and research institutions both in China and overseas, such as Beijing Fuwai Hospital and the Second Affiliated Hospital of Zhejiang University School of Medicine, leading cardiologists including Jian'an Wang and Runlin Gao. We also maintain close relationships and communications with KOLs in the industry to understand the clinical needs of transcatheter heart valve replacement procedures in order to develop our products in line with the market needs.

Manufacturing

We have built state-of-the-art manufacturing facilities in Hangzhou, China with an aggregate area of approximately 3,500 sq.m. and we have leased manufacturing facilities in Israel with an aggregate area of approximately 816 sq.m. for the production of our products and product candidates. Our facilities comply with the GMP requirements in the U.S., the EU and China. Manufacturing process of heart valve products is complex and technologically challenging. For example, manufacturing of VenusA-Valve involves 10 steps in a delicately-controlled environment and production of a single valve typically requires on average 16-18 hours per person. Over the years, we have accumulated extensive expertise and know-how in manufacturing heart valve products and obtained a number of patents for our tissue engineering technology. Such expertise and know-how combined with advanced technologies applied during our manufacturing process help ensure both high quality and efficiency of our production. We conduct all the key valve manufacturing procedures internally in order to monitor and control every step from collecting the main raw materials, PAV, to packaging and storage. We believe our ability to deliver safe and high quality products enables us to accelerate product registration and expand market reach in China and globally.

Commercialization

We have robust sales capabilities driven by extensive expertise and clinical resources. Our sales and marketing efforts are characterized by a strong emphasis on academic promotion. Our sales team deeply engages with physicians and hospitals, by providing professional advice as well as assistance throughout the heart valve replacement procedures from candidate screening, operation assistance to follow-up visit post operations. Our sales team also assists with the implementation of TAVR training program to develop our sales network with hospitals and physicians and promote our products. In addition, we are actively involved in large heart valve conferences and academic events in China with hundreds of participants. For example, we have sponsored various conferences in China and overseas, including the 13th Oriental Congress of Cardiology (OCC 2019) (第十三屆東方心臟病學會議), Cardiovascular Research Technologies Conference (CRT2019) (美國心血管研究技術會議) and China Interventional Therapeutics (CIT) conferences (中國介入心臟病學大會) in 2018 and 2019. Through our sales team's continuing efforts, we have established and maintained close relationships with leading hospitals and physicians in the cardiovascular area in China and globally. We believe these relationships will significantly facilitate the promotion of our products and strengthen our commercialization capabilities. In addition, we have recently added sales force in the U.S. and the UK through our acquisition of Keystone completed in December 2018. We believe this team will contribute their international vision and expertise in commercializing heart valve products in the U.S. and the EU to enhance our commercialization capabilities globally.

Visionary and experienced management and advisory board with a proven track record

We have assembled a visionary and experienced management team comprised of the first batch of entrepreneurs in China's interventional cardiovascular device space. We believe our success to a large extent is driven by our management's leadership with global vision as well as local expertise in R&D, clinical trials, regulatory affairs, manufacture and commercialization of interventional cardiovascular products. The general manager of our Company, Mr. Zi, has over 15 years' experience in medical device industry, as the inventor of 30 issued patents and 30 patent applications relating to interventional cardiovascular devices as of the Latest Practicable Date and served as the senior management of LifeTech Scientific Corporation. The chairman of the Board, Mr. Zeng, has over 15 years' experience in medical device industry and served as the director of

LifeTech Scientific Corporation. Our COO, Mr. Lim, is the former CTO of Transcatheter Technologies GmbH and a veteran with more than 15 years' experience in the industry. Furthermore, Keystone's management is a valuable addition to our management that supports our global expansion efforts. Senior management of Keystone have years of experience in the medical device industry and is led by its CEO, Mr. Christopher Lee Richardson, who has over ten years of medical device leadership experience and served on the management team of various medical device companies, such as Abbott Vascular Structural Heart (Evalve Inc). Mr. Christopher Lee Richardson serves as the Head of U.S. Operations of our Company and leads our business operations in the U.S. For details of our senior management team, see "Directors, Supervisors and Senior Management."

In addition to our visionary management, we have well-known researchers and practitioners serving on our advisory board, including Ziyad M. Hijazi, MD, the Chair of the Department of Pediatrics at Sidra Medicine, Martin B. Leon, MD, professor of Medicine at Columbia University Medical Center and director and founder of Transcatheter Cardiovascular Therapeutics, Horst Sievert, MD, the director of the CardioVascular Center Frankfurt, Germany, and Ron Waksman, MD, the director of Cardiovascular Research and Advanced Education at the MedStar Heart Institute.

OUR STRATEGIES

Our mission is to become a global leader in the development and commercialization 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

According to Frost & Sullivan, 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. For example, in 2018, the four Tier I Class III Grade A hospitals that conducted TAVR procedures using VenusA-Valve, including Beijing Fuwai Hospital, Shanghai Zhongshan Hospital of Fudan University, West China Hospital of Sichuan University and the Second Affiliated Hospital of Zhejiang University School of Medicine, performed a total of approximately 800 TAVR procedures, while over 4,000 patients in these four hospitals were eligible for TAVR procedures according to Frost & Sullivan. We also believe there is significant potential to develop new hospitals to perform TAVR procedures. According to Frost & Sullivan, over 150 hospitals in China performed TAVR procedures in 2018 while there were 1,442 Class III Grade A hospitals in China in 2018. 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 such as CIT conference, China Valve (Hangzhou) conference (中國瓣膜(杭州)會議), China International Structural Heart Disease Summit (中國國際結構性心臟病周) and PCR-CIT Chengdu Valves conference (成都國際心臟瓣膜病介入治療會議) 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 and plan to submit the application for the NMPA registration in the first quarter of 2020. 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. In 2017, the estimated per capita healthcare expenditure in China was US$560.0, as compared to US$4,246.0 in UK and US$10,739.0 in the U.S. according to Frost & Sullivan.

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 first half 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. We are in the process of animal trials for VenusP-Valve in the U.S. and plan to submit a pre-submission meeting request to the FDA in the first half of 2020. 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 and preparing for the application of VenusA-Plus.

To execute our global expansion strategy, we will continue to participate in international heart valve conferences and academic events, such as ICI (心血管創新大會), CRT (美國心血管研究技術會議), OCC (東方心臟病學會議), CSI (先天性、結構性和瓣膜性心臟病介入治療大會) and PICS-AICS Conferences (兒童和成人介入心臟病研討會), to further promote our products and brand name.

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 Latest Practicable Date, we had not identified any specific acquisition targets.

OUR PRODUCT AND PRODUCT PIPELINE

As China's leading interventional cardiology company in developing minimally invasive treatment for heart valve diseases, we have built a comprehensive product portfolio for TAVR, TPVR, TMVR and TTVR solutions, with complementary accessory products. 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).

Our product candidates are subject to approval by relevant authorities, such as the NMPA and FDA, before commercialization in relevant jurisdictions. For details, see "Regulatory Environment." We believe that as of the date of this Prospectus, we had not received any material comments or concerns raised by the relevant regulatory authorities with respect to our Core Products that we are not able to address in a timely manner, and we believe we are on track to file for approval related to our product candidates as described in "— Our Product and Product Pipeline."

VenusA-Valve – Our Core Product

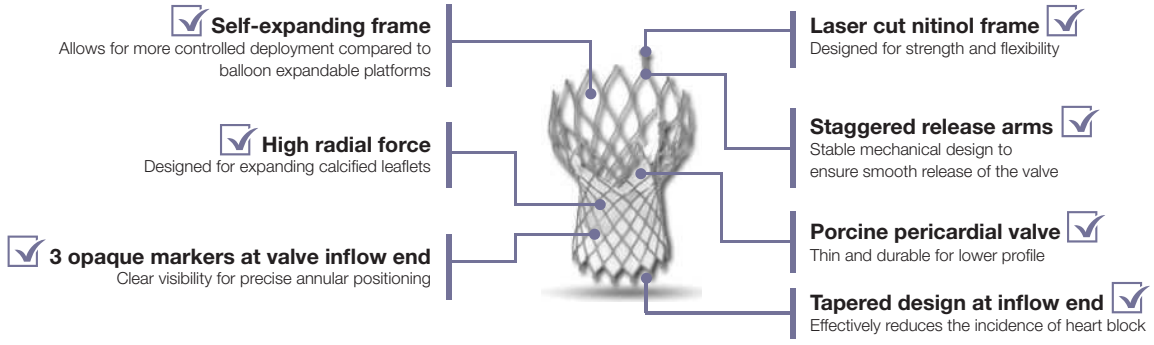
As a leader in TAVR technologies in China, we focus on the development, manufacturing and sale of transcatheter aortic heart valves and their respective delivery systems. We currently have one product on the market, VenusA-Valve, our first-generation TAVR device, which is used to treat severe aortic 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 commercialized 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. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approval. Moreover, we 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 years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, our revenue generated from the sales of VenusA-Valve amounted to RMB17.3 million, RMB113.7 million and RMB85.7 million, respectively.

Product Structure

VenusA-Valve is a supra annular aortic valve comprised of a PAV, a DCS and a CLS.

- *PAV*

The PAV consists of a self-expanding frame made of nickel-titanium alloy stent and three pieces of single-layer porcine pericardium leaflets attached to a porcine pericardium fan skirt. The skirt is attached to the frame with PTFE sutures. The frame is made of laser-cut nitinol tube, which helps ensure the valve's strength, durability and flexibility. There are three X-ray-opaque markers at the valve inflow end. The stent is visible during the entire operation, which provides additional visual guidance for the implantation of the valve. Set forth below is an illustrative image for PAV.

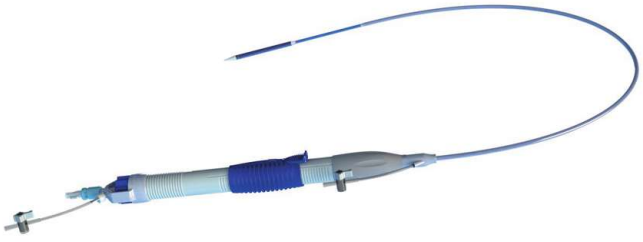


The structural design of the PAV enhances the safety and effectiveness of TAVR procedures. Compared with balloon expandable valve, the self-expanding frame has lower requirement for the accuracy of positioning when the valve is released and reduces the risk of vascular complication. Our choice of using porcine pericardium as the valve tissue over bovine pericardium lowers the TSE risk. In addition, porcine pericardium is thinner than bovine or horse pericardium. It allows the PAV to be delivered with a smaller catheter, which reduces the difficulty in introducing the valve and the incidence of complications at the puncture site, and helps to prevent damages from procedures. VenusA-Valve's structural design allows it to gain a competitive advantage in treating patients with highly calcified aortic valve leaflet. The diamond structure of the frame provides three-dimensional radial force, which helps to push aside the calcified leaflet, increasing the success rate of replacing the valve for patients with such condition. The high radial force can also reduce the incidence of paravalvular leakage after the procedure.

The PAV comes in four models with different dimensions in diameter, which enables physicians to choose a PAV that is suitable to a patient's physical conditions.

- *DCS*

DCS consists of an integral delivery catheter device, including a shaft, a sheath and a tip. The tip at the releasing end is specially designed to prevent damage to the blood vessel. The intermediate shaft is designed with necessary length to ensure that the valve can reach the releasing position and to provide the force required to release the PAV. The catheter handle is used to release the valve when it reaches the designated position. The tip of the DCS has an X-ray-opaque marker to monitor the valve release position during valve implantation. Set forth below is an image of the DCS.



- *CLS*

The CLS compresses the PAV to a suitable diameter to be loaded into the DCS.

Operation Procedure

The physician inserts the DCS through a French size compatible introducer sheath over the guide wire until the target position in the ascending aorta is reached. The position is adjusted until the X-ray-opaque marker band in the valve and implantation target point are aligned. The release micro knob is slowly turned clockwise until the valve is fully expanded. Angiography projection is used to confirm that the valve is completely released from the DCS. The micro knob is then turned counterclockwise until the protective sheath engages with the tip, after which, the DCS is withdrawn while maintaining the guide wire position.

Summary of Clinical Trial Results

We have completed a multi-center, single arm, open-label, pivotal trial in China to evaluate the efficacy and safety of VenusA-Valve. The procedures were completed in five centers, with Chinese Academy of Medical Sciences-Fuwai Cardiovascular Hospital as the leading research institution. Taking the foregoing factors into consideration, throughout the follow-up period, the subjects' cardiac function improved significantly. In conclusion, the comprehensive trial results showed a low all-cause mortality rate and improvements in the patients' cardiac functions after the procedure, which proved the favorable safety and efficacy profile of VenusA-Valve.

From September 2012 to January 2015, 101 subjects in total were admitted to the trial. All of the subjects met the following physical conditions:

- the patient is diagnosed with senile degenerative aortic valve stenosis,
- the patient shows symptoms of aorta valvular stenosis, as demonstrated by level II or above under the New York Heart Association Functional Classification,
- the patient is evaluated as not suitable for surgery by at least one cardiology physician and two cardiac surgeons, and
- the patient receives a Society of Thoracic Surgery (STS) risk score equals to or above 4%, in terms of the patient's risk of mortality and morbidities for the most commonly performed cardiac surgeries, or determined with serious surgery contraindications by our researchers.

The trial's primary safety endpoint is the all-cause mortality and the major stroke incidence at 30 days, 12 months, 24 months, 36 months, 48 months and 60 months after the TAVR procedure, and the secondary safety endpoint is the incidence of serious adverse events during the follow-up period after the TAVR procedure. The efficacy endpoint is the improvement in the subjects' cardiac function after the procedure, which is primarily reflected in the following:

- changes to the subjects' average LVEF,
- the subjects' mean and peak aortic valve gradient pressure and peak aortic valve velocity,
- the proportion of subjects with a level III or IV cardiac function under the NYHA classification before, and during the follow-up period after, the procedure,
- the size of the effective orifice area, and
- the incidence and severity of PVL during the follow-up period after the procedure.

We plan to complete 60-month follow-up with all subjects after the procedure. As of the Latest Practicable Date, we had completed 48-month follow-up with the 101 patients.

- *Safety Endpoint*

The success rate of the TAVR procedure was 95.0% at the time of discharge from procedures. The all-cause mortality rate for the 101 subjects was 5.0% at 30 days, 5.9% at 12 months, 8.9% at 24 months, 12.9% at 36 months and 14.9% at 48 months after the procedure. The stroke rate for the 101 subjects was 1.0% at 30 days, 1.0% at 12 months, 1.0% at 24 months, 1.0% at 36 months and 3.0% at 48 months after the procedure.

The safety of VenusA-Valve is also evaluated by the incidence of serious adverse events during the follow-up period, including major stroke, minor stroke, complication at access vascular, cardiovascular surgery, renal failure and permanent pacemaker implantation. The chart below shows the number of serious adverse events among the 101 subjects during the follow-up period after the procedure. The incidence rate of each adverse event was below 10% at 12 months after the procedure, except for the implantation of permanent pacemaker. During the 60 months following the procedure, the incidence of each adverse event in general did not increase or increased modestly, which suggests improvement of the subjects' health conditions after the procedure.

(N=101)

	30 Days	**12 Months**	**60 Months[(i)]**
Death			
Cardiogenic death	3 (3.0%)	4 (4.0%)	15
Non-cardiogenic death	2 (2.0%)	2 (2.0%)	6
Myocardial Infarction	2 (2.0%)	2 (2.0%)	5
Stroke			
Major	1 (1.0%)	1 (1.0%)	2
Minor	0 (0.0%)	0 (0.0%)	2
Permanent Pacemaker Implantation	19 (18.8%)	19 (18.8%)	20
Cardiovascular Surgery	3 (3.0%)	3 (3.0%)	3
Major Vascular Complication	6 (5.9%)	6 (5.9%)	n/a[(ii)]
Renal Failure	2 (2.0%)	2 (2.0%)	n/a[(ii)]

Notes:

(i) The incidence rate of each severe adverse event at 60 months after the procedure is not available, since we have not completed the 60-month follow-up with all the 101 subjects as of the Latest Practicable Date.

(ii) n/a represents not applicable since we ceased tracking the incidence of major vascular complications and renal failure after 12 months of the procedure, since such incidence that occurs 12 months after the procedure was hardly traceable or attributable to the implantation of an artificial valve.

- *Efficacy Endpoint*

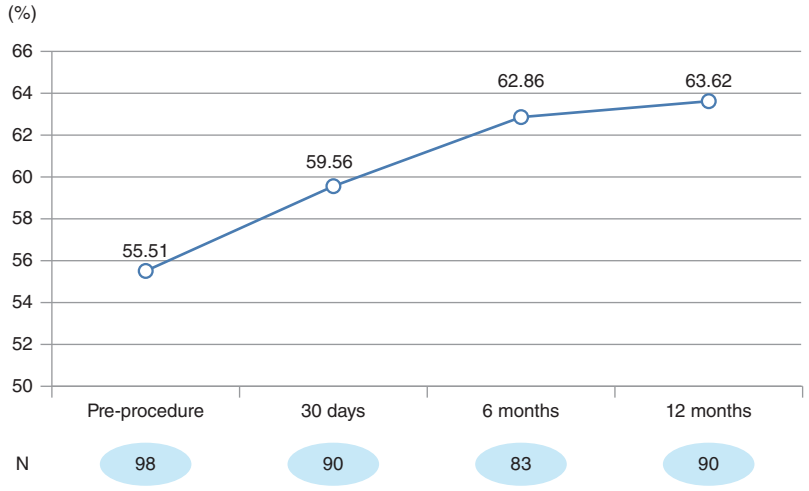
The efficacy endpoint is evaluated based on the relevant physical conditions of the subjects. All data presented is an average number among patients who survived and went through the examination at each follow-up time.

The cardiac function of the subjects improved after the procedure

Subjects' symptoms were relieved and their cardiac functions improved after the procedure. For the follow-up within 12 months after the TAVR procedure, subjects' cardiac function is mainly evaluated by their LVEF, aortic valve pressure gradient and peak aortic valve velocity, and proportion of patients with a level III or IV cardiac function under the NYHA classification prior to the procedure and during the follow-up period. Subjects' long-term cardiac function during the 60-month follow-up period is evaluated by their mean aortic valve pressure gradient, the size of the effective orifice area and the incidence and severity of PVL.

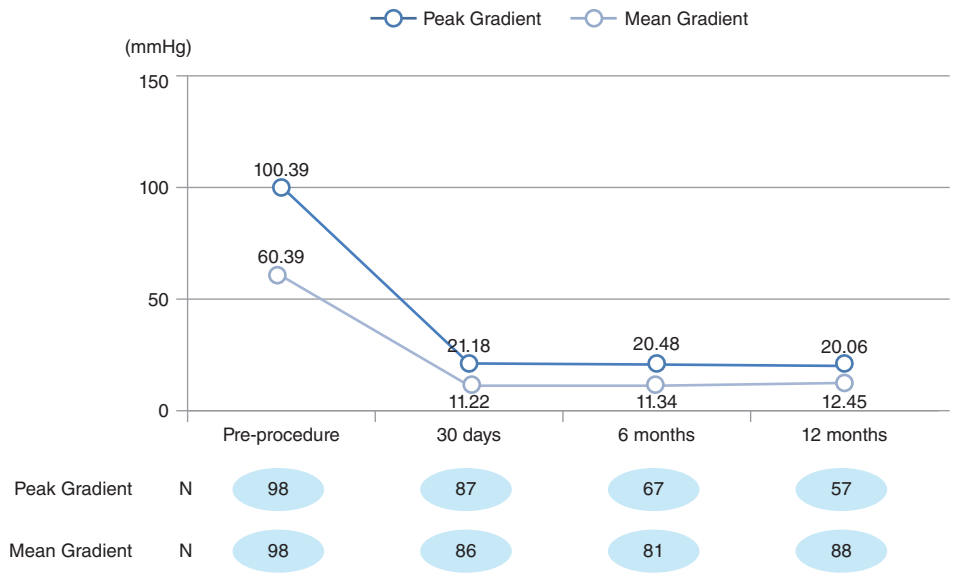
The following chart shows the improvement in the subjects' LVEF before and after the procedure. The subjects' LVEF increased after the procedure, from 55.51% prior to the procedure, to 59.56% at 30 days and to 62.86% at six months after the procedure, and gradually stabilized above 60%, at 63.62% at 12 months after the procedure. 98, 90, 83 and 90 subjects were examined before the procedure and at 30 days, six months and 12 months after the procedure, respectively.

Change in the subjects' LVEF (%)



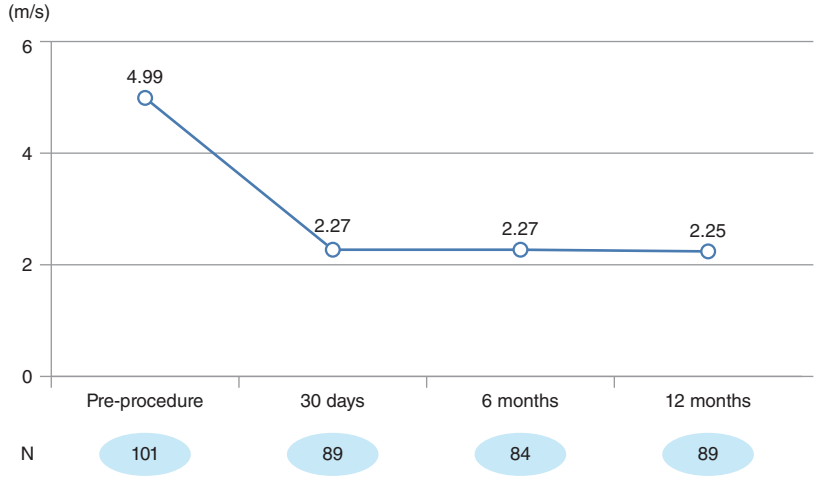
As reflected in the chart below, the subjects' aortic valve pressure gradient substantially decreased after the procedure in both peak pressure gradient and the mean pressure gradient. The aortic valve peak pressure gradient of the subjects significantly decreased from 100.39 mmHg prior to the procedure to 21.18 mmHg at 30 days after the procedure, and remained around 20 mmHg afterwards within 12 months' follow-up after the procedure, at 20.48 mmHg and 20.06 mmHg, respectively, at six months' and 12 months' follow-up after the procedure. 98, 87, 67 and 57 subjects were examined before the procedure and at 30 days, six months and 12 months after the procedure, respectively. As also reflected in the chart below, the aortic valve mean pressure gradient of the subjects significantly decreased from 60.39 mmHg prior to the procedure to 11.22 mmHg at 30 days after the procedure, and remained around 12 mmHg afterwards within 12 months' follow-up after the procedure, at 11.34 mmHg and 12.45 mmHg, respectively, at six months and 12 months after the procedure. 98, 86, 81 and 88 subjects were examined before the procedure and at 30 days, six months and 12 months after the procedure, respectively.

Change in the subjects' aortic valve pressure gradient



As shown in the chart below, the peak aortic valve velocity decreased from 4.99 m/s prior to the procedure to 2.27 m/s at 30 days after the procedure and remained around 2.27 m/s afterwards within the 12 month follow-up period, at 2.27 m/s and 2.25 m/s respectively, at six months and 12 months after the procedure. 101, 89, 84 and 89 subjects were examined before the procedure and at 30 days, six months and 12 months after the procedure.

Change in the subjects' peak aortic valve velocity



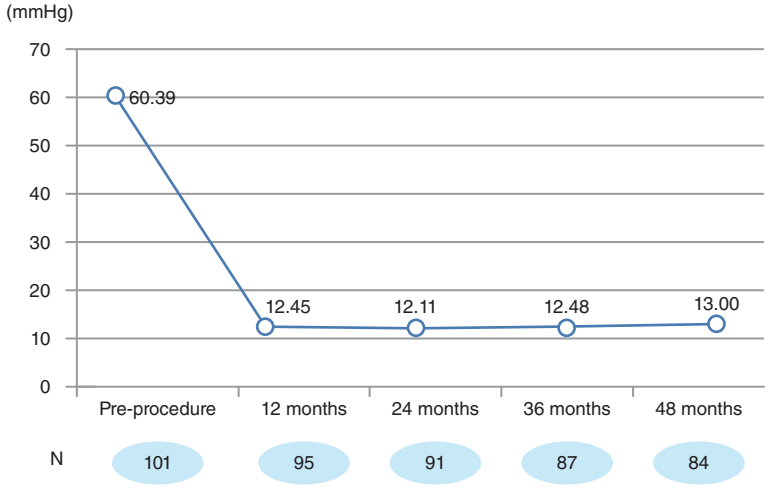
In addition, the proportion of the subjects with a level III or IV cardiac function under NYHA classification decreased significantly after the procedure. As shown in the table below, this proportion was 79.2%, 14.7%, 6.5% and 8.6% prior to the procedure, and at 30 days, six months and 12 months after the procedure, respectively. The number and the proportion of the subjects with a level I cardiac function under NYHA classification continued to increase gradually during the 12 months after the procedure.

	Before Procedure	30 Days	6 Months	12 Months
Number of Subjects	101	95	93	93
Level I	2 (2.0%)	40 (42.1%)	66 (71.0%)	74 (79.6%)
Level II	19 (18.8%)	41 (43.2%)	21 (22.6%)	11 (11.8%)
Level III	50 (49.5%)	12 (12.6%)	6 (6.5%)	8 (8.6%)
Level IV	30 (29.7%)	2 (2.1%)	0 (0.0%)	0 (0.0%)

Furthermore, we have collected and summarized the data reflecting the subjects' long-term cardiac function after the TAVR procedure, primarily including the subjects' mean aortic valve pressure gradient, effective orifice area and PVL.

As shown in the chart below, the subjects' mean aortic valve pressure gradient decreased significantly after the procedure and decreased gradually thereafter, but in general remained relatively stable, during the follow-up period. The subjects' mean aortic valve pressure gradient decreased from 60.39 mmHg before the procedure to 12.45 mmHg at 12 months, 12.11 mmHg at 24 months, 12.48 mmHg at 36 months and 13.00 mmHg at 48 months, respectively, after the procedure.

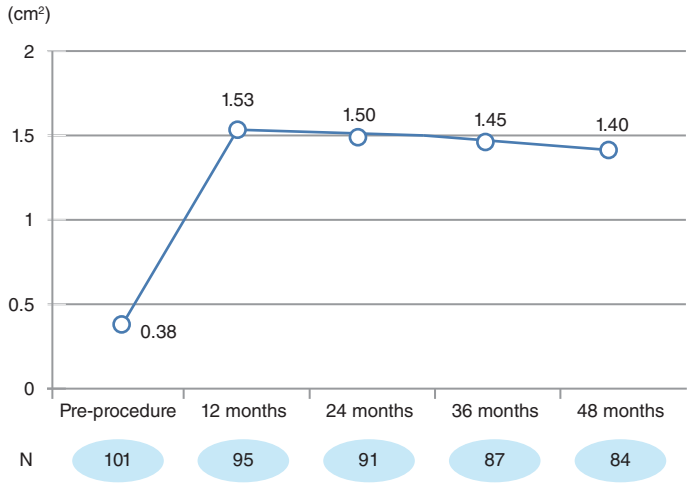
Change in the subjects' mean aortic valve pressure gradient[(i)]



(i) Source: The clinical data before the procedure and at 12-month follow-up is derived from our clinical report submitted for NMPA registration. The clinical data at 24-month, 36-month and 48-month follow-up after the procedure was based on the analysis by professor Runlin Gao, our leading physician for the clinical trial, which was announced at CIT 2018 (中國介入心臟病學大會) in March 2018. The number of subjects represents the patients who survived at that time.

As shown in the chart below, the subjects' effective orifice area increased after the procedure and decreased gradually thereafter, but in general remained relatively stable during the follow-up period. It increased from 0.38 cm^2 prior to the procedure to 1.53 cm^2 at 12 months, 1.50 cm^2 at 24 months, 1.45 cm^2 at 36 months and 1.40 cm^2 at 48 months, respectively, after the procedure.

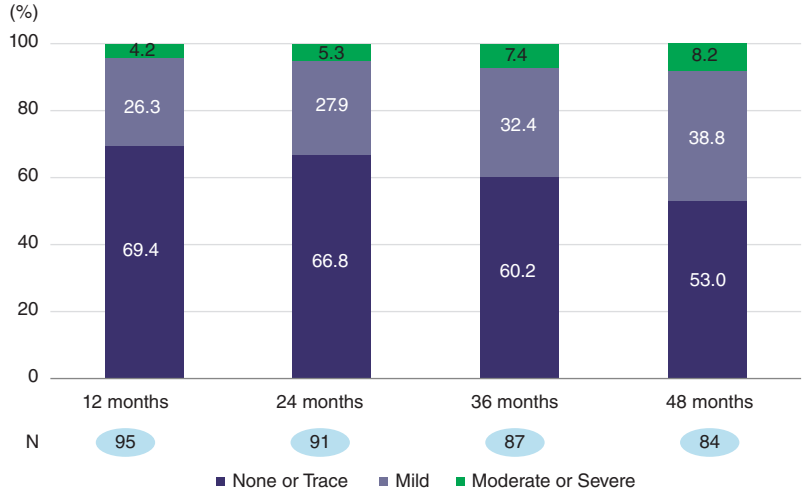
Change in the subjects' effective orifice area[(i)]



There are still some complications after the procedure

In general, the majority of the subjects did not experience PVL or only suffer from a trace or mild PVL during the follow-up period after the procedure. As shown in the chart below, the percentage of patients without or with a trace or a mild PVL among the subjects remained consistently over 90.0% during the follow-up period.

Percentage of subjects with PVL and level of severity[(i)]



(i) Source: The clinical data was based on the analysis by professor Runlin Gao, our leading physician for the clinical trial, which was announced at CIT 2018 (中國介入心臟病學大會) in March 2018. The number of subjects represents the patients who survived at that time.

Moreover, VenusA-Valve has proven effectiveness in treating patients with BAV abnormalities. 44.8% of the 101 subjects in our research group suffer from BAV abnormalities. The clinical results of treating patients with BAV abnormalities do not differ beyond a reasonable range from patients without such condition, in terms of the all-cause mortality rate, the major stroke rate, and the performance of the valve when evaluating the safety and efficacy of VenusA-Valve.

Post-Market Data

Since the launch of VenusA-Valve in the market in August 2017, we have followed up with patients who have undergone TAVR procedures that used VenusA-Valve. As of the Latest Practicable Date, 2,260 patients had undergone TAVR procedures using our VenusA-Valve since its commercialization.

We, through our CROs, have recorded certain severe adverse events and reported to NMPA. The severe adverse events included cardiogenic death, myocardial infarction, apoplexy and cardiovascular surgery caused by our VenusA-Valve product or TAVR procedure. We have created an online post-market clinical data tracking system, which contains the most updated record of the severe adverse events. The tracking system allows NMPA and us to monitor the safety of applying VenusA-Valve in TAVR procedures.

The chart below shows the incidence of severe adverse events among the 2,260 subjects within 12 months after the TAVR procedure. The incidence rate of all events at 30 days, six months and 12 months after the procedure was lower than such incidence rate among the 101 subjects in the clinical trial at each follow-up time respectively. Based on the data we collected as of the Latest Practicable Date, we believe that VenusA-Valve has been proven safe and effective after its commercialization.

(N=2,260)

	30 Days	**6 Months**	**12 Months**
Death			
Cardiogenic death	7 (0.3%)	7 (0.3%)	7 (0.3%)
Myocardial Infarction	0 (0.0%)	0 (0.0%)	0 (0.0%)
Apoplexy			
Major	0 (0.0%)	0 (0.0%)	0 (0.0%)
Minor	0 (0.0%)	0 (0.0%)	0 (0.0%)
Cardiovascular Surgery	13 (0.6%)	13 (0.6%)	13 (0.6%)

Market Opportunity and Competition

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. Globally, the number of aortic stenosis patients increased from 18.0 million in 2014 to 19.3 million in 2018, and is expected to further increase to 22.1 million in 2025, among which, the number of TAVR eligible patients increased from 3.4 million in 2014 to 3.6 million in 2018, and is expected to further increase to 4.1 million in 2025. For details, see "Industry Overview – TAV Market – Global Market." In China, the number of aortic stenosis patients increased from 3.9 million in 2014 to 4.2 million in 2018, and is expected to further increase to 4.9 million in 2025, among which, the number of eligible patients for TAVR in China grew from 656.8 thousand in 2014 to 742.1 thousand in 2018, and is expected to reach 942.8 thousand in 2025. For details, see "Industry Overview – TAV Market – China Market." According to Frost & Sullivan, 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.

TAVR procedure is reimbursable in certain countries, such as the U.S. In China, TAVR procedure was reimbursable only under the governmental medical insurance in Zhejiang province as of the Latest Practicable Date. The increasing awareness and application of TAVR procedure in China is expected to lead to increasing medical insurance coverage, and thereby improving its affordability among patients. At the same time, as TAVR procedures are applied to more patients with low to intermediate surgical risk, average age of the patient group will decrease, and patients' earning ability and personal health awareness will increase, resulting in the patients' increased willingness to choose TAVR procedures. The superior clinical safety and efficacy of TAVR procedure over SAVR procedure will also contribute to patients' increasing acceptance of the procedure. The application of TAVR has been increasing and such increase is expected to continue. The number of TAVR procedures conducted globally grew at a CAGR of 22.5% from 2014 to 2018, and is expected to further grow at a CAGR of 15.0% from 2018 to 2025. According to Frost & Sullivan, the number of TAVR procedures using transfemoral approach accounted for approximately 95% of the total number of TAVR procedures conducted globally in 2018, and is expected to continue to grow. We expect the market adoption of our TAVR product and product candidates will increase.

In addition, TAVR procedure has been used by physicians to treat patients with aortic regurgitation. According to Frost & Sullivan, since there have not been many applications of TAVR procedure to aortic regurgitation patients compared with its applications to severe aortic stenosis patients, as the safety and efficacy of treating aortic regurgitation through TAVR procedure has not been supported by extensive clinical data and current TAVR products are not approved for treating aortic regurgitation patients, aortic regurgitation patients are not included when calculating the number of TAVR eligible patients. Globally, the number of aortic regurgitation patient increased from 24.1 million in 2014 to 26.0 million in 2018, and is expected to further increase to 29.9 million in 2025. In China, the number of aortic regurgitation patients increased from 3.5 million in 2014 to 3.8 million in 2018, and is projected to reach 4.4 million in 2025. Future application of TAVR products for treating aortic regurgitation patients may lead to potential expansion of the TAVR market. For details, see "Industry Overview – TAV Market."

As of the Latest Practicable Date, 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. The table below shows the major marketed TAVR products globally.

	Edwards Lifesciences				Medtronic			Boston Scientific	Abbott		
Product	SAPIEN	SAPIEN XT	SAPIEN 3	Centera	Core Valve	Evolut R	Evolut Pro	Lotus Edge	ACURATE neo	Portico	VenusA-Valve	J-Valve
												
FDA Approval	2011	2014	2015	/	2014	2015	2017	2019	/	/	/	/
CE Marking	2007	2010	2014	2018	2011	2014	2017	2016	2014	2012	/	/
NMPA	/	/	/	/	/	/	/	/	/	/	2017	2017
Expanding Mechanism	BE[1]	BE	BE	SE[2]	SE	SE	SE	ME[3]	SE	SE	SE	SE
Pericardium Material	BP[4]	BP	BP	BP	PP[5]	PP	PP	BP	PP	PP	PP	PP
Vascular Approach	TF[6]/TA[7]	TF/TA	TF/TA	TF	TF	TF	TF	TF	TF/TA	TF	TF	TA
Anti-PVL Design	-	-	+	+	-	+	+	+	+	+	+	+
Retrievability	-	-	-	+	-	+	+	+	-	+	-	-

Note: 1. Balloon-expanding 2. Self-expanding 3. Mechanically expanding 4. Bovine pericardium 5. Porcine pericardium 6. Transfemoral 7. Transapical 8. Recalled in 2017

Source: Frost & Sullivan

As of the Latest Practicable Date, 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. Meanwhile, there was one TAVR pipeline product in the process of registration with the NMPA, namely our VenusA-Plus, and there were several TAVR pipeline products in China at clinical trial stage, including MicroPort's VitaFlow II-Valve, Edwards Lifesciences' SAPIEN XT and SAPIEN 3 and TaurusOne from Peijia Medical Co., Ltd (沛嘉醫療科技有限公司). The table below shows the marketed and pipeline TAVR products in China.

Company	Pipeline	Stage	Vascular Approach	Expanding Mechanism	Pericardium Material	Anti-PVL Design	Retrievability	30-day Mortality Rate[7]	Successful Rate[7]
启明医疗 VENUSMEDTECH	VenusA-Valve	Launched	TF[1]	SE[3]	PP[5]	+	-	5.0%	95.0%
	VenusA-Plus	registration	TF	SE	PP	+	+	NA	NA
	VenusA-Pilot	Pre-clinical	TF	SE	PP	+	+	NA	NA
苏州杰成医疗科技有限公司 Suzhou Jiecheng Medical Technology Co., Ltd.	J-Valve	Launched	TA[2]	SE	PP	+	-	4.8%	93.3%
MicroPort MicroPort Scientific Corporation	VitaFlow-Valve	Launched	TF	SE	BP[6]	+	-	0.9%	NA
	VitaFlow II-Valve	Clinical trial	TF	SE	BP	+	+	NA	NA
Edwards Lifesciences	SAPIEN XT	Clinical trial	TF/TA	BE[4]	BP	-	-	NA	NA
	SAPIEN 3	Clinical trial	TF/TA	BE	BP	+	-	NA	NA
PEIJIA	TaurusOne	Clinical trial	TF	SE	BP	+	-	NA	NA

Note: 1. Transfemoral 2. Transapical 3. Self-expanding 4. Balloon-expanding 5. Porcine pericardium 6. Bovine pericardium 7. Based on the registrational clinical trial of corresponding product.

Source: Frost & Sullivan

The table below shows the competitive landscape among marketed TAVR products in China and in the U.S.

	Company	Product	Price/unit to Patients	Reimbursement Status	Market Share (2018)
China	our Company	VenusA-Valve	About RMB250,000	Varies in each province and may vary among hospitals in the same province, depending on whether TAVR procedure can be categorized as heart valve replacement procedure or other procedure that is reimbursable under the governmental insurance.	79.3%
	Jiecheng	J-Valve	About RMB290,000		20.7%
U.S.	Edwards Lifesciences	Sapien 3/ Sapien XT	About USD32,000	CMS covers TAVR under a coverage with evidence development (CED) policy.	67.1%
	Medtronic	Evolut R/ EvolutPro	About USD30,000		32.9%

Note: Market share is calculated by implantation volume of TAVR products in China and the U.S., respectively.

Source: Frost & Sullivan

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. Once VenusA-Plus is launched in the market, we believe it could be the first retrievable TAVR product in China. We submitted the GMP application for the manufacturing system of VenusA-Plus in Brazil in August 2018 and are currently preparing the application for product registration in Brazil.

Product Structure

Same as VenusA-Valve, VenusA-Plus is a supra annular aortic valve comprised of a PAV, a DCS and a CLS. The PAV has similar structure as that of VenusA-Valve, consisting of a self-expanding nitinol frame, porcine pericardium valve tissue, and PTFE sutures that attach them. The CLS compresses the PAV to a suitable diameter to be loaded into the DCS. The valve is delivered by using an 18-19Fr delivery system. It also possesses similar features of VenusA-Valve, including the high radial force, self-expanding frame and the thin and elastic porcine pericardial valve tissue, which contribute to its advantage in accurate positioning, treating patients with highly calcified valve leaflets and lowering the incidence of complications.

In contrast to VenusA-Valve, the DCS of the VenusA-Plus system possesses a retrieving function. It enables physicians to retrieve the PAV during a TAVR procedure before the PAV is fully released, if the PAV is not placed accurately at the designated position. Physicians are given multiple opportunities to adjust the positioning of the PAV until it is placed at the designated location. Inaccurate positioning of the artificial valve has become a major issue in TAVR procedures, because of the difficulty of physicians to monitor and control the positioning throughout the process, which leads to an increasing incidence of PPM, PVL and/or death. The retrieving function, by allowing multiple attempts in adjusting the PAV's position, can significantly increase the accuracy of positioning the valve to improve the procedure success rate and lower the risk of severe adverse events.

Operation Procedure

The operation procedure of VenusA-Plus is generally similar to the procedure of VenusA-Valve. The key difference is in the retrieving function of the DCS system of VenusA-Plus. When starting to release the PAV, the physician can pause when the valve is released for up to 2/3 of its size and conduct an angiography in the root of aorta to evaluate the PAV's position. If the positioning is not ideal, the physician can reversely rotate the catheter handle to retrieve the PAV.

Clinical Trial

We have conducted a multi-center, single arm, open-label, clinical trial in four hospitals in China, led by the Second Affiliated Hospital of Zhejiang University School of Medicine. The purpose is to evaluate the safety and efficacy of VenusA-Plus, compared to the clinical results of VenusA-Valve. The clinical trial was completed in November 2019, and we have submitted the clinical report to the NMPA.

The trial was initiated in April 2018. The enrollment was completed in October 2019 and 62 subjects were enrolled in the trial. Each subject in the on-going clinical trial must meet the following physical conditions:

- the patient is diagnosed with senile degenerative aortic valve stenosis,
- the patient shows symptoms of aorta valvular stenosis, as demonstrated by as level II or above under the NYHA classification,
- the patient is evaluated as not suitable for surgery by at least one cardiology physician and two cardiac surgeons, and
- the patient receives a STS risk score equals to or above 4%, in terms of the patient's risk of mortality and morbidities for the most commonly performed cardiac surgeries, or determined with serious surgery contraindications by our researchers.

The safety endpoint of the clinical trial is the incidence of serious adverse events during the follow-up period after the TAVR procedure. The efficacy endpoint is the improvement in the subjects' cardiac function after the procedure, which is primarily reflected by the changes in the subjects' mean aortic valve gradient pressure, and NYHA classification at 30 days after the procedure.

We have consolidated and summarized below the clinical results, which have helped prove the safety and efficacy of VenusA-Plus.

- Safety Endpoint

The safety of VenusA-Plus is evaluated by the incidence of serious adverse events during the 30-day follow-up period, including all-cause mortality, major stroke, cardiovascular surgery and permanent pacemaker implantation. The chart below shows the number of serious adverse events among the 62 subjects at 30 days after the procedure. As shown in the table below, the incidence rate of each adverse event during the follow-up period was below 5.0%, except for the implantation of permanent pacemaker.

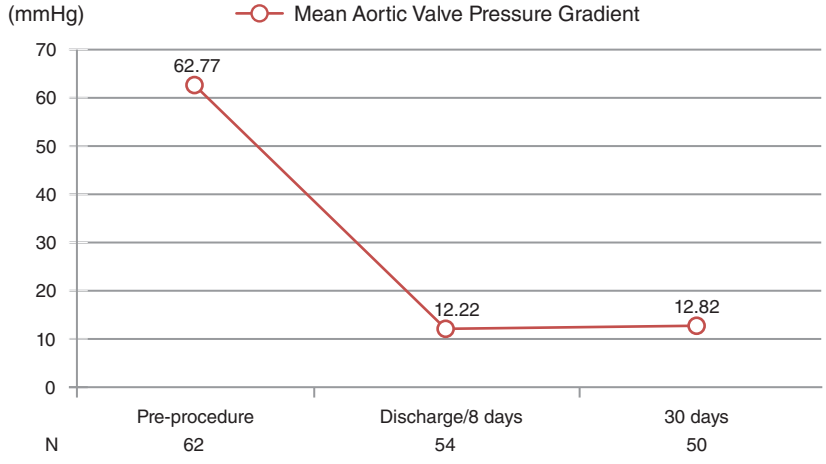
(N=62)

	30 Days
All-cause Mortality	3 (4.8%)
Myocardial Infarction	0 (0.0%)
Major Stroke	1 (1.6%)
Permanent Pacemaker Implantation	6 (9.7%)
Cardiovascular Surgery	0 (0.0%)

- Efficacy Endpoint

The efficacy endpoint is evaluated based on the relevant physical conditions of the subjects. As reflected in the chart below, the mean aortic valve pressure gradient of the subjects significantly decreased from 62.77 mmHg prior to the procedure to 12.22 mmHg at the earlier of discharge or eight days after the procedure and remained relatively stable at 12.82 mmHg at 30 days after the procedure. 62, 54 and 50 subjects took the examination before the procedure, at the earlier of discharge or eight days after the procedure and at 30 days after the procedure, respectively.

Change in subjects' mean aortic valve pressure gradient



In addition, as shown in the table below, the proportion of subjects with a level III or IV cardiac function under NYHA classification decreased from 80.7% prior to the procedure to 20.7% 30 days after the procedure. 62 and 58 subjects attended the examination before the procedure and at 30 days after the procedure, respectively.

Change in subjects' NYHA level

	Pre-procedure	30 days
Number of Subjects	62	58
Level I	0 (0.0%)	46 (79.3%)
Level II	12 (19.4%)	0 (0.0%)
Level III	30 (48.4%)	12 (20.7%)
Level IV	20 (32.3%)	0 (0.0%)

Market Opportunity and Competition

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. For details, see "Industry Overview — TAV Market." As of the Latest Practicable Date, 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 — Market Opportunity and Competition."

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 completed the design-stage animal studies for VenusA-Pilot in September 2019 and we are finalizing product verification and validation in preparation for the pre-clinical animal trial in the fourth quarter of 2019. We expect to initiate the clinical trial in the second quarter of 2020. Our estimated budget for the pre-clinical animal trial is approximately RMB4.5 million, and our estimated budget for the clinical trial is approximately RMB64.0 million. For sales of VenusA-Pilot in China, we plan to submit the NMPA application for VenusA-Pilot as an amendment to the VenusA-Valve registration we have obtained upon completion of clinical trials.

Product Structure

Same as to VenusA-Valve, VenusA-Pilot is a supra annular aortic valve comprised of a PAV, a DCS and a CLS. The PAV has similar structure as that of VenusA-Valve, comprised of a self-expanding nitinol frame, porcine pericardium valve tissue, and PTFE sutures that attach them. The CLS compresses the PAV to a suitable diameter to be loaded into the DCS.

In contrast to VenusA-Valve, VenusA-Pilot is designed to contain a DCS with not only retrieving but also steering functions. Physicians can use the DCS to retrieve the PAV during a TAVR procedure if it is not released accurately to the designated position. Besides the retrieving function, physicians can use the DCS to steer the position of the PAV during a TAVR procedure. The steerable function allows physicians to adjust the angle of the valve while deploying the valve to improve the accuracy of valve positioning during the procedure. The valve is delivered by using an 18-19Fr delivery system.

Market Opportunity and Competition

For more information on the opportunity and competitive landscape in the TAV market, see "Industry Overview — TAV Market" and "— VenusA-Valve – Our Core Product — Market Opportunity and Competition." The steerable function of VenusA-Pilot will be a pioneering technology among existing TAVR products and TAVR product candidates.

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 plan to submit the application with the NMPA in the first quarter of 2020. We submitted the application for the CE Marking in April 2019. We are in the process of animal trials for VenusP-Valve in the U.S. and plan to submit a pre-submission meeting request to the FDA in the first half of 2020. 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.

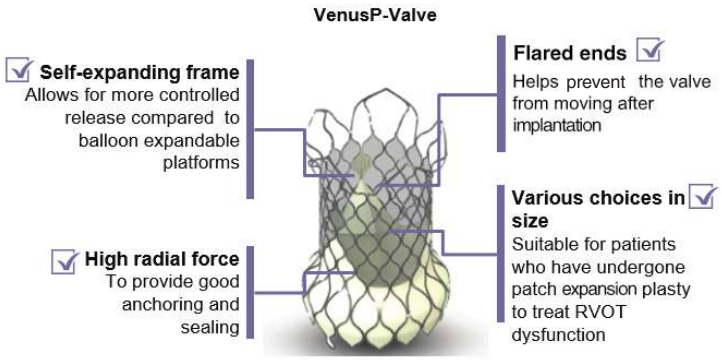
Product Structure

VenusP-Valve is a supra annular aortic valve comprised of a PPV, a DCS and a CLS.

- *PPV*

The PPV contains a self-expanding nitinol frame and porcine pericardium valve leaflets. The frame consists of a middle straight portion with two flared ends to prevent the valve from shifting. Three valve leaflets made of single-layer porcine pericardium are attached to a fan skirt, which is also made of porcine pericardium. The fan skirt is then sutured with PTFE sutures directly to the nitinol frame. The frame's middle straight portion and the lower flare are also covered by porcine pericardium. There are X-ray-opaque markers located at the valve commissures and the junction between the lower flare and straight portion of the nitinol frame. These markers allow the user to monitor the valve location during deployment. In addition, the frame is visible during the entire operation, which provides additional visual guidance for the implantation of the valve.

The structural design of VenusP-Valve targets to enhance the safety and effectiveness of TPVR procedure. Set forth below is an illustrative image for PPV.

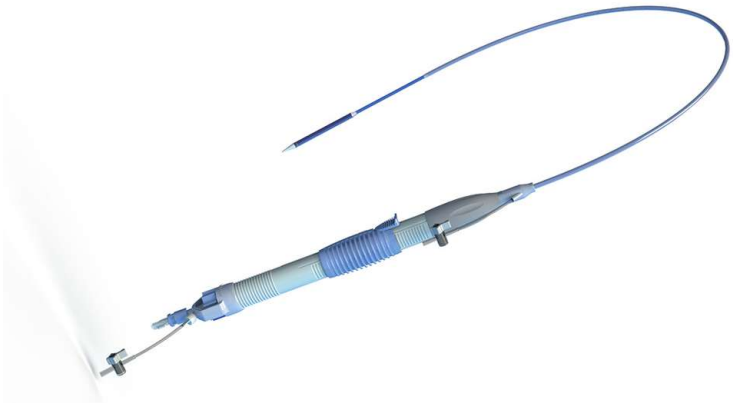


The laser-cut nitinol frame features strong biocompatibility and durability. Its diamond structure provides three-dimensional radial force, which helps to push aside calcified leaflets and prevent paravalvular leakage complication after the replacement. The PPV frame is self-expanding, different from other products, where a bare stent must be implanted in advance and a bi-balloon catheter is used to release the PPV, making the TPVR procedures more complicated with more operational steps involved. In addition, compared with balloon expandable pericardium, our self-expanding frame requires lower accuracy of positioning and reduces the incidence of vascular complication. Due to the thin nature of porcine pericardium, our PPV can be delivered with a smaller catheter. In addition, the frame's middle and lower parts are covered by porcine pericardium, which strengthens the weak part of the expansion patch.

VenusP-Valve offers various models that apply to patients with different physical conditions. The PPV is designed in various product specifications with different dimensions in diameter, ranging from 16mm to 32mm, which suits the need for patients with different sizes of main pulmonary valve. In comparison, the artificial biological pulmonary valves produced by some of our competitors have fewer choices in size and are generally available in smaller sizes. Their designs are more suitable for patients in the EU and the U.S. market, where the replacement of artificial valved conduit is more often used in treating RVOT. In contrast, patients in Asia, especially China, are treated with patch expansion plasty for their RVOTD, which often results in a larger diameter of the main pulmonary valve.

- *DCS*

DCS consists of an integral delivery catheter system, including a shaft, a sheath and a tip. Below is an image of the DCS of VenusP-Valve.



The distal end of the catheter (i.e. the release end) has a specially designed tip to prevent damage to the blood vessel. The entire device has an external protective sheath and is placed in a compressed state. The catheter's intermediate shaft is designed with the necessary length to help ensure that the valve can reach the release position and provide the pushing force and twisting control force to reach the designated position. The catheter handle is used to release the PPV after accurate positioning. The PPV is delivered by using 17-24Fr DCS. The release sheath wraps the PPV, and the fine adjustment knob on the handle is turned to release the PPV.

- *CLS*

The CLS compresses the PPV to a suitable diameter to be loaded into the DCS. The CLS consists of a compressor, a loader, protection tube and a loading tube.

Operation Procedure

A guidewire is inserted through the right femoral vein, through the inferior vena cava, right atrium, right ventricle and into pulmonary artery. A measuring balloon catheter is then used to measure the inner diameter of the RVOT and MPA in order to select a VenusP-Valve with the appropriate size and to check that there is no coronary artery compression. Afterwards, the DCS is loaded with the PPV and guided over the wire to the main pulmonary artery. Angiography is performed to confirm the deployment position before the DCS sheath is retracted to release the valve to the designated location.

Summary of Clinical Trial Result

We have completed a multi-center, single-arm, open-label, pivotal trial in China to evaluate the safety and efficacy of VenusP-Valve, involving a total of 55 subjects. As of the Latest Practicable Date, it was the only completed clinical trial in China for TPVR products. The trial was started in May 2014 and was completed in January 2018, and the trial was conducted in six clinical sites.

The 55 subjects enrolled in the trial were patients with congenital heart disease featuring RVOT stenosis complicated by severe pulmonary valve regurgitation after cardiac surgery for correction. Patients must meet the following physical conditions:

- the patient has an expansion patch of the RVOT and/or the trans-pulmonary annulus main pulmonary artery, and moderate to severe pulmonary artery regurgitation;
- the patient has a right ventricular end diastolic volume index within the range of 130 ml/m^2 to 160 ml/m^2;
- the patient's age is within the range of 10 to 60 years old;
- the patient's weight is at least 18 kilograms;
- the diameter of pulmonary annulus is with the range of 14 mm to 31 mm; and
- the length of right ventricular outflow tract is at least 20 mm.

The safety of applying VenusP-Valve in TPVR procedures is evaluated by the incidence of all-cause mortality, stroke and cardiovascular surgery among the subjects at 30 days, six months, 12 months, 24 months, 36 months, 48 months and 60 months after the procedure.

The efficacy endpoints are reflected by the subjects' valve function after the implantation of PPV. The endpoints include the success rate of the placement and the implantation of PPV and the patient's cardiac function during the follow-up period, primarily evaluated by the improvement of the subjects' pulmonary valve regurgitation, the improvement of the subjects' cardiac function under the NYHA classification and the subjects' RVEDVI measured by MRI during the follow-up period. We will follow up with all the subjects during 60 months after the procedure, and as of the Latest Practicable Date, we had completed 24 month follow-ups with all the survived subjects.

- *Safety Endpoint*

As shown in the table below, there was no incidence of stroke at the 24 months after the procedure and there were only two cardiogenic deaths during the 24 months after the procedure. Moreover, only one patient needed another TPVR procedure to reposition the implanted PPV, after which, the subject's cardiac function remained effective and stable during the follow-up period.

	(N=55)			
	30 days	**6 Months**	**12 Months**	**24 Months**
Death				
Cardiogenic death	0 (0.0%)	2 (3.6%)	2 (3.6%)	2 (3.6%)
Non-cardiogenic death	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Stroke	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Cardiovascular Surgery	1 (1.8%)	1 (1.8%)	1 (1.8%)	1 (1.8%)

- *Efficacy Endpoint*

The success rate of the placement and the implantation of PPV was 100%.

Among the 55 subjects, 53 patients survived 24 months after the procedure. Most of the subjects had different degrees of improvement in their cardiac function after the TPVR procedure, reflected by the improvement in their RVEDVI. The improvement rate of the subjects' RVEDVI was 98.0% at six months after the procedure. On average, the subjects' RVEDVI decreased from a pre-procedure level of 136.5 ± 17.3 ml/m^2 to 83.7 ± 16.0 ml/m^2 at six months after the procedure, which shows the improvement in the patients' right ventricular function.

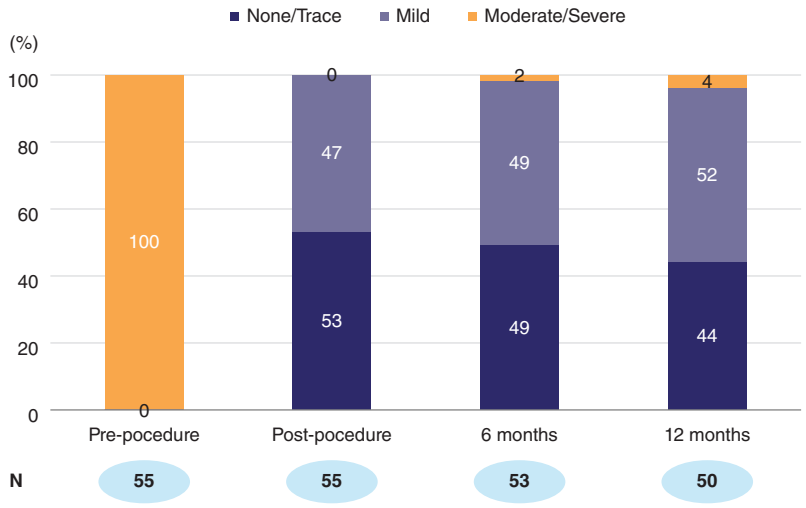
The table below shows the subjects' cardiac function level under NYHA classification improved during the 12 months after the procedure. During the follow-up period, the proportion of patients with level I cardiac function under NYHA classification increased to 85.5% at 30 days after the procedure and further increased to over 90% at six months and 12 months after the procedure, and there has not been any patient with cardiac function level lower than level II after the procedure.

Subjects' NYHA Level

	Before Procedure	**30 days**	**6 Months**	**12 Months**
Number of Subjects	55	55	53	53
Level I	3 (5.5%)	47 (85.5%)	48 (90.6%)	50 (94.3%)
Level II	44 (80.0%)	8 (14.5%)	6 (9.4%)	3 (5.7%)
Level III	8 (14.5%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Level IV	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)

As shown in the chart below, during the 12-month follow-up after the procedure, the pulmonary valve regurgitation in all surviving subjects improved to varying degrees. At the immediate evaluation after the procedure, all subjects' pulmonary valve regurgitation improved substantially. In general, the subjects' conditions remained stable during the 12-month follow-up, with no more than 4% of the subjects suffered from moderate or severe regurgitation.

Number of subjects with pulmonary regurgitation and the level of severity



In conclusion, the comprehensive trial results showed few incidence of all-cause mortality, stroke and cardiovascular surgery, and improvement in the patients' cardiac functions after the procedure which helped prove the safety and efficacy of VenusP-Valve.

Ongoing Clinical Trial

With respect to our application for the CE Marking, we have engaged in a prospective, non-randomized, multi-center clinical investigation of VenusP-Valve for the treatment of pulmonary regurgitation with or without stenosis in patients with native outflow tracts. The trial was started in September 2016, and the enrollment and procedures were completed in October 2018 with a total of 79 subjects worldwide. The procedures are conducted in 10 sites worldwide. We will follow up with the subjects within 60 months after the procedure. We completed the 12-month follow-up with these subjects by October 2019, and we are in the process of preparing an interim clinical report to be submitted for our application for the CE Marking.

Patients for the trial must meet the following conditions, including:

- age range of 12-70 years old;
- weight of at least 30 kilograms;
- moderate or severe (≥3+) pulmonary regurgitation by TTE;
- >30% pulmonary regurgitation fraction; or
- the subject is symptomatic from his/her pulmonary regurgitation or meets MRI criteria for intervention (RVEF < 45%, PRRF >30% and increased RVEDVI (RVEDVI >150 ml/m^2)).

The primary safety endpoint refers to the incidence of death (valve and/or procedure related) or reoperation within 12 months after the procedure, the incidence of MACCE (death, myocardial infarction, re-operation, vascular injury resulting in the need for an unplanned vascular grafting intervention, stroke, and pulmonary embolism) within 30 days after the procedure.

The primary efficacy endpoint refers to the success rate of placement and implantation of PPV, hemodynamic performance, measured as the mean transvalvar pressure gradient measured by TTE at 30 days after the procedure, improvement or abolition of pulmonary regurgitation during the follow-up period, and the structural valve deterioration (including stent fracture, leaflet mobility, thickening and calcification) at six months after the procedure. Clinical results that were available as of the Latest Practicable Date, as illustrated below, shows the efficacy and safety of VenusP-Valve.

- *Safety Endpoint*

  There has been no case of death during the 12-month follow-up period.

- *Efficacy Endpoint*

Most of the subjects had different degrees of improvement in their cardiac functions after the TPVR procedure, reflected by the improvement in their RVEDVI. The subjects' mean RVEDVI decreased from a pre-procedure level of approximately 159 ml/m^2 to 118 ml/m^2 at six months after the procedure, which shows improvement in the patients' right ventricular function.

The table below shows that the subjects' cardiac function level under NYHA classification also improved during the 12 months after the procedure. During the follow-up period, the proportion of the evaluated patients with a level I NYHA cardiac function increased from 26.7% before the procedure to 87.2% at 12 months after the procedure, and no patient had a NYHA cardiac function level lower than level II at 12 months after the procedure.

Subjects' NYHA Level

	Before Procedure	30 days	6 Months	12 Months
Number of Subjects	60	67	67	39
Level I	16 (26.7%)	40 (59.7%)	41 (61.2%)	34 (87.2%)
Level II	39 (65.0%)	26 (38.8%)	24 (35.8%)	5 (12.8%)
Level III	5 (8.3%)	1 (1.5%)	1 (1.5%)	0 (0.0%)
Level IV	0 (0.0%)	0 (0.0%)	1 (1.5%)	0 (0.0%)

During the 12-month follow-up after the procedure, the pulmonary valve regurgitation in all evaluated subjects improved to varying degrees. At the immediate evaluation after the procedure, all evaluated subjects' pulmonary valve regurgitation improved substantially. The subjects with severe or moderate PV regurgitation decreased from 100% to 0% and remained 0% during the 12-month period after the procedure. 76, 78, 69 and 39 subjects took the examination before the procedure and at 30 days, six months and 12 months after the procedure respectively.

Market Opportunity and Competition

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. According to Frost & Sullivan, globally, the number of TPVR eligible patients increased from 62,500 in 2014 to 76,100 in 2018, and is expected to increase to 127,700 in 2025. In China, the number of TPVR eligible patients increased from 15,900 in 2014 to 20,400 in 2018, and is expected to increase to 41,000 in 2025. 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. For details, see "Industry Overview — TPV Market."

As of the Latest Practicable Date, 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. Compared to Melody from Medtronic and Sapien XT from Edwards Lifesciences, VenusP-Valve is more tailored to Chinese patients. 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. The table below compares Melody, Sapien XT and VenusP-Valve.

	Melody	SAPIEN XT	VenusP-Valve (Not marketed yet)
Company	Medtronic	Edwards	(Venus MedTech)
Market status	Approved in the U.S. and the EU	Approved in the U.S.	Approaching approval in China and the EU
Expanding Mechanism	Balloon-expanding	Balloon-expanding	Self-expanding
Materials of Scaffolds	Platinum-Iridium alloy	Cobalt-chromium alloy	Nickel-titanium alloy
Materials of Valves	Bovine jugular vein	Bovine Pericardium	Porcine Pericardium
Application Range of Pulmonary Rings	16~22mm	16~22mm	16~27mm
Shape of Valve	Straight	Straight	Double trumpet-shaped
Specification	A bracket is needed to be pre-implanted on RVOT, and 2 expansion balloons are also necessary, resulting in the high cost.		Both bracket and expansion balloons are not needed, more convenient and economical

Source: Frost & Sullivan

The table below shows the competitive landscape among marketed TPVR products in the U.S.

	Company	Product	Price/Unit to Patients	Reimbursement Status
U.S.	Edwards Lifesciences	Sapien XT	About USD30,000	CMS does not have a national Medicare coverage position. Coverage may be subject to local carrier discretion.
	Medtronic	Melody	About USD30,000	

Note: As of the Latest Practicable Date, market share of TPVR products was not available, due to the small size of the emerging TPV market.

Source: 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 ongoing, and we are in the process of refining our design based on the animal studies. We aim to complete our design verification and validation in the first quarter of 2021 and initiate the pre-clinical animal trial in the first quarter of 2021. Our estimated budget for completing the design verification and validation of Venus Mitral Valve is approximately RMB41.2 million, and our estimated budget for the pre-clinical animal trial is approximately RMB4.5 million. 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.

As of the Latest Practicable Date, there was no TMVR product approved for marketing globally. The TMV market remains in an early stage with significant growth potential to address the medical needs of a vast population of mitral valve regurgitation patients. According to Frost & Sullivan, the global prevalence of mitral regurgitation is estimated to reach 108.6 million in 2025 from 95.1 million in 2018. For details, see "Industry Overview — TMV Market." The chart below shows the major pipeline candidates at the clinical trial stage globally. In China, there is currently no TMVR pipeline product at the clinical trial stage.

Company Name	Pipeline Products	Access/approach	Regions
Abbott	Tendyne	Transapical	U.S.
Direct Flow Medical	Direct Flow Medical Transcatheter Mitral Valve Replacement	Transapical	U.S.
Edwards Lifesciences	FORTIS	Transapical	U.S.
	CardiAQ-Edwards™ Transcatheter Mitral Valve	Transapical/Transseptal	U.S.
HighLife	HighLife transcatheter mitral valve replacement device	Transfemoral/ Transapical/Transatrial	EU
LivaNova	Caisson TMVI system	Transseptal	UK
Medtronic	Intrepid	Transapical	EU
MValve Technologies	MValve Docking Device	Transapical	EU
NaviGate Cardiac Structures	NAVI	Transatrial	U.S.
Neovasc	Tiara	Transapical	Canada

Source: Frost & Sullivan

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. We aim to complete our design verification and validation in the fourth quarter of 2020 and initiate the pre-clinical animal trial in the fourth quarter of 2020. Our estimated budget for completing the design verification and validation of Venus Tricuspid Valve is approximately RMB41.2 million, and

our estimated budget for the pre-clinical animal trial is approximately RMB4.5 million. 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.

As of the Latest Practicable Date, there was no TTVR pipeline product at the clinical trial stage worldwide. The TTV market remains in an early stage with significant growth potential to address the medical needs of a vast population of tricuspid valve regurgitation patients. According to Frost & Sullivan, the global prevalence of tricuspid regurgitation is expected to reach 55.9 million in 2025 from 48.6 million in 2018. For details, see "Industry Overview — TTV Market."

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

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.

Acquisition of Keystone

In order to develop a comprehensive product portfolio to achieve full product offerings for transcatheter heart valve replacement procedures and to execute our global expansion strategy, we, through our subsidiaries, entered into the Plan of Merger with Keystone to acquire 100% equity interest of Keystone in September 2018. We completed the acquisition of Keystone in December 2018 with certain amount of consideration to be paid within 30 days following the approval by the FDA to market TriGUARD3. For more information regarding the acquisition, see "History, Development and Corporate Structure – Acquisitions and Investments – Acquisition of Keystone." We will use part of our net proceeds from the Global Offering to fund payment of consideration and other transactions expenses related to the Keystone Acquisition. See "Future Plans and Use of Proceeds" for details.

Keystone Heart was incorporated in Israel in 2004 with one subsidiary incorporated in the U.S. and one subsidiary incorporated in the UK and focuses on the development of CEP devices. It has a R&D team of five members and leased manufacturing facilities with an aggregate area of approximately 816 sq.m. in Israel. We plan to have Keystone as our platform for the U.S. and the EU markets and leverage its global development and clinical experience to advance the clinical trials and registration of our product candidates and promote our products in the global market. Keystone's management is a valuable addition to our management that supports our global expansion efforts. Its CEO, Mr. Christopher Lee Richardson, serves as the Head of U.S. Operations of our Company and leads our business operations in the U.S.

Specifically, we have taken steps to transfer the production of TriGUARD3 to our facility in Hangzhou. Our manufacturing facility in Hangzhou will be the principal facility for the production of TriGUARD3, including the manufacturing of components and sub-assembly for its sales in the PRC and global markets, so that we can leverage our access to the vast labor pool and existing manufacturing facility in China. Keystone's facility in Israel will be the principal facility for the final assembly, packaging and quality inspection of TriGURAD3 for its sales outside of China, in order to leverage on Keystone's geographic location, compliance experience, prior marketing efforts and established relationships with potential customers in the EU and the U.S. Completing the final

assembly, packaging and quality inspection in the Israeli facility is expected to increase the probability that the country of origin of TriGUARD3 will be determined as Israel, so that any future punitive tariffs that the U.S. government may impose on CEP device produced in China may not apply to TriGUARD3. For sales of TriGUARD3 within China after we receive marketing approval from the NMPA, our facility in Hangzhou will conduct all the manufacture processes, including manufacture of components, sub-assembly, final assembly, packaging and quality inspection processes. Finished goods will be shipped from our facility in Hangzhou within China for sales. For sales of TriGUARD3 outside of China after we receive the relevant marketing approvals, our facility in Hangzhou will conduct the manufacturing of components and sub-assembly and our Israeli facility will conduct the final assembly, packaging and quality inspection processes. Finished goods of TriGUARD3 from our Israeli facility will be shipped to the relevant markets outside of China. Technology transfer of TriGUARD3 from Keystone to our facility in Hangzhou was completed in the third quarter of 2019, and we expect that our Hangzhou facility will have the capacity and qualification for the manufacture of TriGUARD3 in the third quarter of 2020. We may also consider using the facility in Israel as the assembly and packaging facility for the sales of our other products outside of China, while maintaining the mass production in China.

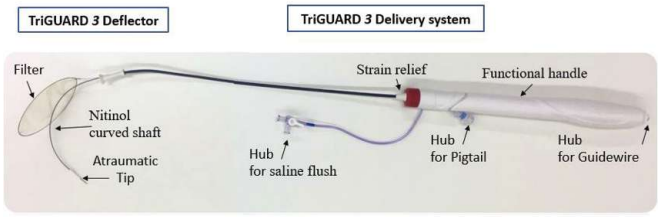
Moreover, we expect more collaborations among our R&D teams in developing future heart valve and ancillary products. Our project teams in the future will be formed by members from different locations. Also, Keystone's sales force in the U.S. and the UK will contribute to commercializing our heart valve and ancillary products in the U.S. and the EU to enhance our commercialization capabilities globally. With the integration of Keystone's business in the near future, we expect to gradually achieve a global offering of our comprehensive product portfolio.

Keystone has developed three generations of CEP devices: TriGuard, TriGuard HDH, and TriGUARD3. TriGuard HDH received CE Marking in 2013. Keystone initiated clinical trial (REFLECT trial) in June 2016 to evaluate the safety and efficacy of TriGuard HDH. After communication with the FDA following the availability of the next-generation CEP device, TriGUARD3, FDA approved the modification of REFLECT trial, and agreed that the previously conducted trial to evaluate TriGuard HDH would be phase I while the proposed trials to evaluate TriGUARD3 would be phase II, and that the data on control patients enrolled in phase I trial could be used in phase II trial to evaluate TriGUARD3. Keystone started the phase II trial in May 2018 upon receipt of the IDE approval in the U.S. As of the Latest Practicable Date, the trial procedures and the follow-up with all the enrolled subjects were completed. We expect to file for FDA 510(k) clearance in the U.S. for TriGUARD3 in the first half of 2020. Keystone submitted the application of CE Marking for TriGUARD3 in February 2018. We plan to apply for an import product license for TriGUARD3 with the NMPA after receipt of the CE Marking.

Keystone's results of operations have been consolidated into ours since we completed the acquisition of Keystone on December 26, 2018. Our statement of profit and loss for the year ended December 31, 2018 consolidates the results of Keystone since December 26, 2018, and our statement of profit and loss for the five months ended May 31, 2019 consolidates full financial results of Keystone for the five months ended May 31, 2019. For more details on the financial information of Keystone and pro forma financial information of the enlarged group, see "Financial Information – Financial Information of Keystone," "Financial Information – Unaudited Pro Forma Financial Information of the Enlarged Group" and Appendix IB to this Prospectus.

Product Structure

TriGUARD3 consists of a filter and a delivery system for the filter, as shown below. It provides stable, atraumatic protection and is easily deployable.

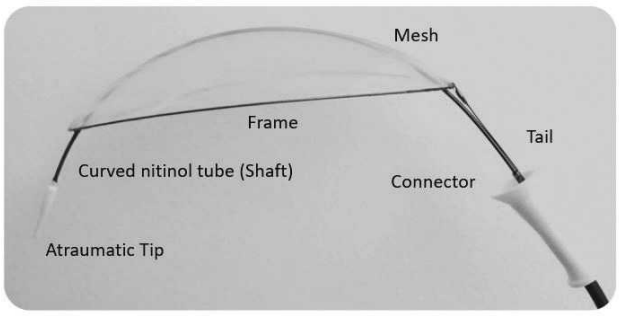


- *Filter*

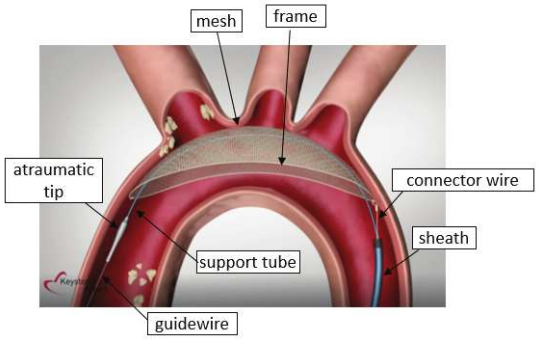
The filter unit includes a dome-shaped polymer mesh panel with a collapsible, self-expandable, nitinol single-wire frame glued around its perimeter. The nitinol frame and mesh allow the device to withstand potential interface with the delivery system of TAVR products and other procedure related accessories. The mesh is a PEEK mesh having a pore size of 115 μm x 145 μm, designed to deflect cerebral emboli while allowing maximal blood flow, and it has a heparin anticoagulant coating to reduce thrombogenicity and increase lubricity. The polymer mesh is biocompatible, flexible and atraumatic, yet robust and sturdy. The chemical and physical properties of the polymeric coating reduce the likelihood of blood component adherence and activation, reducing the formation of thrombi or emboli. The frame is made of nitinol wire that is heat-set to self-expand into a curved shape. A simplified self-positioning, self-stabilizing frame design that utilizes circumferential pressure and the support of the nitinol delivery shaft to improve vessel wall apposition and eliminate the need for dedicated stabilizer elements in the innominate artery and aortic arch, improving device safety, particle deflection efficacy, and ease of deployment and positioning. The frame is fully visible via fluoroscopy for improved monitoring during deployment and positioning.

The filter is shaped to accommodate anatomic variations of the aortic arch. It is designed to be placed in the aorta to cover all three cerebral arteries and protect aortic side branch vessels from embolic debris created during cardiovascular procedures such as TAVR, while diverting blood towards the side branch vessels, where the debris are either harmless or can be treated effectively. The support tube and the filter in a collapsed configuration are loaded into a sheath for delivery.

The image below is the filter



The image below shows when the filter is placed in the aortic arch



- *Delivery System*

The delivery system is in eight Fr delivery profile, and it includes a handle body and a handle extension that are longitudinally movable between a collapsed configuration and an extended configuration. By moving the handle between these configurations, the support tube and filter can be deployed from and/or retracted into the sheath. The design of the delivery system improves safety, reduces the number of procedural steps required for deployment as compared with our competing products, and allows over-the-wire introduction and positioning for easy deployment.

Operation Procedure

TriGUARD3 is placed via one of the two femoral artery access ports typically used in TAVR procedures, eliminating the need for a third puncture site or cerebral vessel interaction. To position the filter in a patient, the support tube and the filter are delivered in the sheath to the aorta via an over-the-wire approach from a femoral artery access port. The sheath is withdrawn, allowing the filter to self-expand and self-stabilize against the aortic wall such that the mesh covers the aortic vessels. Then, a cardiovascular procedure (e.g., TAVR) is performed upstream of the filter, and the filter allows blood to enter the aortic vessels while deflecting embolic debris. Once the cardiovascular procedure is complete, the support tube and the filter are withdrawn into the sheath, and the entire device is removed from the patient.

Clinical Trial (REFLECT Trial)

Phase I

Keystone started the REFLECT trial, a prospective, multi-center, single-blind, three-arm, randomized trial, to evaluate the safety and efficacy of the two generations of CEP product, TriGuard HDH and TriGUARD3, by comparing the safety and efficacy endpoints between patients undergoing TAVR with CEP device (the intervention group) and without CEP device (the control group). Phase I of the trial was initiated in June 2016 to evaluate TriGuard HDH. After having enrolled a total of 258 subjects at 20 U.S. sites and six non-U.S. sites, the enrollment for Phase I was suspended in July 2017 due to the availability of a more advanced product, TriGUARD3. Out of the 258 subjects, 195 were in the intervention group and 63 were in the control group.

As of the Latest Practicable Date, the 90-day follow-up was completed on all subjects enrolled in Phase I. As previously agreed with the FDA, the data from Phase I remains subject to blinding. At the time of our primary endpoint analysis of Phase II subjects, we plan to determine the poolability of the Phase I control subject data with the control subject data generated during Phase II trial to apply for FDA 510(k) clearance.

Phase II

Phase II of the REFLECT trial was initiated on May 31, 2018 to evaluate the safety and efficacy of TriGUARD3.

The primary safety endpoint is the subjects' combined safety at 30 days after the procedure, defined as the composite of all-cause mortality, all stroke (disabling and non-disabling), life-threatening or disabling bleeding, acute kidney injury (stage two or three, including renal replacement therapy), coronary artery obstruction requiring intervention, major vascular complication, and valve-related dysfunction requiring repeat procedure (including balloon aortic valvuloplasty, TAVR or SAVR).

The primary composite efficacy endpoint refers to the comparisons among parties according to:

- all-cause mortality and/or stroke (fatal or non-fatal, disabling or non-disabling) evaluated at 30 days after the procedure,
- NIHSS worsening (increase from baseline), evaluated at two to five days post-procedure,
- freedom from any cerebral ischemic lesions detected by DW-MRI at two to five days post-procedure, and
- total volume of cerebral ischemic lesions detected by DW-MRI at two to five days post-procedure.

Each subject in the intervention group will be compared with each subject from the control group based on the above hierarchy.

A total of 214 subjects undergoing structural heart procedures were enrolled at 18 sites in the U.S. We completed the clinical procedures and the follow-up with all the enrolled subjects in June 2019. We are in the process of preparing the final clinical report, and we need to go through a few steps before finalizing the clinical report, including completing the study monitoring, angiography analysis and MRI analysis of the study data and relevant data analysis. We expect to finalize and submit the clinical report to the FDA in the first half of 2020.

Market Opportunity and Competition

The number of CEP devices globally is expected to grow at a CAGR of 39.6% from 18,000 units in 2018 to 183,000 units in 2025. For details, see "Industry Overview — CEP Device Market."

As of the Latest Practicable Date, there were four major CEP devices announced globally, including Sentinel from Boston Scientific, our TriGUARD3, and Embrella and Embol-X from Edwards Lifesciences, as shown in the chart below. As of the Latest Practicable Date, Sentinel was the only FDA approved CEP device in the global market and TriGUARD3 was the only CEP device in the clinical development stage globally. There has not been any ongoing registered clinical studies for Embrella or Embol-X. As compared to Sentinel, TriGUARD3 has several advantages, including its ability to self-position and self-stabilize, its protection of the three major arteries that supply blood to the brain, instead of two, and its elimination of the need for a third puncture site or cerebral vessel interaction during a TAVR procedure, which lead to optimized safety.

Company	Device	Access	Delivery	Deployment	Stage
Boston Scientific / claret medical	Sentinel	Radial/brachial	6F	Two filters to brachiocephalic trunk and left common carotid	FDA approved (2017)
启明医疗 VENUSMEDTECH / Keystone Heart	TriGUARD3	Femoral	8F	Aortic arch	FDA & CE Marking clinical trial in progress
Edwards	Embrella	Radial/brachial	6F	Aortic arch	No progress
	Embol-X	Direct aortic	14F	Ascending aorta	No progress

Source: FDA, Frost & Sullivan analysis

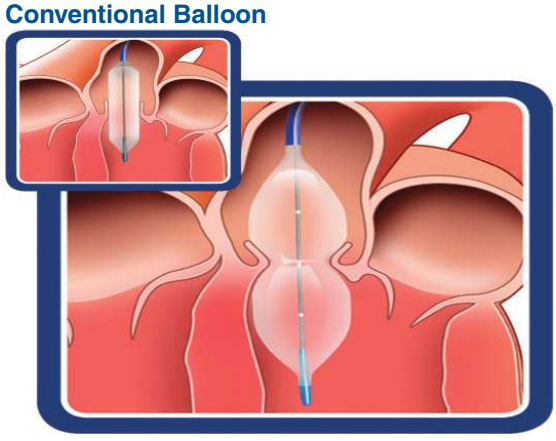
WE MAY NOT BE ABLE TO ULTIMATELY MARKET TRIGUARD3 SUCCESSFULLY.

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. The CE Marking for V8 and TAV8 expired in April 2018, and we submitted the renewal application in October 2018. We applied for an import product license with the NMPA for TAV8 in February 2018. In October 2019, we submitted clinical data from the post-market clinical trial of TAV8 conducted in the U.S. in 2016 for our import product license application with the NMPA. Our submission followed the requirements under the Technical Guidelines for Accepting Overseas Clinical Trial Data of Medical Devices (《接受醫療器械境外臨床試驗數據技術指導原則》) issued by the NMPA. For details, see "Regulatory Environment – Overseas Clinical Trial Data of Medical Devices." For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, our revenue generated from sales of V8 and TAV8 amounted to RMB0.8 million, RMB1.6 million and RMB0.5 million, respectively.

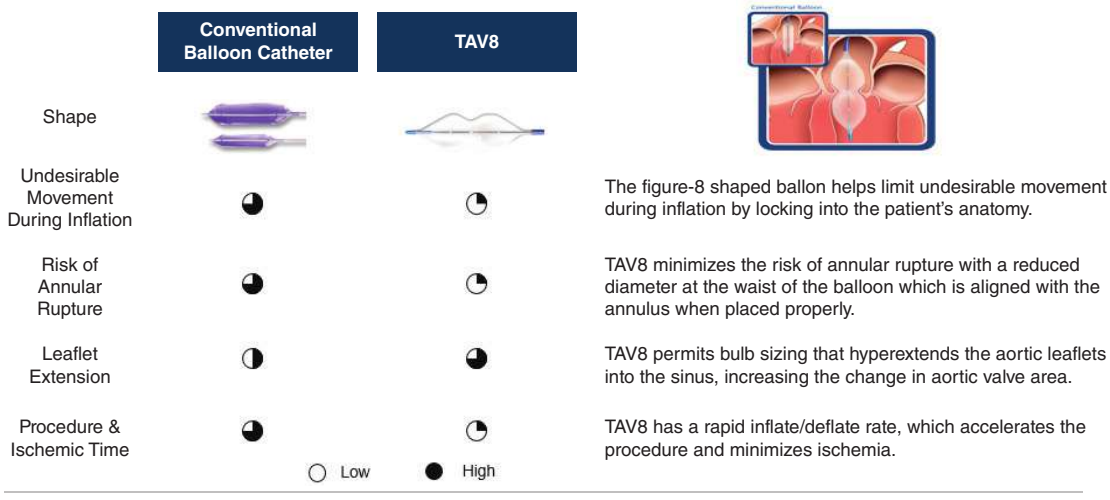
Product Structure

V8 and TAV8 both feature a figure "8" shaped dilatation balloon on the tip of a co-axial catheter. The balloon is shaped in figure "8," which limits undesirable movement during inflation by locking into the patient's anatomy, while the undersized waist segment attempts to limit excessive dilatation of the valve annulus. It is secured to help minimize slippage, which further reduces the need for rapid ventricular pacing. We adopt persistent waist at specified width throughout dilatation which limits the risk of annular rupture. The image below shows the figure "8" shaped balloon locking to the anatomy compared with a conventional balloon.



The design of V8 and TAV8 permits bulb sizing that hyperextends the aortic leaflets into the sinus, which can increase the change in aortic valve area, without increasing the risk of excessive dilatation of the aortic annulus. Also, the rapid inflate and deflate rate keeps it in the shape of figure "8" throughout the procedure, which can accelerate the procedure and minimize the incidence of ischemia. As a result, V8 and TAV8 can significantly reduce the risk during the procedure of TAVR and the rate of PVL afterwards. Both V8 and TAV8 offer various choices of balloon sizes that can suit the physical conditions of different patients.

The design of TAV8 was improved on V8's advantageous features. TAV8's 4mm distal bulb segment minimizes balloon engagement of the LVOT and could potentially limit conduction disturbances. TAV8 has a 15%-20% lower inflation volume compared to V8, which decreases the time for inflation and deflation, shortens procedure time and reduces ischemia. TAV8's shoulder-to-shoulder balloon length is even shorter than V8's shoulder-to-shoulder length. The chart below illustrates the advantages of TAV8 as compared to a conventional balloon catheter, which is in the shape of a spindle.



Source: Literature research, Frost & Sullivan analysis

Operational Procedures

When applying VenusA-Valve and our ancillary products in a TAVR procedure, physicians first place TriGUARD3 through a percutaneous entry site into the common femoral artery, and then inflate and deflate the V8/TAV8 to dilate the stenotic valve leaflets in an effort to increase valve opening dimensions and systemic blood flow by improving leaflet mobility. Physicians will retrieve V8/TAV8 after it is deflated before PAV implantation. Once the PAV is implanted, physicians will retrieve TriGUARD3 at the end of the procedure.

Summary of Post-Market Clinical Study Results

Clinical trials are not required for us to acquire FDA 510(k) clearance or CE Marking approval for our balloon aortic valvuloplasty catheter systems. After V8's commercialization, InterValve completed a clinical study in October 2016 where a total of nine subjects were enrolled in one clinical site, in order to study the safety and performance of V8 when it is used as a post-dilation balloon in self-expanding TAVR procedures.

The study endpoints include inflation fixation and post-dilatation success rate, reduction of PVL and 24-hour complication rate. Regarding the inflation fixation and post-dilatation success rate, the rapid ventricular pacing was applied in all V8 uses for all the nine subjects, and balloon fixation was successful in all cases. The results showed reduction of PVL, indicated by a decrease in PVL grade, which was measured via aortogram pre-ranged from 1+ (mild) to 3+ (moderate to severe), and was reduced after the post-dilatation to 0 (none to trace) in eight of the nine subjects. As for the remaining one subject, PVL was reduced from 3+ to 1+. Average reduction in PVL grade as assessed via aortogram was 1.8 ± 0.7. Success rate for reduction of PVL grade to 1+ or less was 100%. Regarding the 24-hour complication rate, a new permanent pacemaker was required in one of the nine subjects (11%), which was possibly related to the TAVR procedure and the post-dilatation procedure. There were no other events meeting the complication definition.

In conclusion, the results from this clinical study provide support to some extent, though inconclusive given such small number of subjects, that V8 does not exhibit any material safety issue. Further, given the need for permanent pacemaker is low and with a 100% PVL resolution, V8 is effective in post-dilatation procedures.

Clinical Trial Plan in China

To prove the efficacy of TAV8 when used for pre-dilatation of TAVR procedures and as required by the NMPA, we started a multi-center, single arm, open-label clinical trial in China in June 2019, and we aim to complete the trial in the fourth quarter of 2019. We aim to enroll 54 subjects in total in five clinical sites and follow up with each subject at seven days and 30 days after the procedure. The trial is led by West China Hospital of Sichuan University. The primary endpoint is the success rate of the device deployment and the secondary endpoints include incidence of material adverse events at seven days and 30 days after the procedure. As of the Latest Practicable Date, 37 subjects have been enrolled in the trial.

Market Opportunity and Competition

The global market size for aortic valvuloplasty balloons increased at a CAGR of 29.8% from US$82.4 million in 2014 to US$233.5 million in 2018, and is expected to further increase from 2018 at a CAGR of 14.7% to US$608.4 million in 2025. For details, see “Industry Overview — Aortic Valvuloplasty Balloon Market.”

Globally, as of the Latest Practicable Date, there were five major aortic valvuloplasty balloon products competing against TAV8, including Balloon Dilatation Catheter from NuMED, Cristal Balloon from Balt Extrusion, Ascendra Ballon Aortic Valvuloplasty Catheter from Edwards Lifesciences, VIDA from Bard Peripheral Vascular and Z-MED from B Braun, as shown in the below chart. As compared with other currently marketed balloon catheters in the shape of a spindle, the figure-8 shape of V8 and TAV8 leads to advantages, including limited undesirable movement during inflation, lower risk of annular rapture, increased leaflet extension and accelerated procedure.

Company Name	Brand Name	Shape	Approval Status
NuMED	Balloon Dilatation Catheter	Spindle-shaped	China (NMPA)
Balt Extrusion	Cristal Balloon	Spindle-shaped	China (NMPA)
Intervalve	TAV8	Figure-8 shaped	U.S. (FDA)
Edwards Lifesciences	Ascendra Balloon Aortic Valvuloplasty Catheter	Spindle-shaped	U.S. (FDA)
Bard Peripheral Vascular	VIDA	Spindle-shaped	U.S. (FDA)
B Braun	Z-MED	Spindle-shaped	U.S. (FDA)

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

OUR PLATFORM

We have developed a fully-integrated platform for the discovery, development, manufacture and commercialization of minimally invasive treatment devices for heart valve diseases. The integration of our platform enables smooth collaboration among different functional groups at key points in the lifecycle of a product candidate with the goal of increasing the speed of development and likelihood of success while at the same time reducing the cost of development. In addition, our platform has been stress tested throughout the development of our product candidates by requiring each functional group to improve their process, approach and collaboration skills.

Within the short period of time since our inception, we have successfully built up the necessary capabilities of a fully-integrated transcatheter heart valve replacement technology platform company. These capabilities are housed in four main functional platforms: R&D, clinical development, manufacturing and commercialization. These individual functional platforms have been optimized and great attention has been given to building cross-functional integration. In addition, an efficient operating system for these individual functional platforms has been built, laying a solid foundation for bringing our strong pipeline of transcatheter heart valve products and complementary products from inception through manufacturing and commercialization.

R&D

We focus on developing innovative technologies and products for transcatheter treatment for heart valve diseases. We believe that the success of our operations has depended and will continue to depend to a large extent on our ability to develop new or improved medical devices. We have a proven track record of independently developing and commercializing transcatheter heart valve replacement devices.

We are engaged in ongoing R&D activities to deliver clinically advanced new products, to enhance the effectiveness, ease of use, safety, reliability, and to expand the applications of our products as appropriate. As of the Latest Practicable Date, we had five transcatheter heart valve replacement product candidates in various stages of development. We also anticipate to develop and commercialize CEP devices, such as TriGUARD3, through our acquisition of Keystone. CEP device is a key ancillary product to our existing pipeline, which will strengthen our product portfolio and contribute to our future growth.

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. We incurred R&D costs of RMB117.4 million, RMB104.8 million and RMB82.4 million in 2017, 2018 and the five months ended May 31, 2019, respectively.

Our R&D Team

We have a strong in-house R&D team of 50 people, with 39 team members based in Hangzhou, China, five members based in California, the U.S. and six members based in Israel, as of the Latest Practicable Date. As of the Latest Practicable Date, nine members of the R&D staff possessed a master or doctorate degree. The team is led by our COO, Mr. Lim, former CTO of Transcatheter Technologies GmbH, who has more than 15 years of experience of pre-clinical practice and R&D in the industry.

Our R&D team in Hangzhou, China, is divided into four sub-teams, including valve team, delivery system team, biomaterial team and the laboratory. Our valve team is primarily responsible for the design and development of artificial valves, including PAV and PPV, and their constituent parts, led by the head of the team, who has extensive experience in developing heart valve devices. The delivery system team is responsible for designing and developing delivery systems for our transcatheter heart valve systems, including DCS, guide wire, sheath, dilator and other complementary products, led by the head of the team, who has vast experience in the development of heart valve catheter systems and delivery systems. Our biomaterial team is in charge of studying and designing biomaterials for valve systems, led by the head of the team, who has extensive experience in chemical and biomaterial processing, and our laboratory is mainly responsible for testing valve products to help ensure their safety and efficacy, which is also led by the head of our valve team. We appoint a product manager for each team, who organizes and monitors the progress of each project. The division of work and collaboration among teams enhances the efficiency of our R&D activities.

Our R&D team in the U.S. led by our Chairman of the Board, Mr. Zeng, is divided into two groups. One group consists of three engineers who focus on valve technology, and the other group involves one engineer who develops balloon aortic valvuloplasty catheter system. When developing a new product, our U.S. R&D center will complete product design, including prototype and animal testing, and then work together with our Hangzhou R&D team to complete design

verification. When the product development reaches clinical stage, it will be transferred to our clinical team in Hangzhou, along with related know-how for manufacturing.

Keystone also has a strong R&D team, which formed the cornerstone for its success in the study and development of CEP devices. The team is led by Mr. Amit Ashkenazi, who has served as the vice president for R&D and the COO of Keystone and is responsible for the operations and R&D of Keystone. Mr. Amit Ashkenazi has extensive experience in the R&D of medical devices including cardiovascular devices. Mr. Amit Ashkenazi was the inventor of eight issued patents and 21 patent applications relating to interventional cardiovascular devices as of the Latest Practicable Date.

We maintain close communication with leading cardiologists and KOLs in the industry. In addition, we have well-known researchers and practitioners serving on our advisory board who have provided important insights and recommendations for our R&D team. Our advisory board consists of the following members:

- **Dr. Ziyad M. Hijazi**, **M.D.**, **MPH.**, is the chairman of Department of Pediatrics and the director of Sidra Medicine Cardiac Program at Sidra Medicine, a Qatar-based high-tech facility which provides patient care and participates in medical research. He is also a Professor of Pediatrics and Medicine at Weill Cornell Medicine – Qatar. Dr. Hijazi's practice focuses on interventional cardiology, specializing in treating congenital and structural heart diseases which are also his research interests. Dr. Hijazi has peer-reviewed a number of published articles, books and book chapters. He is also the editor-in-chief of Journal of Structural Heart Disease.

- **Dr. Martin B. Leon**, **M.D.**, is the director and founder of the Transcatheter Cardiovascular Terapeutics, an annual scientific symposium and a global educational meeting specializing in interventional cardiovascular medicine. He is also a Professor of Medicine at Columbia University Medical Center. Dr. Leon specializes in cardiology and cardiac surgery and his clinical expertise covers a wide range of areas, including interventional cardiology, cardiac catheterization and valvular heart diseases. He is also the founder and chairman emeritus of the Cardiovascular Research Foundation, a non-profit research and educational organization dedicated to helping doctors improve survival and quality of life for patients suffering from heart and vascular diseases.

- **Dr. Horst Sievert, M.D., Ph. D.**, is the director and founder of CardioVascular Center Frankfurt, a national and international center for the diagnosis and treatment of heart and vascular diseases, at St. Katharinen Hospital Frankfurt, Germany. Dr. Sievert is also a Professor at the Faculty of Medical Science of the University of Frankfurt. Dr. Sievert is a specialist in internal medicine, cardiology, angiology and intensive care. He has served as the principal investigator of a number of clinical trials and has also authored manuscripts and abstracts in peer-reviewed journals, as well as books and book contributions. He has also delivered invited lectures around the world.

- **Dr. Ron Waksman**, **M.D.**, is the associate director of the Division of Cardiology at MedStar Heart Institute, a healthcare provider based in the United States. Dr. Waksman specializes in interventional cardiology, vavular disease cardiology and structural heart disease. He is the editor-in-chief of Cardiovascular Revascularization Medicine and is also on the editorial boards of other publications, including European Heart Journal and Journal of Interventional Cardiology. He has been the principal investigator for research trials too.

Product Design and Pre-Clinical Development

In-House Plan and Design

We have established and strictly followed an internal protocol pursuant to ISO 13485 that governs the design and development of our products. For each project, the R&D team designates a project leader responsible for managing the whole development process and allocating resources. The project team, besides its project leader, consists of representatives appointed by the head of departments including R&D, sales and marketing, quality management, production technology, procurement, regulatory affairs, clinical affairs, administration & HR, and finance. Each member undertakes work in the area of his or her expertise, which allows the project team to receive valuable input and guidance in each major aspect of product development.

Sales and marketing representatives contribute to product development by analyzing target customers, market feedback and competitors. R&D representatives are in charge of organizing studies and operations. Procurement representatives assist the R&D team in purchasing raw materials. Quality management representatives help ensuring the product design's compliance with applicable laws and regulations and assist with product testing. Production technology representatives are responsible for producing and modifying products for trial use. Finance representatives provide cost analysis. Administration & HR representatives arrange for human resources, and regulatory affairs representatives take charge of outputting registration related information. Our clinical affairs team is responsible for clinical validation.

We have established a R&D committee, taking charge of overseeing the key stages of the design and development process. Our R&D committee consists of heads from various departments including R&D, quality management, production technology, procurement, sales and marketing, regulatory affairs, clinical affairs, administration & HR and finance, with years of experience in the respective field.

We often collaborate with major hospitals, labs and universities in China and globally in the R&D of our products. We generally enter into written agreements with these hospitals, labs and universities, the terms and conditions of which may vary from project to project and are determined on arm's length discussions.

Collaboration with SCU

In August 2017, we entered into a collaboration agreement (the "**2017 SCU Agreement**") with SCU where we agreed to jointly establish an "Advanced Cardiovascular Materials Engineering Lab" (the "**Lab**") to develop cardiovascular materials with SCU's research and our financial support. As of the Latest Practicable Date, the Lab had made improvements to anti-calcification technology and other heart valve related technologies. Our Company and SCU have applied for related patents.

Under the 2017 SCU Agreement, SCU is primarily responsible for relevant R&D of cardiovascular materials in support of and in accordance with our technology needs and development plan. As agreed by both parties, SCU will engage in developing water swelling materials, dewatering technology in biomaterials, anti-calcification technology in biomaterials, and biocompatibility evaluation of biomaterials that apply to the cardiovascular field. We are mainly responsible for funding SCU's research activities under the 2017 SCU Agreement. As of the Latest Practicable Date, we had provided research funds of RMB3 million.

According to the 2017 SCU Agreement, we own the Lab's research achievements including patents and any related economic interests. Our Company and SCU can be the joint applicants and patentees of the patents for the technologies developed by the Lab, but SCU will be excluded from the rights of disposal of or economic interests to such patent applications or patents.

The agreement can be terminated upon both parties' mutual agreement, force majeure, technology risks, or the failure of settlement over either party's material breach.

Pre-Clinical Animal Studies

We have contracted with GLP-compliant animal labs for the conduct of animal tests in China and the U.S., including the animal tests for VenusA-Valve, VenusA-Plus, VenusP-Valve and TriGUARD3. Pursuant to the relevant agreements, the labs are primarily responsible for assisting us with completing and amending animal test plans and conducting the test accordingly. Moreover, the labs are obligated to provide required space, facilities, equipment, materials, technical support and animals following the standards in the relevant agreements. We are responsible for arranging personnels to conduct the animal tests, monitoring the tests and compensating the labs as parties agreed upon. The labs are not allowed to assign their obligations under the agreements to any third party without our prior consent. Both parties assume strict confidentiality obligation under the agreements.

According to the agreements, we typically possess sole ownership of all the data and results from the animal tests, and the labs are not allowed to publish or reveal any related information to any third party or use or allow any third party to use such information without our prior written consent. In addition, we take ownership of all intellectual property rights related to all new methods and technology developed from the animal tests, while the labs are not entitled to use or reveal or allow any third party to use such intellectual property without our prior consent and compensating for their use accordingly.

The agreements can be terminated by us with written notification. All of our practices are designed to meet the standards of GLP.

CLINICAL TRIALS

Our clinical affairs team has significant experience in conducting clinical trials for our products. As of the Latest Practicable Date, we had four clinical development staff members, led by a qualified cardiologist with years of experience in the field.

We conduct clinical trials of our new products in order to obtain the requisite regulatory approvals and collect post-procedure data that can improve and enhance the design and features of our products. In addition, robust clinical data are an important marketing tool for increasing credibility for our brand and products. The goal of a clinical trial is to measure the clinical efficacy and safety of a device. Primary parameters for clinical trials are selected based on the intended use of the medical device.

We have a separate department, our regulatory affairs team, in charge of regulatory approval to submit our clinical report together with other materials to the relevant government agencies.

As of the Latest Practicable Date, we had initiated six clinical trials, including four clinical trials in China. Our clinical data and practices are designed to meet the standards of GCP and ICH-GCP.

Collaboration with Clinical Trial Institutions

The NMPA maintains a catalog of hospitals that it has approved as clinical trial centers, from which we select a number of leading hospitals with desirable expertise, patient samples, technology and equipment to conduct our clinical trials. We will meet with the selected participating hospitals to discuss the trial's goals and requirements, as well as to select the leading institution for the trial, which typically will be the largest and best-equipped hospital of the participating hospitals.

We typically enter into an agreement with each selected hospital for each clinical trial, under which we and the participating hospitals prepare a clinical trial protocol following GCP standards that describes in detail the goal of the clinical trial, the risks involved, the overall design, the methods and the procedures of the trial. We submit the relevant documents to the ethics committee of each participating hospital for review. Such documents typically include our clinical trial protocol, draft informed consent to be filled out by patients, draft case report forms to be completed by investigators supervising the clinical trial, and agreement with the hospital to perform the clinical trial. The ethics committees may ask us to revise the clinical trial protocol or other documents before their approval. Once the protocol is approved, any amendment thereafter is required to be reviewed and consented by the ethics committees and the clinical trials are required to be conducted strictly pursuant to the approved protocol.

Pursuant to the agreement, each participating hospital is obligated to conduct clinical trials following the protocol and at the end of the clinical trial, issues a case report based on the collected data and keep trial records for 10 years after the end of the trial. The leading institution gathers case report forms from all participating hospitals, and prepares formal reports of the clinical trial. We make payments according to the agreed schedules and items for the hospitals' services. Under the agreement, we own all related intellectual property and results from the trial. Each participating hospital is entitled to publish academic papers or attend academic events using the trial results. Each participating hospital may enter into separate agreements with us regarding the arrangement of intellectual property rights if any of their recommendations and plans have greatly improved our product quality and efficacy. As of the Latest Practicable Date, we had not entered into such an agreement.

Keystone has also contracted with leading universities and research institutions as the investigation sites for its clinical trials. Such institutions are required to perform the study in compliance with the protocol and applicable rules and regulations, collect and submit the study data to Keystone. The institutions retain all ownership in patient medical records and Keystone is the sole owner of all the other clinical data, which the institutions are allowed to use for their non-commercial purposes of research and publication. Keystone owns all inventions, developments, improvements or discoveries made, developed or conceived in the course of the clinical trial. Keystone also engages qualified labs for data analysis and review.

Relationships with CROs

We use industry-leading CROs to manage, conduct and support our clinical trials. We select our CROs based on various factors, such as their qualifications, academic credentials and professional experience of their employees and their industry reputations. We generally enter into an agreement regarding each clinical research project with the CROs. We closely monitor our CROs to help ensure their performance will comply with our protocols and applicable laws, regulations and guidelines, which in turn protect the integrity and authenticity of the data from our clinical trials and studies.

We have worked with CROs for our clinical trials in China and overseas, including our clinical trials for VenusA-Valve, VenusA-Plus, VenusP-Valve and TriGUARD3. Under the relevant agreements, the CROs are responsible for enrolling subjects strictly pursuant to the trial's protocol, launching, managing and monitoring the implementation of trials in each clinical center, collecting and keeping record of subjects' information along the process and providing statistical report accordingly. We provide the CROs with their required materials and information and make payments in accordance with the payment schedule agreed by parties. The CROs are obligated to keep all non-public information and data from the trials confidential, and return related materials to us at the end of our contract term.

MANUFACTURING

Our principal manufacturing facility is located at our headquarters with an aggregate gross floor area of approximately 3,500 sq.m. in Hangzhou, Zhejiang province, China. We also leased manufacturing facilities in Israel with an aggregate area of approximately 816 sq.m. As of the Latest Practicable Date, our facility in Hangzhou was primarily used for the production of our valve product and product candidates, and our facility in Israel was used for the production of TriGUARD3.

Manufacturing of Valve Products and Product Candidates

The following table sets forth the production capacity, actual production volume and utilization rate for the artificial valve of VenusA-Valve in our manufacturing facility in Hangzhou for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,
	2017	2018	2019
VenusA-Valve PAV			
Production capacity (units)[1]	719	2,670	1,575
Actual production volume (units)	654	1,437	668
Utilization rate (%)[2]	91.0	53.8	42.4

Notes:

(1) Our production capacity is based on the assumption that it takes on average 16 hours per person to produce one PAV, and each person works eight hours per day and produces approximately 135 units of PAV per year. As of May 31, 2019, we had 28 employees who worked on PAV valve sutures. The increase in 2018 in our annual production capacity was primarily attributable to the increased number of employees.

(2) Utilization rate equals actual production volume divided by production capacity. Our utilization rate decreased in 2018 as compared to 2017, primarily because we ramped up production capacity of VenusA-Valve in 2018. It further decreased in the five months ended May 31, 2019, because we slowed down our production due to the accumulated inventory at the end of 2018.

The following table sets forth the production capacity, actual production volume and utilization rate for the artificial valve of VenusP-Valve in our manufacturing facility in Hangzhou for the periods indicated.

	For the year ended December 31,		For the five months ended May 31,
VenusP-Valve PPV[1]	**2017**	**2018**	**2019**
Production capacity (units)[2]	181	450	250
Actual production volume (units)	165	225	47
Utilization rate (%)[3]	91.2	50.0	18.8

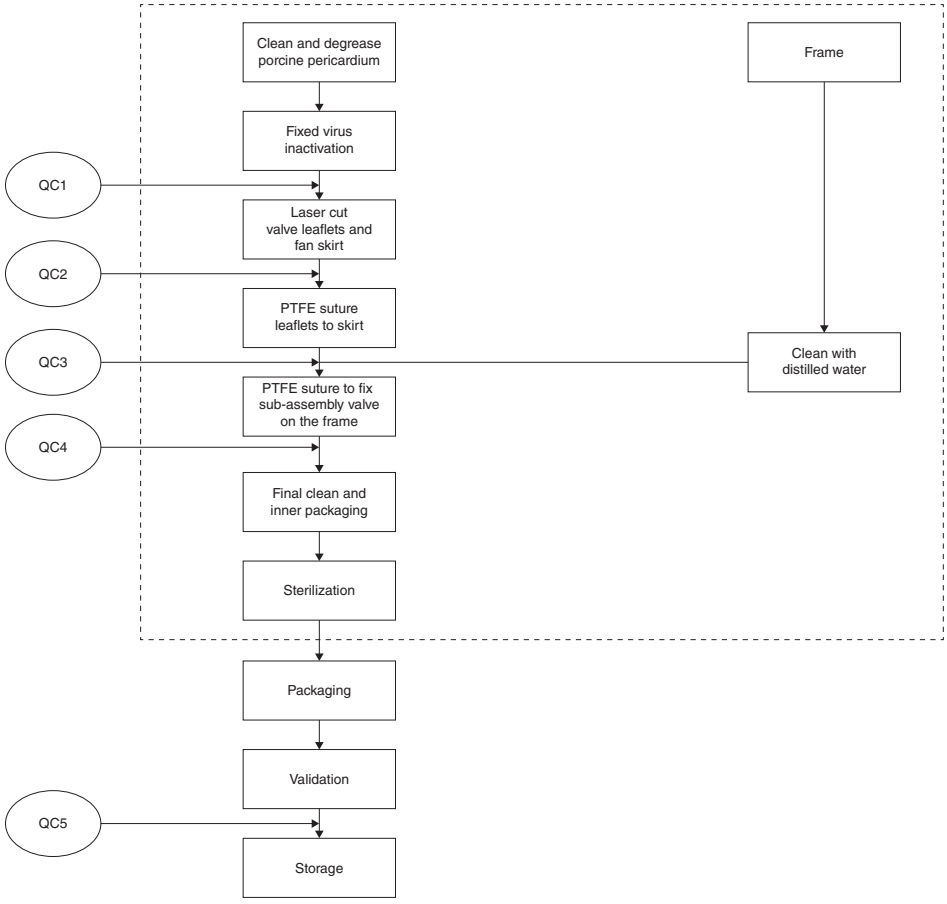
Notes:

(1) VenusP-Valve is currently not manufactured at a commercialization scale.

(2) Our production capacity is based on the assumption that it takes on average 18 hours per person to produce one PPV, and each person works eight hours per day and produces approximately 120 units of PPV per year. As of May 31, 2019, we had five employees who worked on PPV valve sutures. The increase in our annual production capacity in 2018 was primarily attributable to the increased number of employees.

(3) Utilization rate equals actual production volume divided by production capacity. During the Track Record Period, VenusP-Valve was produced primarily for clinical use. The utilization rate decreased in 2018 as compared to 2017, primarily due to the increase in our production capacity. The further decrease in utilization rate for the five months ended May 31, 2019 was primarily because we slowed down the production of VenusP-Valve in early 2019 as we completed all the TPVR procedures required for the clinical trial for CE Marking application in October 2018.

The manufacturing of our artificial valves primarily involves the following steps:



The steps within the dotted line above are conducted in a controlled clean area (ISO class 7) environment, and the steps outside the dotted line are conducted in regular environments. We have implemented quality management systems as part of our manufacturing processes. QC1 is an on-site inspection of the appearance, size, thickness and other features of the porcine pericardium. QC2 is an on-site inspection of the appearance and thickness of the cut valve leaflets and fan skirt. QC3 is an on-site inspection of the quality of semi-finished products after the valve leaflets and fan skirts are sutured. QC4 is an on-site inspection of the appearance, size and other features of the PAV and PPV. QC5 is the factory inspection of the final products. See "— Quality Control."

We conduct all the manufacturing process of artificial valves in-house. The head of our manufacturing team in China has extensive manufacturing experience in the medical device industry. Our integrated production process increases our production efficiency and reduces our dependence on third parties. This vertical integration also enables us to adjust our production quickly to respond to changes in market demand for our products.

Besides the production of artificial valves, we also assemble and pack the DCS and CLS of our valve products in-house. We have entered into agreements with an Independent Third Party to delegate the disinfection and sterilization of the DCS and CLS after we complete the assembly and packaging. We are able to monitor and control the standard and quality of the delegated disinfection and sterilization work through our agreements with third parties. The delegated party is obligated to conduct disinfection and sterilization as required by the standard ISO 11135:2014. We retain the right to inspect the delegated party's facility and equipment, evaluate whether it adheres to the required standards and request the delegated party to improve accordingly. Also, the delegated party's work is subject to our examination, and we retain the right to return the product for further disinfection. To help ensure a consistent standard of disinfection and sterilization, we tend to delegate the work to one primary entity.

The machines we use to manufacture our products mainly include laser cut machines, laser welding machines, and ultrasonic cleaners. We purchase machinery from multiple suppliers, and we are able to purchase manufacturing machinery from alternative suppliers. We have implemented a comprehensive maintenance system for our machinery. During the Track Record Period, we had not experienced any material or prolonged interruptions of our machinery due to equipment or machinery failure.

We believe that our location gives us an advantage in manufacturing over our international competitors. We have access to China's vast labor pool, which makes it easier for us to hire people with the appropriate skills for our production. The manufacturing process of the PAV and PPV is highly labor intensive, since the valve leaflets are sutured to the stent frame manually. Typically, we require new employees to undergo approximately six months of training before they commence work on our production lines. The training continues with respect to specific steps in the production process after employees commence work on the production lines. The comprehensive training enables us to increase our capacity utilization rate and our product yield rate, which as a result enhances our manufacturing efficiency.

Manufacturing of Our Ancillary Products and Product Candidates

During the Track Record Period, we delegated the production of our other marketed products, V8 and TAV8, to an Independent Third Party. The key manufacturing steps include balloon distal and proximal bonding, hub bonding, balloon folding, pouch sealing and sterilization. The manufacturer is required to produce V8 and TAV8 strictly following the specifications set forth in the agreement with us and in compliance with GMP standards. The manufacturer is also required to maintain a quality system in compliance with ISO 13485, the quality system regulations mandated by the FDA and other applicable rules and regulations for medical device. To ensure the quality of the finished products, pursuant to our agreement with the manufacturer, we may conduct random on-site quality assurance inspection and audit of the manufacturing facility.

The production of TriGUARD3 primarily involves steps including deflection filter assembly, filter coating, shaft assembly, delivery system assembly, finished goods assembly and sterilization. As of the Latest Practicable Date, we delegated laser cutting and welding, filter coating and sterilization to qualified Independent Third Parties and conducted all the other process in our Israeli facility, for the use in product design and development, pre-clinical studies and clinical trials. The head of Keystone's manufacturing team has vast manufacturing experience in the medical device industry.

The following table sets forth the production capacity, actual production volume and utilization rate for TriGUARD3 in our Israeli facility for the periods indicated.

	For the Year Ended December 31,	For the Year Ended December 31,	For the Five Months Ended May 31,
TriGUARD3	**2017**	**2018**	**2019**
Production capacity (units)[1]	1,500	1,500	625
Actual production volume (units)	251	831	344
Utilization rate (%)[2]	16.7	55.4	55.0

Notes:

(1) Our production capacity is based on the assumption that it takes on average ten technicians to produce 125 finished products per month. During the Track Record Period, we had ten technicians.

(2) Utilization rate equals actual production volume divided by production capacity. The utilization rate increased in 2018 as compared to 2017, since Phase II of the REFLECT trial was initiated in 2018.

SALES AND MARKETING

We currently have one internally developed product on the market, VenusA-Valve, for which we have received marketing approval from the NMPA in April 2017, marketing approval in Colombia in April 2018 and marketing approval in Philippines in April 2019. We are in the process of applying or preparing to apply for the marketing approval of VenusA-Valve in several other markets, including Brazil and Taiwan. We have acquired related intellectual property rights and regulatory approval of V8 and TAV8, which have received FDA 510(k) clearance, and are currently marketed in the U.S. We are in the process of renewing CE Marking for V8 and TAV8.

Currently, we primarily sell and market VenusA-Valve in China and V8 and TAV8 in the U.S. As our current products and product candidates receive more marketing approvals in countries and regions outside China, we expect to generate more sales from overseas markets.

We use a combination of our in-house sales and marketing team, our connections with hospitals and a network of independent distributors to sell our products in China. As of the Latest Practicable Date, we had a sales and marketing team of 77 people in China, led by the head of our sales and marketing team, who has vast sales and marketing experience in the medical device industry. Our team divides the China market into Northern and Southern regional markets, each led by a regional manager, who reports directly to our general manager. Two people in the sales and marketing team in China are in charge of overseas sales and marketing, including the Asia Pacific area and the South American region. In addition, Keystone has sales and marketing teams based in the U.S. and the UK which will help to promote our products and product candidates overseas led by the head of the teams, with extensive sales experience in the medical device industry. After we receive the CE Marking or the FDA clearance for TriGUARD3, we plan to market and sell the product with Keystone's in-house sales and marketing teams directly to hospitals in the U.S. and the EU. Our in-house sales and marketing team tracks and analyzes applicable local laws and regulations and government policies as well as market data of our products in order to formulate national and provincial marketing strategies more effectively.

We have not established a sales force designated for the sales and marketing of V8 or TAV8. During the Track Record Period, our sales arrangement of V8 and TAV8 were mostly inherited from the arrangements established previously by InterValve Seller, including direct sales to hospitals or medical centers in the U.S. and sales to distributors for resale in the EU and the Central and Southern American markets. We also entered into a distributorship agreement for the sales of V8 and TAV8 in Colombia in May 2019 through the marketing efforts of our sales team in China. We may consider leveraging the sales force of our team in China and Keystone's team in the U.S. and the UK for future promotion of V8 and TAV8.

In addition, we may also offer our heart valve products, TriGUARD3 and V8 and TAV8 as a package for sales in jurisdictions where we receive the marketing approval for each respective product.

Our Marketing Model

We employ a strategic marketing model to promote and sell our products. Under this model, we promote our products to hospitals in the PRC through academic marketing, by establishing research and clinical collaboration and training relationships with hospitals and by leveraging our network with KOLs.

To increase awareness of our products and technologies, we conduct educational symposia and provide training to physicians, hospital executives and researchers in the field. Our highly trained sales and marketing team focuses on interacting with physicians to educate them about, and train them in the use of, our products. Such interaction is fostered through regular visits to and communications with physicians, on-site demonstration of our products to physicians, our sponsorship of conferences, seminars and physician education programs and other activities. Although patients are the end users of our products, physicians and procurement departments of hospitals decide what products to stock and physicians typically recommend to patients what products to use. Based on our experience, as physicians become more knowledgeable and experienced with our products, they will be more likely to recommend our products. In addition to accelerating market awareness and adoption of our products, our communications with physicians provide us with continual feedback on our products and trends in the market which helps guide our R&D projects.

We have taken an active role in the key cardiology conferences in China, which serve as good opportunities to educate and train physicians in respect of TAVR and TPVR procedures, and a platform for us to present our products' innovative and advantageous features. Because of our advanced technology and our first-mover experience in China, our products have been among the central topics of academic discussions and examples for training, and our R&D experts and management have been invited as speakers to introduce their practices in this field. We have sponsored conferences that gathered leading international transcatheter heart valve replacement experts, interventional cardiologists and vascular surgeons, including CIT conferences held in March 2018 and 2019, the Second China International Structural Heart Disease Summit (第二屆中國國際結構性心臟病周) held in October 2018, CRT 2019 held in March 2019, OCC 2019 held in June 2019 and Catheter Interventions on Congenital, Structural and Valvular Heart Disease (CSI) Asia-Pacific 2019 (先天性、結構性和瓣膜性心臟病介入治療大會亞太分會) held in February 2019. We have also participated and introduced our products in various academic conferences. These conferences allow us to enhance experts' awareness of our products by hosting seminars and training sessions, presenting exhibitions and sharing our clinical results. During the CIT conferences held in 2018 and 2019, Professor Runlin Gao, a member of Chinese Academy of Medical Sciences, presented our follow-up results for the VenusA-Valve pivotal trial. We provided our products for live stream TAVR and TPVR procedures during the conferences for the purpose of physician training and academic discussion. For example, VenusA-Plus was used during China Valve (Hangzhou) Conference (杭州國際心臟瓣膜病介入治療會議) in 2018 by Professor Jian'an Wang in treating an AS patient with severe BAV, which presented VenusA-Plus' advantages in the treatment of such patients. Also, during the Second China International Structural Heart Disease Summit (第二屆中國國際結構性心臟病周), VenusA-Valve and VenusA-Plus in total were used in 14 TAVR procedures, and VenusP-Valve was used in all two TPVR procedures conducted during the event, which were shared online with all the viewers.

Our existing relationships with hospitals also help promote our products among physicians and hospitals through on-site education and training. In our marketing efforts, we primarily target large Class III Grade A hospitals, which have more resources to perform interventional heart valve procedures than smaller hospitals. As of May 31, 2019, 132 hospitals in China had conducted TAVR procedures using VenusA-Valve, and we divide them into three tiers. Tier 1 hospitals solely refer to the top four hospitals in the field of TVR procedures in China, including Beijing Fuwai Hospital (中國醫學科學院阜外心血管病醫院), West China Hospital of Sichuan University (四川大學華西醫院), the Second Affiliated Hospital of Zhejiang University School of Medicine (浙江大學醫學院附屬第二醫院), and Shanghai Zhongshan Hospital of Fudan University (復旦大學附屬中山醫院). According to Frost & Sullivan, each Tier 1 hospital completed over 200 TAVR procedures (including clinical trials) in 2018 and each can serve as a training center for physicians to learn

and practice TVR procedures. Our products are widely recognized among Tier 1 hospitals, as they have been the major hospitals for our clinical trials for VenusA-Valve and/or for VenusP-Valve. Tier 2 hospitals mainly refer to hospitals with the ability to conduct the implantation procedure or have completed the procedure independently. Tier 3 hospitals are hospitals with recently established procedure centers, which do not possess the ability to independently complete procedures.

As part of our marketing model, we have organized and will continue to organize on-site training and demonstrations of TAVR and TPVR operations using our valve systems in Tier 1 hospitals to Tier 3 hospitals, in order to build or enhance their capability to conduct such operations and to promote our products. We aim to further collaborate with Tier 2 hospitals, specifically assisting them in increasing their number of physicians eligible to conduct TAVR or TPVR procedures and selecting eligible patients for treatment so that they could develop into a training center. As for Tier 3 hospitals, through ongoing training and communication, we aim to promote their development into hospitals with the ability to independently conduct transcatheter heart valve replacement procedures. Further, our in-house sales and marketing team tracks and follows the development of newly established hospitals that may have the facilities and eligible physicians to conduct TVR procedures. We typically assist newly developed hospitals in acquiring capabilities to conduct the procedures by sharing our technology resources.

Since we commenced sales of VenusA-Valve in August 2017, we directly or through our distributors sold in total 104 units, 737 units and 563 units of VenusA-Valve for the year ended December 31, 2017 and 2018 and the five months ended May 31, 2019, respectively. We plan to expand our sales and marketing team and utilize our established relationships with hospitals and doctors to increase sales of our products.

We depend on KOLs to introduce and recommend our products to physicians and hospitals. KOLs have academic incentives in learning the latest disease treatment options available in China within their therapeutic areas, as well as introducing cutting-edge technologies and products that they believe have clinical benefits to other doctors. This will help maintain their authority and standing within the broader medical community. We provide these experts with detailed information of our valve systems and complementary products and help them make independent comparisons among competing products in the market. We believe that these KOLs' independent views on our products help increase the market recognition of our products among the wider medical community across the country. All of our KOLs are Independent Third Parties.

When selecting KOLs for a specific academic event, we consider factors such as the participating doctor's vocational affiliation, the purpose and scale (local, regional or national) of the event, as well as the KOL candidate's academic and professional backgrounds, medical specialties and reputation in the industry. We also consider whether they have participated in clinical studies or published academic articles related to transcatheter heart valve implantation procedure and related products. We usually choose physicians who have used our products before as KOLs. We typically enter into agreement with the KOLs for their services in giving presentations in academic conferences and on-site training, coaching and proctoring physicians through valve implantation in hospitals, and we make payment to the KOLs accordingly.

Besides our primary academic marketing model, we also rely on our distributors to sell our products. Each of our distributors has its own sales force that focuses on marketing in its particular territory and assigned hospitals. Distributors have engaged in promoting our products through their network of hospitals and physicians. For details, see "— Our Sales Arrangements — Sales through distributors."

Our Sales Arrangements

We sell products, including VenusA-Valve, V8 and TAV8 both directly to hospitals or medical centers and through distributors. In line with market practice, we sell a significant portion of our VenusA-Valve to distributors who resell our products to hospitals. As of the Latest Practicable Date, for our sales of VenusA-Valve, we had 48 distributors, and we directly sold our products to three hospitals.

We set annual and quarterly sales targets of VenusA-Valve at the beginning of each year and each quarter. On a monthly basis, we assess information our marketing personnel gathers from hospitals on the number of implantations of VenusA-Valve, and adjust our sales forecasts accordingly. We also refer to the historical numbers of implantations for our sales projections. We believe that the information provided by our sales and marketing team allows us to estimate market demand for our products.

The following table sets forth a breakdown of our revenue generated from distributors and direct sales:

	For the year ended December 31,				For the five months ended May 31,	
	2017		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales to distributors	16,086	88.6	105,671	91.6	82,084	95.2
Direct sales	2,078	11.4	9,677	8.4	4,122	4.8
Total	**18,164**	**100.0**	**115,348**	**100.0**	**86,206**	**100.0**

Sales through distributors

- *Selection of distributors*

Our sales and marketing team screens and selects distributors whom we believe have the required qualifications and capabilities and are suited to our strategic marketing model, and establishes and maintains resource sharing with our distributors to effectively execute our marketing strategies specifically tailored to each geographic location and the hospitals located within their locations.

Upon selecting distributors, we will first evaluate their qualifications. Our distributors primarily engage in the medical device distribution business. We select our distributors based on their experience in the medical device industry, particularly in cardiovascular devices. In addition, they must possess the requisite business licenses and permits to sell medical devices in the respective jurisdiction and have established relationships with hospitals and physicians within their designated territory. Before we appoint a distributor, we assess its sales staff and management to help ensure that they have the appropriate educational background and professional skills. We also consult with the hospitals regarding our choice of distributors and consider any recommendation from the hospitals. We review the qualifications of our distributors when our contracts with them are due to be renewed. During the Track Record Period, none of our distributors had any past or present relationship (business or otherwise) with our Group, our shareholders, directors, supervisors, senior management or any of their respective associates.

- *Rights and obligations relating to the sales of VenusA-Valve*

We do not allow overlap of distributors among hospitals. Distribution relationships between our distributors and the respective hospitals are exclusive. We generally prohibit our distributors from engaging sub-distributors to sell our products. The amount of the products we sell to a distributor depends on the number of VenusA-Valve implanted into patients by hospitals in the designated area. Specifically, our invoice to each distributor is generally issued only after the implementations of valves resold by such distributor to hospitals are completed.

We generally store and deliver our products directly to hospitals with our in-house facility and team. In June 2019, we entered into logistics arrangement with China National Pharmaceutical Group Southwest Medicine Co., Ltd., (國藥集團西南醫藥有限公司) (the "**National Pharmaceutical**"), an Independent Third Party, for the storage and transportation of VenusA-Valve in Sichuan province and to benefit from National Pharmaceutical's advanced cold-chain transportation technologies and well-established storage facilities. After we deliver our products to its warehouse, National Pharmaceutical is responsible for storage of the products and delivering the products to hospitals when we receive purchase orders from our customers. We are establishing a regional distribution system with distribution centers in different regions. Our distributors are responsible for collecting payments from hospitals, and are required to pay us for the products regardless of whether they receive payments from the hospitals.

We enter into a master agreement with each distributor, with addendums that specify terms including their designated distribution area and hospitals, target order amount, rebates and credit terms. The principal terms are summarized below.

Duration and option to renew . . .	The distribution agreements typically have a term of one year and can be renewed upon either party's notice 30 days prior to the termination date.
Designated geographical regions and hospitals	The geographical regions and hospitals for which a distributor is responsible are designated. A distributor is prohibited from selling our products outside its designated geographical regions or hospitals without our prior consent.
Exclusivity	A distributor is prohibited from promoting and selling competing products in the designated geographical region, but the distributor is free to distribute other products, including medical devices that we do not manufacture.
Target order amount	A target order amount and schedule is set for each quarter, based on patient demand and market conditions in regions where the distributors operate. We are entitled to terminate the distribution if the distributor fails to achieve the target order amount for more than two consecutive quarters.
Minimum purchase amount	None
Transportation	Typically, we are responsible for transporting our products and bear the costs and risk of loss of the transportation.
Product returns	In general, the distributor may not return products to us or exchange products other than for product quality issues. We should replace the defective product at our own costs within 30 days after the distributor or the hospital discovers such defect.

Obsolete stock return	None
Warranty	We do not provide warranties for our products, since the valve is implanted into human body.
Termination	The agreement may be terminated by us when, among other things, when the distributor fails to comply with relevant laws and regulations, receives service complaints for more than 10 times, or breaches the exclusivity or no-sub-promotion provisions. The distributor can terminate when we fail to correct our breach of contract within 45 days after receiving their notice of correction.
Regulatory compliance	The distributor is required to comply with all applicable laws and regulations, including, among other things, anti-bribery and anti-kickback laws and regulations. The distributor is also required to obtain relevant permits to sell and distribute medical devices and maintain storage facilities compliant with regulatory standards on medical device storage, and provide us with copies of the relevant licenses, permits and certificates.
Use of the trademark	The distributor shall have a non-sublicensable, non-transferable, non-assignable and non-exclusive right to use our trademark for selling our products in the designated area during the term of our distribution agreement. Our distributor shall not use the trademark for any other product and shall use the trademark only for the purpose of selling our products in accordance with the agreement.

We conduct annual review of our distributors, based on their financial performance, business performance and regulatory compliance. Distributors' financial performance is primarily evaluated by their credit records with us during each period, and the evaluation of their business performance is primarily based on the distributors' sales performance, specifically whether they meet the target order amount, and the designated hospitals' feedbacks. We also review their compliance with applicable laws and regulations. We may grant different rewards and rebates to our distributors based on the review, and we retain the discretion to adjust their credit terms, renegotiate order price and certain other commercial terms with them based on the review results. Our sales and marketing department monitors, manages and supports the activities of our distributors to help ensure that they comply with our guidelines, policies and procedures.

We provide credit term for up to six months to our distributors based on their credit profile and credit history, which is in line with the industry practice. According to Frost & Sullivan, manufacturers of high-value medical consumables in general offer credit term of 90 to 180 days to their distributors in China. The credit term may be extended upon distributor's application depending on the designated hospitals' time of payment to the distributor. During the Track Record Period, our distributors did not materially breach our contract terms, and we did not have any disputes with our distributors relating to the settlement of trade receivables. As of the Latest Practicable Date, we were not aware of any potential abuse or improper use of our name by our distributors which could adversely affect our reputation, business operation or financial contribution.

- *Rights and obligations relating to the sales of V8 and TAV8*

We generally enter into a distributorship agreement with each distributor of V8 and TAV8, under which, each distributor is appointed as an exclusive distributor in its designated geographic area. Our subsidiary, InterValve, is responsible for delivering the products to the distributor. During the Track Record Period, our distributors generally purchased V8 and TAV8 on an as-needed basis and placed small and frequent orders, to avoid inventory stock-up.

- *Relationship with distributors*

As of December 31, 2017, 2018 and May 31, 2019, we had a total of 30, 33 and 40 distributors for the sales of VenusA-Valve, respectively. The following table sets forth the changes in the number of our distributors for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,
	2017	2018	2019
As of the beginning of the period	0	30	33
Additions of new distributors	30	9	21
Termination of existing distributors[(1)]	0	6	14
Net increase (decrease) in distributors	30	3	7
As of the end of period	30	33	40

Note:

(1) Our sales arrangement with a distributor is terminated when either party terminates the distribution agreement within the term of the agreement or chooses not to renew the agreement.

Our sales arrangement with a total of 20 distributors for the sales of VenusA-Valve was terminated during the Track Record Period for various reasons, including the expiration of distribution agreement, distributors' failure to meet their target order amount and distributors' change of business.

As of December 31, 2017, 2018 and May 31, 2019, we had four, nil and one distributors for the sales of V8 and TAV8, respectively. The sales arrangement we had with three distributors as of December 31, 2017 expired in 2018 and one distributor was terminated by us in 2018. We entered into a distributorship agreement with one distributor in May 2019 for its sales of V8 and TAV8 in Colombia.

Direct sales to hospitals or medical centers

In addition to the sales through our distributors, we sell our products directly to hospitals or medical centers. For the year ended December 31, 2017, 2018 and the five months ended May 31, 2019, we sold VenusA-Valve directly to two, five and three hospitals. We generally provide credit term to hospitals according to their standard credit term, which is usually ranged from six to 12 months. According to Frost & Sullivan, manufacturers of high-value medical consumables in general offer credit term of approximately 360 days to hospitals in China. We also sold V8 and TAV8 directly to hospitals and medical centers in the U.S. during the Track Record Period.

During the Track Record Period, we did not have any disputes with the hospitals or medical centers relating to the settlement of trade receivables.

Pricing

As of the Latest Practicable Date, there was no tender or bidding process or guidance price set by relevant PRC government authorities on our products. Our distributors negotiate and set retail prices directly with hospitals, and such retail prices shall not be less than the suggested resale prices set in the distributorship agreement without our prior consent. Specifically, for VenusA-Valve, we sell our products to distributors either at the minimum order price or at the discount as agreed with the distributors to the retail price hospitals and distributors agreed upon. Since August 1, 2018 when we renewed our distribution agreement template and pricing policy, we set the same discount rate for all of our distributors and prior to that, the discount rate varied depending on the credit term we provided to the distributor and the distributor's promotion effort. We generally set a fixed purchase price of V8 and TAV8 in the distributorship agreement, which may vary depending on the market conditions in different regions. For our direct sales to hospitals and medical centers, we negotiate the price directly with each hospital and medical center.

CUSTOMERS

During the Track Record Period, we derived substantially all of our revenues from the sale of our VenusA-Valve product, which was commercially launched in August 2017.

For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, the aggregate sales to our five largest customers were RMB11.5 million, RMB68.5 million and RMB49.6 million, representing 63.2%, 59.4% and 57.5% of our revenue, respectively. Sales to our largest customer for the same periods were RMB3.4 million, RMB19.2 million and RMB14.4 million, representing 18.9%, 16.6% and 16.7% of our revenue, respectively. We sell a significant portion of our products to distributors, and all of our five largest customers in 2017, 2018 and during the five months ended May 31, 2019 were distributors. Please see below a summary of the sales to our five largest customers for the periods indicated:

Five Largest Customers for the year ended December 31, 2017	Company Background	Covered Region	Sales Amount	Percentage of Revenue
			RMB'000	
Customer A	A private company that engages in the sales of Class II and III medical devices	Shanghai	3,424	18.9%
Customer B	A private company that engages in the sales of Class I, II and III medical devices	Sichuan	3,073	16.9%
Customer C	A private company that engages in the sales of Class I, II and III medical devices	Guangdong	2,079	11.4%
Customer D	A private company that engages in the sales of Class II and III medical devices	Beijing	1,638	9.0%
Customer E	A private company that engages in, among others, the sales of Class I, II and III medical devices	Henan, Shaanxi	1,274	7.0%
Total			11,488	63.2%

Five Largest Customers for the year ended December 31, 2018	Company Background	Covered Region	Sales Amount	Percentage of Revenue
			RMB'000	
Customer D	A private company that engages in the sales of Class II and III medical devices	Beijing	19,177	16.6%
Customer E	A private company that engages in, among others, the sales of Class I, II and III medical devices	Shaanxi, Tianjin, Henan, Hebei, Beijing, Jilin	17,048	14.8%
Customer B	A private company that engages in the sales of Class I, II and III medical devices	Sichuan	15,231	13.2%
Customer A	A private company that engages in the sales of Class II and III medical devices	Shanghai	10,953	9.5%
Customer F	A private company that engages in the sales of Class I, II and III medical devices	Zhejiang	6,138	5.3%
Total			68,547	59.4%

Five Largest Customers for the five months ended May 31, 2019	Company Background	Covered Region	Sales Amount	Percentage of Revenue
			RMB'000	
Customer E	A private company that engages in, among others, the sales of Class I, II and III medical devices	Shaanxi, Tianjin, Henan, Hebei, Beijing, Jilin	14,378	16.7%
Customer D	A private company that engages in the sales of Class II and III medical devices	Beijing	11,154	12.9%
Customer G	A private company that engages in the sales of Class I, II and III medical devices	Guangdong	9,498	11.0%
Customer B	A private company that engages in the sales of Class I, II and III medical devices	Sichuan	8,870	10.3%
Customer H	A private company that engages in the sales of Class I, II and III medical devices	Shanghai	5,724	6.6%
Total			49,624	57.5%

During the Track Record Period, none of our Directors or any Shareholders, who, to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following the completion of the Global Offering (but without taking into account the exercise of the Over-allotment Option) nor any of their respective associates had any interest in any of our five largest customers.

AFTER-SALE SERVICE

Since our heart valve products are implanted within patients, as part of our customer service, hospitals conduct follow-up as designed for the procedure to observe the performance of our products based on the patients' physical conditions. We also provide channels for complaints regarding our products, including complaints on the quality of our products and adverse events after implantation. We have not received any customer complaints during the Track Record Period. We have a digital medical service department dedicated to tracking and recording severe

adverse events and handling customer complaints and queries with online tracking system. If the team determines that an incident involving our product constitutes a major adverse event under NMPA regulations, we will report the incident to the NMPA and assess the cause for the adverse events. Our digital medical service department also investigates and analyzes the cause of issue raised by our customers and refers the quality issue to our management and relevant responsible departments for resolution and correction. We will recall our products for quality issues when necessary. During the Track Record Period and up to the Latest Practicable Date, there had not been any product recalls due to quality issues.

Because transcatheter heart valve replacement devices involve relatively new technology, we provide technical support to hospitals and physicians through our sales and marketing personnel. Our marketing and technical support personnel study patients' angiographs together with physicians and help determine whether interventional procedures are suitable for the patients and whether they need to be specifically made to order. Our marketing and technical support personnel sometimes observe transcatheter heart valve replacement procedures using our products and provide information during such procedures to help physicians understand our products. They also follow up with physicians after the procedures to collect data on the performance of our products.

RAW MATERIALS AND SUPPLIERS

Suppliers

For the years ended December 31, 2017, 2018, and the five months ended May 31, 2019, purchases from our five largest suppliers in aggregate accounted for 29.0%, 25.2% and 19.6% of our total purchases (including value added tax), respectively, and purchases from our largest supplier accounted for 9.9%, 8.9% and 6.6% of our total purchases for the same periods (including value added tax), respectively. During the Track Record Period, our purchases mainly include raw materials, machines and equipment and services from third parties such as CROs, animal labs and ticket agents.

All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following completion of the Global Offering (but without taking into account the exercise of the Over-allotment Option) nor any of their respective associates had any interest in any of our five largest suppliers during the Track Record Period. Please see below a summary of the purchases from our five largest suppliers for the periods indicated:

Five Largest Suppliers for the year ended December 31, 2017	Purchases	Purchase Amount	Percentage of Total Purchases
		RMB'000	
Supplier A	Travel agency services	7,119	9.9%
Supplier B	Clinical study services	3,900	5.4%
Supplier C	Conference, transportation and accommodation services	3,539	4.9%
Supplier D	Animal study services	3,265	4.5%
Supplier E	Manufacturing facility construction and renovation	3,049	4.2%
Total		20,872	29.0%

Five Largest Suppliers for the year ended December 31, 2018	Purchases	Purchase Amount	Percentage of Total Purchase
		RMB'000	
Supplier A	Travel agency services	11,545	8.9%
Supplier F	Financial consulting services	6,739	5.2%
Supplier G	Legal consulting services for the acquisition of Keystone	5,431	4.2%
Supplier B	Clinical study services	4,633	3.6%
Supplier H	Property rental services	4,234	3.3%
Total		32,582	25.2%

Five Largest Suppliers for the five months ended May 31, 2019	Purchases	Purchase Amount	Percentage of Total Purchase
		RMB'000	
Supplier A	Travel agency services	5,757	6.6%
Supplier I	Clinical study services	4,421	5.1%
Supplier B	Clinical study services	2,816	3.2%
Supplier C	Conference, transportation and accommodation services	2,099	2.4%
Supplier J	Property rental services	2,032	2.3%
Total		17,125	19.6%

Raw Materials

For the production of our heart valve products and product candidates, our principal raw materials are porcine pericardium and nitinol frame, and other raw materials include sheath and metal parts. We primarily use a limited number of suppliers for our principal raw materials, although there are alternate suppliers available for most of such materials. As of the Latest Practicable Date, we had three principal suppliers for porcine pericardium in China and one supplier for nitinol frame in the U.S., from whom, we purchased principal raw materials on an as-needed basis, and we are currently in the process of choosing an alternative supplier for nitinol frame. During the Track Record Period, we also purchased raw materials for the manufacture of our ancillary products, primarily including nitinol tubes and wires and PEEK mesh for TriGUARD3. Pebax balloons are the primary raw materials for V8 and TAV8, which were purchased by our third-party manufacturer following the specifications listed in the manufacturing agreement, during the Track Record Period.

We generally enter into supply agreements with our principal raw material suppliers. We have entered into a three-year supply agreement with our principal suppliers for porcine pericardium. We tend not to change the suppliers for porcine pericardium, since it takes us extensive time and process to inspect the quality of such raw materials. Our agreement with the supplier specifically lists the requirements of the porcine pericardium, including the environment where the pigs, as the source of the supplied materials, should be raised. We will decide whether to accept the supply upon inspecting and examining the materials. The exclusivity clause in the agreement prohibits the supplier from selling porcine pericardium to any purchasers other than us. The agreement can be renewed upon both parties' consent three months before its termination date.

Regarding the supply for nitinol frames, we generally enter into a quality assurance agreement (the "**QAA**") and a purchase agreement with suppliers. The initial term of the QAA is one year, and it will be automatically prolonged for a one-year period if not terminated by the supplier three months prior to the end of the quarter before the QAA expires. The QAA requires the supplier to adhere to at least a quality management system according to ISO 9001, and follows the technical elements in our product specifications. To help ensure the supplier's compliance with our standard requirements, the supplier is required to present initial samples for our inspection and approval before starting serial production and conduct a yearly requalification test if we demand. Under the one-year supplier purchase agreement, we are required to purchase estimated minimum fifty percent of our annual requirements of nitinol frame from the supplier, and the supplier is obligated to manufacture and supply the nitinol frame exclusively for us.

Our principal suppliers for raw materials usually provide us a credit term of up to 30 days.

INVENTORY

Our inventories consist of raw materials, work in progress and finished goods. We generally maintain an inventory level of three month sales volume for our finished goods and three months' supply of our raw materials, and such level will vary according to the demand of our customers, sales and production plans. Keeping three month's supply of raw materials is sufficient for our production, primarily because the procurement for our raw materials usually takes at most six to eight weeks and the production cycle of our valve products is usually approximately four to six weeks. Our raw materials are typically not subject to expiration, except for porcine pericardium with a six month effective period, and thus we usually keep a three to six week of stock of porcine pericardium. We store substantially all our inventories in our headquarters in Hangzhou, Zhejiang province, China.

VenusA-Valve has a shelf life of two years. All our products are sold on a first-in-first-out basis. To minimize the risk of building up inventory, we regularly review our inventory levels. We also carry out physical stock counts and stock inspections from time to time to identify damaged products or obsolete or about-to-expire products, which are disposed of or for which provisions are made. Our procurement department manages our inventory levels by monitoring in real time our production activities and sales orders and also taking into consideration any emerging trends through discussions with our sales and marketing department. Based on this information, the planning department develops a production and inventory plan, which is updated on a monthly basis, and places orders with suppliers for any inventory which is expected to decline below targeted levels.

During the Track Record Period, we did not experience any material shortage of inventory.

QUALITY CONTROL

We have a quality management department that devotes significant resources to quality management of our products. We have our own quality control system and devote significant attention to quality control for the designing, R&D manufacturing, testing and transportation of our products and product candidates. Our management team is actively involved in setting quality policies and managing our internal and external quality performance. We have established a strict quality control system in accordance with NMPA regulations, ISO13485:2016 standards and EU regulations on the quality management system of medical devices, including MDD 93/42/EEC and MDD 2007/47/EC.

As of the Latest Practicable Date, our quality management department consists of 34 employees. The department is divided into a quality control team and a quality assurance team. Our quality control team is responsible for inspecting raw materials, production process and the quality of finished goods. Our quality assurance team focuses on the establishment, implementation and maintenance of our quality management system, as well as monitoring our operation in real time throughout the entire development and production process to ensure its compliance with the applicable regulatory and industry requirements.

Quality Control of Raw Material Supply

Prior to entering into supply agreements with our raw material suppliers, we perform background checks on the operating history, track record and market reputation of a list of potential suppliers, procure different product samples from the potential suppliers for inspection and testing by our quality management department, conduct site visits and examine the production facilities of the potential suppliers to help ensure that the suppliers that we select meet our quality requirements.

For our principal raw materials, porcine pericardium and nitinol frames, suppliers are obligated to take measures to comply with our quality control standards for their products and production process. We are entitled to conduct on-site audits at the suppliers' premises to monitor their compliance with agreed quality assurance actions, which may be effected in the form of system, process or product audits. We also conduct off-site information assessments to evaluate the suppliers' performance. Traceability of the raw material supplies is required for our principal suppliers. Upon receiving supplies, we retain the right to reject or return based on our inspection and examination results.

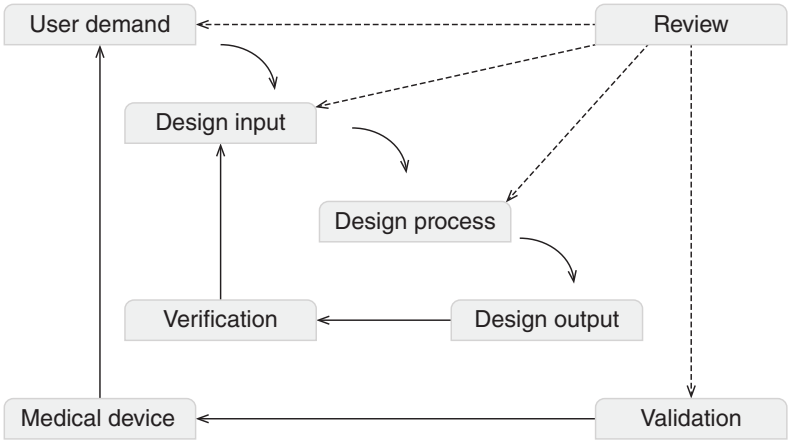
Quality Control of Inventory

Our quality management department and our warehouse personnel take responsibilities and collaborate to help ensure the quality of our raw materials and products inventory. The quality management department is in charge of inspecting and examining raw materials and products before they are accepted as inventory.

The warehouse personnel is responsible for recording the inventory to ensure the traceability of our raw materials and products, the regular storage, maintenance and inspection of the inventory and warehouse maintenance. Designated warehouse personnel inspect the inventory on a regular basis according to the required storage and maintenance conditions of relevant inventory. For example, PAVs are required to be kept at a temperature of 0-10°C, and we have trained our designated personnel to administer and operate the cold-chain storage of the heart valves.

Quality Control of Design and Development

All the procedures of our design and development activities must strictly follow our design and development control policy and procedures, which specifically lists the eight stages to develop a new product. As discussed in the section headed "— R&D — Product Design and Pre-Clinical Development" above, the project team for each project consists of representatives from various departments who contribute to our R&D work in their respective expertised fields. At the same time, the project team strictly follows each step of our internal protocol, and the design and development committee closely monitors and reviews key stages along the design and development process. The chart below shows our design and development stages:



(1) Design and developing planning. The sales and marketing department prepares a design and development project proposal based on estimated market demand and the R&D department conducts the feasibility analysis for the proposal.

(2) Design and development inputs. The project team determines required inputs and prepares an input report, which lists the product candidate's function, performance, usability and safety requirements, applicable regulatory requirements and standards and other essential requirements for the design and development of the product candidate.

(3) Design and development outputs. The project team prepares product design drawing file, procurement list and risk analysis reports, designs production process and testing process and keeps design history file and records.

(4) Verification of design and development outputs. The project team ensures that the design and development outputs meet the requirements of the design and development inputs.

(5) Validation of design and development. The project team ensures the product's compliance with the prescribed application and other requirements, completes pre-clinical trial and evaluation and conducts clinical trial and evaluation if required. Specifically, prior to initiating clinical trial, the project team will conduct validation studies, primarily including bench test on the product's size, corrosion and fatigue, chemical studies, biocompatibility studies, and animal studies if needed.

(6) Transfer of design and development. These procedures ensure that the design and development outputs are suitable for manufacturing before such outputs become final production specifications and our production capability will suffice.

Quality Control for Manufacturing

Our quality management department is responsible for ensuring that we comply with applicable regulatory and industry standards throughout the entire manufacturing process through regular on-site inspections. After completing each step of the production process, we perform cleaning and maintenance procedures to prevent contamination or cross contamination before we proceed to the next production cycle. In addition, we perform regular dust and microbiological testing in our production facilities in accordance with our detailed manufacturing standards.

Each batch of our products is subject to a strict sample inspection before sales. We conduct sample testing on certain work in progress and semi-finished products at particular stages of production. In addition, our quality control team inspects the documentation relating to product quality, including its batch records, laboratory control records, production process records and other information that may impact product quality. Thereafter, they conduct a final review on all documents and determine whether a specific product can be released for shipment. Products that do not meet our quality standards are destroyed or otherwise disposed of in accordance with the relevant environmental control requirements.

Quality Control for Transportation

Our quality management department monitors the transportation process and administers transportation records, and our sales and marketing department provides technical support. We also have trained designated logistics personnel to handle the cold-chain transportation of PAVs.

After-Sale Quality Control

We are able to track our products sold to our end customers. We analyze feedback from our distributors and hospitals and handle any customer complaints with respect to the quality of our products. Quality complaints, both verbal and written, are documented and investigated pursuant to standard procedures. We have dedicated employees responsible for responding to complaint calls.

If any product falls short of the relevant quality standards, we will replace the defective product at our own costs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any product returns or product liability claims.

INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, we owned 389 patents and patent applications, including 317 invention patents and patent applications, 54 utility models and 18 industry designs. We own 93 issued patents and 60 patent applications in China, and 100 issued patents and 136 patent applications overseas. Among the overseas patents, there are 40 issued patents and 26 patent applications in the United States, 28 issued patents and 20 patent applications in Europe, 18 issued patents and 13 patent applications in Japan, seven issued patents and 19 patent applications in Canada, seven issued patents and 36 patent applications in other overseas countries and regions, and 22 valid applications under the Patent Cooperation Treaty, or PCT, relating to certain of our products, product candidates and technologies.

We primarily acquire patents through self-development or from third parties through patent purchasing or business acquisition. Among the 389 patents and patent applications, 175 were self-developed, 142 were acquired from third parties through purchasing, and 72 were acquired through business acquisition. The 13 patents related to TAV8 were formerly owned by InterValve, which we acquired through the asset purchase agreement signed on November 25, 2016, and the legal title for such patents were transferred to our subsidiary on September 13, 2018. The 40 patents and patent applications related to TriGUARD3 are owned by Keystone, which we acquired in December 2018. Besides the patents and patent applications we owned, as of the Latest Practicable Date, we also in-licensed 25 issued patents and 17 patent applications in relation to TriGUARD3.

The table below lists the patents and patent applications we owned or in-licensed by product as of the Latest Practicable Date:

Product	Coverage of Patent Protection	Status (number of patents/patent applications)	Covered Regions
VenusA-Valve	PAV + CLS + DCS	Granted (14)	China, Japan, Germany, France, Holland, Switzerland, Italy, Britain, Russia, U.S.
		Pending (4)	China, India, U.S.
VenusA-Plus	PAV + CLS + DCS	Granted (18)	China, Japan, Germany, France, Holland, Switzerland, Italy, Britain, Russia, U.S.
		Pending (12)	China, India, U.S., PCT
VenusA-Pilot	PAV + CLS + DCS	Granted (15)	China, Japan, France, Holland, Switzerland, Italy, Britain, Russia
		Pending (9)	China, India, U.S., PCT
VenusP-Valve	PPV + CLS + DCS	Granted (13)	China, Japan, Germany, France, Holland, Switzerland, Italy, Britain, Russia, South Africa
		Pending (14)	China, Hong Kong, Japan, India, Korea, U.S., Brazil, Canada, Mexico, Europe, Russia
TMVR	CLS + DCS	Granted (132)	China, Japan, U.S., Canada, Germany, France, Holland, Spain, Italy, Britain, Russia, Switzerland, Belgium
		Pending (106)	China, Hong Kong, Japan, India, Korea, U.S., Brazil, Canada, Europe, Germany, PCT
TTVR	CLS + DCS	Granted (125)	China, Japan, U.S., Canada, Germany, France, Holland, Spain, Italy, Britain, Russia, Switzerland, Belgium
		Pending (88)	China, Japan, India, U.S., Brazil, Canada, Europe, Germany, PCT
TriGUARD3	Blood clot filter	Granted (41)	China, Hong Kong, Japan, Korea, Singapore, Israel, U.S., Canada, Mexico, Europe, Germany, Ireland, Denmark, France, Holland, Switzerland, Sweden, Spain, Italy, Britain, Russia, South Africa, Australia
		Pending (41)	China, Japan, India, Hong Kong, U.S., Canada, Brazil, Australia, Malaysia, Europe, PCT
V8 and TAV8	Valvuloplasty catheter and methods; Ellipticity measuring device; Balloon catheter	Granted (11)	China, U.S.
		Pending (2)	China

The table below lists the portfolio of patents and patent applications of our Core Products as of the Latest Practicable Date:

Name of Patent	In-review/ Approval number	Status	Related products	Coverage of patent protection	Granting authority	Covered region	Inventor identity	Validity until
Delivery device for delivery artificial cardiac valve replacement device (用於輸送人造瓣膜置換裝置的輸送裝置)	ZL201010150770.6	Granted	VenusA-Valve, VenusA-Plus	DCS	CNIPA	China	Yuehan Wang, Qiming Zhang, Yunbing Wang, Qiming Sun	April 2030
Safe artificial valve replacing device and safe stent (一種使用安全的人造瓣膜置換裝置及支架)	ZL201010150802.2	Granted	VenusA-Valve, VenusA-Plus	PAV	CNIPA	China	Yuehan Wang, Qiming Zhang, Yunbing Wang, Qiming Sun	April 2030
A bracket fixing head for loading an artificial valve replacement device (用於裝載人造瓣膜置換裝置的支架固定頭)	ZL201010150792.2	Granted	VenusA-Valve, VenusA-Plus	DCS	CNIPA	China	Yuehan Wang, Qiming Zhang, Yunbing Wang, Qiming Sun	April 2030
Conveniently-implantable artificial valve replacement device and scaffold (一種方便植入的人造瓣膜置換裝置及支架)	ZL201010150780.X	Granted	VenusA-Valve, VenusA-Plus	PAV	CNIPA	China	Qiming Sun, Yuehan Wang, Yunbing Wang, Qiming Zhang	April 2030
Compression Device for Artificial Valve Replacing Device (人造瓣膜置換裝置的壓縮裝置)	ZL201210288463.3	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	CLS	CNIPA	China	Jian'an Wang, Rongjun Lei, Mr. Zi	August 2032
Compression Device for Artificial Valve Replacing Device	EP2886082	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	CLS	European Patent Office	Britain, France, Germany, Switzerland, Holland, Italy	Rongjun Lei, Mr. Zi	August 2033
Compression Device for Artificial Valve Replacing Device	US10098735	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	CLS	USPTO	U.S.	Rongjun Lei, Mr. Zi	October 2033
Compression Device for Artificial Valve Replacing Device (人工弁置換装置の圧縮装置)	JP5956076	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	CLS	Japan Patent Office	Japan	Rongjun Lei, Mr. Zi	August 2033
Compression Device for Artificial Valve Replacing Device (КОМПРЕССИОННОЕ УСТРОЙСТВО ДЛЯ УСТРОЙСТВА, ПРЕДСТАВЛЯЮЩЕГО СОБОЙ ЗАМЕЩАЮЩИЙ ИСКУССТВЕННЫЙ КЛАПАН)	RU2614497	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	CLS	Russian Federal Institute of Industrial Property	Russia	Rongjun Lei, Mr. Zi	August 2033
Compression Device for Artificial Valve Replacing Device	286/MUMNP/2015	Pending	VenusA-Valve, VenusA-Plus, VenusP-Valve	CLS	Intellectual Property India	India	Rongjun Lei, Mr. Zi	Not applicable
Valve prosthesis and valve prosthesis device (一種假體瓣膜及假體瓣膜裝置)	ZL201210566977.0	Granted	VenusA-Valve, VenusA-Plus,	PAV	CNIPA	China	Jian'an Wang, Yuehan Wang, Jun Qi, Rongjun Lei, Qiming Zhang	December 2032

Name of Patent	In-review/ Approval number	Status	Related products	Coverage of patent protection	Granting authority	Covered region	Inventor identity	Validity until
Prosthesis valve and prosthesis Valve Apparatus	2004/KOLNP/2015	Pending	VenusA-Valve, VenusA-Plus,	PAV	Intellectual Property India	India	Yuehan Wang, Jun Qi, Rongjun Lei, Qiming Zhang	Not applicable
A sheath core and an interventional device conveying system comprising the sheath core (一種鞘芯及包含該鞘芯的介入器械輸送系統)	ZL201310085665.2	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	DCS	CNIPA	China	Jian'an Wang, Yuehan Wang, Zhifei Zhang, Qiming Zhang	March 2033
An interventional device delivery system and sheath-core (一種介入器械輸送系統及其鞘芯)	ZL201310085416.3	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	DCS	CNIPA	China	Jian'an Wang, Zhifei Zhang, Yuehan Wang, Qiming Zhang	March 2033
Pulmonary stent and pulmonary replacement valve having the pulmonary stent (肺動脈支架及具有該肺動脈支架的肺動脈瓣膜置換裝置)	ZL201310257705.7	Granted	VenusP-Valve	PPV	CNIPA	China	Jian'an Wang, Mr. Zeng, Daxin Zhou, Qiming Zhang	June 2033
A sheath-core for delivering an interventional device and a delivery system comprising the sheath-core (用於介入器械輸送的鞘芯及具有該鞘芯的輸送系統)	ZL201310397284.8	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	DCS	CNIPA	China	Jian'an Wang, Mr. Zeng, Zhifei Zhang	September 2033
Valve stent used safely and valve replacement device having the same (使用安全的瓣膜支架以及具有該瓣膜支架的瓣膜置換裝置)	ZL201510136304.5	Granted	VenusP-Valve	PPV	CNIPA	China	Mr. Zeng, Lali Luo, Yunbing Wang, Jun Qi	March 2035
Valve stent used safely and valve replacement device having the same (使用安全的瓣膜支架以及具有該瓣膜支架的瓣膜置換裝置)	CN201710364207.0	Pending	VenusP-Valve	PPV	CNIPA	China	Mr. Zeng, Lali Luo, Yunbing Wang, Jun Qi	Not applicable
Valve stent used safely and valve replacement device having the same (使用安全的瓣膜支架以及具有該瓣膜支架的瓣膜置換裝置)	ZL201520175586.5	Granted	VenusP-Valve	PPV	CNIPA	China	Mr. Zeng, Lali Luo, Jun Qi	March 2025
Valve stent used safely and valve replacement device having the same	US15/715961	Pending	VenusP-Valve	PPV	USPTO	U.S.	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Valve stent used safely and valve replacement device having the same	RU2017137520	Pending	VenusP-Valve	PPV	Russian Federal Institute of Industrial Property	Russia	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Valve stent used safely and valve replacement device having the same (STENT DE VÁLVULA USADO DE MODO SEGURO E DISPOSITIVO DE SUBSTITUIÇÃO DE VÁLVULA QUE TEM O MESMO)	BR112017020287-5	Pending	VenusP-Valve	PPV	Brazil National Institute of Industrial Property	Brazil	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Valve stent used safely and valve replacement device having the same	EP15885936.3	Pending	VenusP-Valve	PPV	European Patent Office	Europe	Mr. Zeng, Lali Luo, Jun Qi	Not applicable

Name of Patent	In-review/ Approval number	Status	Related products	Coverage of patent protection	Granting authority	Covered region	Inventor identity	Validity until
Valve stent used safely and valve replacement device having the same . .	CA2985431	Pending	VenusP-Valve	PPV	Canadian Intellectual Property Office	Canada	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Use of safe valve and valve replacement device with valve scaffold.	IN201727033394	Pending	VenusP-Valve	PPV	Intellectual Property India	India	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Valve stent used safely and valve replacement device having the same . .	ZA2017/06879	Granted	VenusP-Valve	PPV	South African Patent Office	South Africa	Mr. Zeng, Lali Luo, Jun Qi	May 2035
Use of safe valve scaffold and valve replacement deveice with valve scaffold (발명의명칭안전한 밸브스텐트의 이용 및밸브스텐트를구비하는밸브 치환 장치)	KR10-2017-7027319	Pending	VenusP-Valve	PPV	Korean Intellectual Property Office	Korea	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Valve stent used safely and valve replacement device having the same (STENT DE VÁLVULA UTILIZADO CON SEGURIDAD Y DISPOSITIVO DE REEMPLAZO DE VÁLVULA QUE TIENE EL MISMO)	MX/a/2017/012363	Pending	VenusP-Valve	PPV	Mexican Patent Office	Mexico	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Valve stent used safely and valve replacement device having the same (使用が安全なバルブステント及びそれを具備するバルブ置換装置)	JP2018-500837	Pending	VenusP-Valve	PPV	Japan Patent Office	Japan	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
Use of safe valve scaffold and valve replacement device with valve scaffole. .	HK18103231.3	Pending	VenusP-Valve	PPV	Intellectual Property Department The Government of the Hong Kong Special Administrative Region	Hong Kong	Mr. Zeng, Lali Luo, Jun Qi	Not applicable
In-vitro biological valve calcification evaluation method and reducing calcium ingredient solution (體外生物瓣鈣化評價的方法及抗鈣化因子溶液)	ZL201510434781.X	Granted	VenusA-Valve, VenusA-Plus, VenusP-Valve	PAV,PPV	CNIPA	China	Dajun Kuang, Nan Shao	July 2035
In-vitro biological valve calcification evaluation method and reducing calcium ingredient solution.	US15/876908	Pending	VenusA-Valve, VenusA-Plus, VenusP-Valve	PAV,PPV	USPTO	U.S.	Dajun Kuang, Nan Shao	Not applicable
In vitro biological valve anti-calcification treatment method, calcification evaluation method (體外生物瓣抗鈣化處理方法, 鈣化評價方法)	CN201810385139.0	Pending	VenusA-Valve, VenusA-Plus, VenusP-Valve	PAV,PPV	CNIPA	China	Dajun Kuang, Nan Shao	Not applicable
Easy-to-control interventional instrument delivery device (一種便於控制的介入器械輸送裝置)	PCT/CN2018/111573	Pending	VenusA-Plus	DCS	World Intellectual Property Organization	PCT	Zhifei Zhang, Mr. Zi, Mr. Zeng, Quangang Gong	Not applicable

Name of Patent	In-review/ Approval number	Status	Related products	Coverage of patent protection	Granting authority	Covered region	Inventor identity	Validity until
A repositionable delivery device for interventional instrument (一種可重複定位的介入器械輸送裝置)	CN201821718838.4	Pending	VenusA-Plus	DCS	CNIPA	China	Zhifei Zhang, Mr. Zi, Mr. Zeng, Quangang Gong	Not applicable
A delivery system handle for quickly withdrawing heart valve prosthesis (可快速回撤人工心臟瓣膜假體的輸送系統手柄). .	CN201821661080.5	Granted	VenusA-Plus	DCS	CNIPA	China	Zhifei Zhang	October 2028
Interventional instrument delivery apparatus for convenient recovery and control (一種便於回收控制的介入器械輸送裝置)	CN201810940227.2	Pending	VenusA-Plus	DCS	CNIPA	China	Zhifei Zhang, Mr. Zeng, Quangang Gong	Not applicable
A delivery device for repositioning a heart valve (一種介入心臟瓣膜可重複定位的輸送裝置)	CN201810509256.3	Pending	VenusA-Plus	DCS	CNIPA	China	Jian'an Wang, Zhifei Zhang, Mr. Zeng Shiguang Wu	Not applicable
A delivery device for reinterpreting a heart valve (一種介入心臟瓣膜可重複定位的輸送裝置)	ZL201820781988.3	Granted	VenusA-Plus	DCS	CNIPA	China	Jian'an Wang, Zhifei Zhang, Mr. Zeng, Shiguang Wu	May 2028
A stable operationally interventional heart valve retrievable delivery system (一種操作穩定的介入心臟瓣膜可回收輸送系統) . .	CN201810507335.0	Pending	VenusA-Plus	DCS	CNIPA	China	Jian'an Wang, Zhifei Zhang, Mr. Lim	Not applicable
A stable operationally interventional heart valve retrievable delivery system (一種操作穩定的介入心臟瓣膜可回收輸送系統) . .	ZL201820781530.8	Granted	VenusA-Plus	DCS	CNIPA	China	Jian'an Wang, Zhifei Zhang, Mr. Lim	May 2028
A convenient delivery system for interventional heart valves (一種便於操控的介入心臟瓣膜的輸送系統)	ZL201810509283.0	Granted	VenusA-Plus	DCS	CNIPA	China	Jian'an Wang, Zhifei Zhang, Mr. Lim, Mr. Zeng, Shiguang Wu	May 2038
Interventional instrument delivery apparatus for convenient recovery and control (一種便於回收控制的介入器械輸送裝置)	PCT/CN2018/111565	Pending	VenusA-Plus	DCS	World Intellectual Property Organization	PCT	Zhifei Zhang, Mr. Zi, Mr. Zeng, Quangang Gong	Not applicable
Interventional device delivery apparatus facilitating retrieval, and an interventional device delivery method (一種便於回收的介入器械輸送裝置以及介入器械輸送方法) . .	PCT/CN2018/111567	Pending	VenusA-Plus	DCS	World Intellectual Property Organization	PCT	Zhifei Zhang, Mr. Zi, Mr. Zeng, Quangang Gong	Not applicable
Easily controlled interventional instrument delivery device and an interventional instrument delivery method (一種便於控制的介入器械輸送裝置以及介入器械輸送方法).	PCT/CN2018/111569	Pending	VenusA-Plus	DCS	World Intellectual Property Organization	PCT	Zhifei Zhang, Mr. Zi, Mr. Zeng, Quangang Gong	Not applicable

The term of an individual patent may vary based on the countries/regions in which it is granted. In most countries and regions in which we file patent applications, including China and the United States, the term of an issued patent is generally 20 years from the filing date of the earliest non-provisional patent application on which the patent is based in the applicable country. In the United States, a patent's term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office, or USPTO, in excess of a patent applicant's own delays during the prosecution process, or may be shortened if a patent is terminally disclaimed over a commonly-owned patent having an earlier expiration date.

In addition, with respect to any issued patents in the United States and Europe, we may be entitled to obtain an extension of the patent's term provided we meet the applicable requirements for obtaining such patent term extension. The exact duration of the extension depends on the time we spend in clinical studies, as well as obtaining approvals from the FDA. However, a patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved product, a method for using it, or a method for manufacturing it may be extended. In certain other foreign jurisdictions, similar extensions as compensation for regulatory delays are also available.

The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/region and the validity and enforceability of the patent. We cannot provide any assurance that patents will issue with respect to any of our owned or licensed pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned or licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We may rely, in some circumstances, on trade secrets and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, scientific advisers and contractors. We have entered into confidentiality agreements and non-competition agreements with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we use to employ our employees, contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.

These agreements may not provide sufficient protection of our trade secret and/or confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secret and/or confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secret and/or confidential information may become known or be independently developed by a third party, or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See "Risk Factors — Risks Relating to Our Operations — Our internal computer systems may fail or suffer security breaches."

We also own a number of registered trademarks and pending trademark applications. As of the Latest Practicable Date, we had registered trademarks for our Company and our corporate logo in China, the EU and other jurisdictions and are seeking trademark protection for our Company and our corporate logo in the United States and other countries where available and appropriate.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of, and we had not received notice of any material claims of infringement of, any intellectual property rights that are threatened or pending, in which we may be a claimant or a respondent. For details, see "Appendix VI — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights."

COMPETITION

The market in which we operate is characterized by rapid changes resulting from technological advances and scientific discoveries. In addition, it is subject to changes in the overall healthcare industry in China and globally. While we believe that our product development experience and robust R&D capabilities provide us with competitive advantages, we face potential competition from various sources, including major international medical device companies as well as domestic medical device manufacturers which are also developing transcatheter heart valve replacement devices.

We compete primarily on the basis of our products' proven track record of efficacy and safety, our first-mover advantage in the Chinese market, brand recognition among hospitals and physicians and the level of technical support and training we provide to physicians. We believe that our continued success depends on our ability to (i) innovate and develop advanced technology; (ii) apply our technology across product lines; (iii) develop a broad portfolio of proprietary products; (iv) maintain our efficient operating model; (v) attract and retain skilled personnel; (vi) maintain high quality standards; (vii) obtain and maintain regulatory approvals; and (viii) effectively market our products.

Several of our competitors have significantly greater financial and other resources and may have longer track records and greater expertise in R&D, clinical trial, obtaining regulatory approvals and commercialization of approved products and may enjoy wide brand name recognition globally. Mergers and acquisitions in the medical device industry may result in even more resources being concentrated among a small number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies or products complementary to, or necessary for, our products.

Our competitors dedicate, and we believe they will continue to dedicate, significant resources to promote their products aggressively. They may develop technologies and products that are safer, more effective, easier to use or less expensive than ours. They may also obtain FDA, NMPA or other regulatory approval for their products earlier than we obtain approval for ours, which could result in our competitors establishing a strong market position ahead of us. We may encounter physicians, especially in the global market, who are committed to or prefer the products offered by our competitors due to existing relationships with our competitors. Any of these events could reduce or eliminate our commercial opportunities.

For competitive landscape of our products and product candidates, see "— Our Product and Product Pipeline" and "Industry Overview."

EMPLOYEES

As of the Latest Practicable Date, we had 438 employees in total. The following table sets forth the number of our employees categorized by function as of the Latest Practicable Date.

Function	Number
Manufacturing	193
Sales and Marketing	77
Product Development (R&D, clinical trial, registration, intellectual property)	65
Quality Control	34
General[(Note)]	69
Total	**438**

Note: General includes human resource department, finance department, legal department and others.

Among the 438 employees, 377 of our employees are stationed in China, and 61 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.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or industrial action which had a material effect on our business, and we consider our relations with our employees to be good. As of the Latest Practicable Date, we did not have any non-compliance with statutory social security insurance fund and housing fund obligations applicable to us under applicable laws in all material respects.

Employment Agreements with Key Management and R&D Staff

We enter into standard confidentiality and employment agreements with our key management and R&D staff. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for at least two years after the termination of his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. For further details regarding the terms of confidentiality and employment agreements with our key management, see "Directors, Supervisors and Senior Management."

Our employees are represented by relevant labor unions. We believe that we maintain good working relationships with our employees and we did not experience any significant labor disputes or any significant difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Our principal insurance policies cover property loss due to accidents or natural disasters, product damage during shipment, and adverse events in clinical trials. We currently do not maintain product liability insurance or key person insurance. We are in the process of acquiring key person insurance, and we are currently looking for opportunities to acquire product liability insurance.

PROPERTIES AND FACILITIES

We are headquartered in Hangzhou, Zhejiang province, China, with an aggregate rented area of approximately 6,200 sq.m. currently in use. This includes approximately 3,500 sq.m. of floor area for manufacturing facilities, 358 sq.m. for laboratories, and the rest for office use. We rented another area of approximately 3,790 sq.m. in 2019 in Hangzhou, China, which we plan to mainly use for the R&D, manufacture and commercialization of TriGUARD3 in China. We have also rented offices and storages in other provinces in China. In addition, we have an aggregate rented area of approximately 179 sq.m. in Florida, the U.S. for executive and administrative offices, approximately 430 sq.m. for our R&D center in California, the U.S. and an aggregate rented area of approximately 816 sq.m. in Israel for manufacturing facilities.

The relevant lease agreements generally provide a duration of two to five years. As of the Latest Practicable Date, we had completed all of our lease registrations except for four leases with the relevant regulatory authorities. With respect to unregistered leases, our PRC Legal Advisor is the view that the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. Therefore, we have the right to use such properties in accordance with the lease agreement but we may be subject to the risks of fines if the lease registration is not completed as required by the relevant local housing administrative authorities. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. During the Track Record Period, we did not experience any dispute arising out of our leased properties.

ENVIRONMENTAL PROTECTION, OCCUPATIONAL HEALTH AND SAFETY

We are subject to various environmental protection and occupational health and safety laws and regulations. Our operations involve the use of hazardous and flammable chemical materials. Our operations also produce such hazardous waste. We generally contract with third parties for the disposal of these materials and wastes. During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant environmental and occupational health and safety laws and regulations 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 period.

We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. Our employees responsible for manufacturing and quality control and assurance are required to hold relevant qualifications, as well as wear the proper safety gear when working. We conduct regular safety inspections and maintenance for our manufacturing facility.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global medical device markets, our ability to develop, manufacture and commercialize our products and product candidates, and our ability to compete with other medical device companies. For details of various risks and uncertainties we face, see "Risk Factors." We also face various financial risks. In particular, we are exposed to credit, liquidity, interest rate and foreign exchange risks that may arise in the normal course of our business.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our Audit Committee and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control:

- Our Audit Committee oversees and manages the overall risks associated with our business operations, including:
    - reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives;
    - reviewing and approving our corporate risk tolerance;
    - monitoring the most significant risks associated with our business operation and our management's handling of such risks;

  - reviewing our corporate risk in light of our corporate risk tolerance; and
  - monitoring and ensuring the appropriate application of our risk management framework across our Group.
- Our Chief Financial Officer, Mr. Haiyue Ma, is responsible for:
  - formulating and updating our risk management policy and objectives;
  - reviewing and approving major risk management issues of our Company;
  - promulgating risk management measures;
  - providing guidance on our risk management approach to the relevant departments in our Company;
  - reviewing the relevant departments' reporting on key risks and providing feedback;
  - supervising the implementation of our risk management measures by the relevant departments;
  - ensuring that the appropriate structure, processes and competences are in place across our Group; and
  - reporting to our Audit Committee on our material risks.
- The relevant departments in our Company, including the finance department, the legal department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments shall:
  - gather information about the risks relating to their operation or function;
  - conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives;
  - prepare a risk management report annually for our chief executive officer's review;
  - monitor the key risks relating to their operation or function;
  - implement appropriate risk responses where necessary; and
  - develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Intellectual Property Rights Risk Management

Compliance with applicable PRC and overseas laws and regulations, especially laws and regulations governing the protection of our intellectual property rights and the prevention of liabilities resulting from potential illegal content of publication and intellectual properties infringement are major focus areas of our operational risk management. Our legal department is responsible for approving contracts, monitoring any changes in the applicable laws and regulations and ensuring the ongoing compliance of our operations with the applicable law and regulations.

Our intellectual property department assists in conducting searches to help ensure that all of our intellectual property is under the protection of relevant laws and regulations, and also helps ensure the application for trademark, copyright or patent registrations for, as well as filing with relevant authorities of all of our products. For example, under our internal policies implemented in 2018, during the product development phase, our intellectual property department shall assess the potential legal issues surrounding the product being developed, such as the time required to make or obtain necessary government filings or approvals, the feasibility of obtaining such approvals, potential intellectual property risks and third-party licenses required. The intellectual property department shall then administer the execution process of obtaining the necessary filings, approvals, and/or licenses. Other than some standard contracts which have been reviewed and adopted by the legal department, all the contracts of our Company are required to be reviewed and approved by our legal department prior to execution. In addition, we establish policies for intellectual property infringement notices to help ensure timely monitoring the infringement incidents.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the produce development process.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations after the Listing.

- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group. For more details, see "Directors, Supervisors and Senior Management — Board Committees — Audit Committee."

- We have engaged Red Solar Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of the proceeds from the Global Offering complies with the section entitled "Future Plans and Use of Proceeds" in this Prospectus after the Listing, as well as to provide support and advice regarding the requirements of relevant regulatory authorities in a timely fashion.

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors senior management and relevant employees on the latest applicable laws and regulations.

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities.

LEGAL PROCEEDINGS AND COMPLIANCE

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period and up to the Latest Practicable Date, none of us or our Directors were involved in any litigation, arbitration or administrative proceedings which would have a material and adverse impact on our business, financial condition or results of operations. As advised by our legal advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in all material respects.

During the Track Record Period, we failed to make full contribution to the social insurance and housing provident funds for some of our employees as required under the applicable PRC law. We made provisions for the potential liabilities with respect to the shortfall during the Track Record Period with reverse of such provisions for the potential liabilities from previous periods if the relevant PRC government authorities did not reclaim after a period of time. The shortfall amount and the provisions during the Track Record Period were immaterial.

According to the relevant PRC laws and regulations, in respect of overdue social insurance contributions, (a) the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions; and (b) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. We have obtained written confirmations from local social insurance and housing provident fund authorities confirming no administrative penalty has been imposed.

We started to make full payment of social insurance and housing provident funds contributions for all of our employees since January 2018 as required by the applicable PRC Law. We have established an internal control policy that requires full compliance with the relevant laws and regulations on social insurance fund and housing provident fund and designated an officer who is familiar with the relevant requirements to enforce the policy and avoid future non-compliance.

Our Directors are of the opinion that this incident will not have a material adverse impact on our business or results of operations for the following reasons: (i) the written confirmations obtained from the relevant competent local authorities described above; (ii) we have made provisions in connection with this non-compliance for relevant periods and the shortfall to the full contribution and the relevant provisions during the Track Record Period were immaterial; and (iii) we have established an internal control policy to ensure our ongoing compliance with the relevant laws and regulations on social insurance fund and housing provident fund contributions.

LICENSES AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations. The table below sets forth the relevant details of the material licenses required for our operation in the PRC and overseas:

License/Permit	Holder	Grant Date	Expiration Date
PRC Class III medical device manufacture license (浙食藥監械生產許20120062號)	our Company	07/30/2019	06/06/2022
PRC Class III medical device business license (浙杭食藥監械經營許20180553號)	our Company	10/24/2019	09/11/2023
NMPA registration of VenusA-Valve (國械註准20173460680)	our Company	04/25/2017	04/24/2022
NMPA registration of dilator (國械註准20193030328)	our Company	05/23/2019	05/22/2024
NMPA registration of sheath (國械註准20183770093)	our Company	03/12/2018	03/11/2023
Colombia National Food and Drug Surveillance Institute registration of VenusA-Valve (No. INVIMA 2018DM-0017847)	our Company	04/06/2018	04/06/2028
Philippines FDA registration of VenusA-Valve PAV (No. MDR-07947)	our Company	04/08/2019	04/08/2020
Philippines FDA registration of VenusA-Valve DCS (No. MDR-07851)	our Company	03/25/2019	03/25/2020
FDA 510(k) clearance of V8/TAV8 (No. K152150)	InterValve	11/18/2015	Not applicable

AWARDS AND RECOGNITION

The table below sets forth a summary of the major awards and projects for which we received government grants as of the Latest Practicable Date:

Award/Project	Award/ Grant year	Award/ Grant Authority	Grant Amount	Expected Completion Date
Champion in the biochemical industry finals of the Third National Innovation and Entrepreneurship Competition (中國第三屆創新創業大賽行業總決賽)	2014	The Ministry of Science and Technology of PRC	Not applicable	Not applicable
National Science & Technology Pillar Program in 12th Five-Year Plan ("十二五"國家科技支撐計劃)	2014	The Ministry of Science and Technology of PRC	RMB2.2 million	Completed in 2017
Key Enterprise Research Institute for TVR Product Development Project (重點企業研究院)	2014	Science and Technology Department of Zhejiang Province	RMB10.0 million	Completed in December 2018, pending review by the grant authority
Leading Innovative Team for Heart Valve Project (領軍型創新創業團隊)	2016	Science and Technology Department of Zhejiang Province	RMB10.0 million	December 2019
National Science & Technology Pillar Program in 13th Five-Year Plan ("十三五"國家科技支撐計劃)	2017	The Ministry of Science and Technology of PRC	RMB11.6 million	December 2020

Note: Relevant governmental authorities will issue grant to companies which have participated in and completed certain R&D projects as an incentive and awards provided for technology innovation in respective fields.

EXEMPT CONTINUING CONNECTED TRANSACTION

Mr. Zi, our Controlling Shareholder, executive Director and general manager, has provided a counter guarantee for one of our loans. For details, see "Relationship with our Controlling Shareholders — Independence from the Controlling Shareholders — Financial Independence."

The provision of counter guarantee is a continuing agreement of our Company with a connected person. Upon the Listing, this will constitute a continuing connected transaction under the Listing Rules.

Our Directors are of the view that the counter guarantee, being financial assistance (as defined in the Listing Rules) provided by Mr. Zi for our benefit, was on normal commercial terms and no security over our assets was granted in respect of such financial assistance. Accordingly, the provision of counter guarantee is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

BOARD OF DIRECTORS

Our Board of Directors comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out information in respect of the Directors.

Name	Age	Position/ Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
Executive Directors						
Mr. Min Frank Zeng (曾敏)	56	Chairman of the Board of Directors	November 26, 2018	June 21, 2013	Responsible for the overall management, business strategies, regulatory approvals and commercial suitability and sustainability of products of the Group	None
		Executive Director	June 21, 2013[1]			
Mr. Zhenjun Zi (訾振軍)	49	Executive Director	November 21, 2012[2]	November 21, 2012	Responsible for the overall management, business strategies, regulatory approvals and commercial suitability and sustainability of products of the Group	None
		General Manager	November 21, 2012			
Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇)	45	Executive Director	November 26, 2018[3]	December 1, 2016	Responsible for the business operations, regulatory approvals, quality control and commercial suitability and sustainability of products of the Group	None
		Chief Operating Officer	June 5, 2018			
		Chief Technology Officer	December 1, 2016			
Non-executive Director						
Ms. Nisa Bernice Wing-Yu Leung (梁穎宇)	49	Vice-chairwoman of the Board of Directors	June 21, 2013	June 21, 2013	Responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of the Group	None
		Non-executive Director	June 21, 2013[4]			
Independent Non-executive Directors						
Mr. Ting Yuk Anthony Wu (胡定旭)	65	Independent Non-executive Director	November 26, 2018[5]	November 26, 2018	Responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management	None

Name	Age	Position/ Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
Mr. Wan Yee Joseph Lau (劉允怡)	72	Independent Non-executive Director (with effect from the Listing Date)	July 2, 2019	July 2, 2019	Responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management	None
Mr. Chi Wai Suen (孫志偉)	55	Independent Non-executive Director (with effect from the Listing Date)	July 2, 2019	July 2, 2019	Responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management	None

Notes:

(1) Mr. Zeng was appointed as a Director on June 21, 2013 and was re-designated as an executive Director on July 2, 2019.

(2) Mr. Zi was appointed as a Director on November 21, 2012 and was re-designated as an executive Director on July 2, 2019.

(3) Mr. Lim was appointed as a Director on November 26, 2018 and was re-designated as an executive Director on July 2, 2019.

(4) Ms. Leung was appointed as a Director on June 21, 2013 and was re-designated as a non-executive Director on July 2, 2019.

(5) Mr. Wu was appointed as a Director on November 26, 2018 and was re-designated as an independent non-executive Director on July 2, 2019.

Executive Directors

Mr. Min Frank Zeng (曾敏), aged 56, is the chairman of our Board and an executive Director. Mr. Zeng joined our Group in June 2013 as a Director. He is primarily responsible for the overall management, business strategies, regulatory approvals and commercial suitability and sustainability of products of the Group.

Mr. Zeng has more than 15 years of industry experience. Prior to joining our Group, Mr. Zeng served as a non-executive director of LifeTech Scientific Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 1302) from September 2006 to August 2012. Mr. Zeng was the chief executive officer of Horizon Scientific Corporation, which primarily incubates new technologies for medical devices, from April 2004 to present.

Since Mr. Zeng joined our Company, he has brought in global vision and local expertise to every aspect of our business and helped our Company maintain close contact with leading cardiologists. He has overseen our Company's R&D of our comprehensive product portfolio that

covers the transcatheter solutions for all four heart valves including core valve products and complementary products to provide comprehensive treatments for patients with structural heart diseases, particularly our R&D overseas. Mr. Zeng is also responsible for organizing our clinical trials. He has also led our manufacturing team and the management of commercialization of products, and has contributed to the training of personnel of our Company.

Mr. Zeng received a bachelor's degree in solid mechanics from Tsinghua University in the PRC in July 1986 and a master's degree in engineering from the University of Texas at Austin in the United States in August 1994.

Mr. Zhenjun Zi (訾振軍), aged 49, is an executive Director and general manager of our Company. Mr. Zi joined our Group in November 2012 as a Director and general manager of our Company. He is primarily responsible for the overall management, business strategies, regulatory approvals and commercial suitability and sustainability of products of the Group.

Mr. Zi has extensive industry experience. Prior to joining our Group, Mr. Zi served as a member of senior management of Lifetech Scientific Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 1302) from January 2003 to December 2011.

Since Mr. Zi joined our Company, he has led and contributed hugely to the pre-clinical, clinical trial and registration of our TMVR products and TPVR product for heart valves such as VenusA-Valve and VenusP-Valve. Mr. Zi is primarily responsible for collaborating with well-known physicians and professionals from hospitals and research institutions and maintaining close relationships and communications with KOLs in the industry to understand the clinical needs of transcatheter heart valve replacement procedures.

Mr. Zi received a master's degree of science in applied chemistry from Hefei University of Technology in the PRC in April 1998.

Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇), aged 45, is an executive Director, the Chief Operating Officer and the Chief Technology Officer of our Company. Mr. Lim joined our Group in December 2016 as the Chief Technology Officer. Mr. Lim is primarily responsible for business operations, regulatory approvals, quality control and commercial suitability and sustainability of products of the Group.

Mr. Lim has more than 15 years of industry experience. Prior to joining our Group, Mr. Lim was the managing director and chief technology officer of Transcatheter Technologies GmbH, a medical device company incorporated in Germany, which primarily focused on heart valve implantation and aortic therapy solutions, where he worked from January 2009 to October 2016. From September 2005 to December 2008, Mr. Lim was the founder and served as the chief executive officer of EndoCor Pte. Ltd, a company incorporated in Singapore, which develops minimally invasive heart valve and medical devices in the structural heart space. From March 2003 to December 2008, Mr. Lim was a managing director in a biomedical company named Embryon, Inc., which was a company primarily engaged in research and experimental development on biotechnology, life and medical science.

Mr. Lim received a bachelor's degree in mechanical engineering from Nanyang Technological University in Singapore in July 1999 and a degree of master of engineering from Nanyang Technological University in Singapore in June 2002.

Non-executive Director

Ms. Nisa Bernice Wing-Yu Leung (梁穎宇), aged 49, is the vice-chairwoman of our Board and a non-executive Director. Ms. Leung joined our Group in June 2013 as the vice-chairwoman of our Board and a Director. She is primarily responsible for the strategic development and business planning of our Group.

Ms. Leung has more than 17 years of industry experience. Ms. Leung has been a partner at Qiming Development (HK) Limited, a venture capital firm in China where she leads its health care investments, since December 2007. Ms. Leung has also been a co-founder of Biomedic Holdings Ltd., which has operations and investments in medical devices, pharmaceuticals and health care services in China, since February 2004. Ms. Leung was a venture partner at PacRim Venture Partners from July 2001 to June 2003.

Ms. Leung has also been a director at Gan & Lee Pharmaceutical Holdings Ltd. (甘李藥業股份有限公司) since March 2010, at Zhejiang Nurotron Nerve Electronic Technology Co., Ltd. (浙江諾爾康神經電子科技股份有限公司), which is a medical device company that designs, develops and markets cochlear implant systems, since March 2014, at New Horizon Health Sciences Co., Ltd. (浙江諾輝健康科技有限公司), which is a biotech company focused on the development of innovative products for the early detection of cancer with emphasis on gastro-intestinal and lung cancer, since July 2017, and at Berry Oncology Co., Ltd. (福建和瑞基因科技有限公司) since May 2018. Ms. Leung has served as an independent director of Zai Lab Limited, a company listed on NASDAQ (ticker symbol: ZLAB), since August 2014, and a non-executive director at CanSino Biologics Inc. (康希諾生物股份公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 6185), since September 2015. In addition, Ms. Leung served as a director at Chengdu Berry Genomics Co., Ltd. (成都市貝瑞和康基因技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000710), from September 2013 to June 2017.

Ms. Leung was appointed as a Justice of the Peace in June 2016 by the Government of the Hong Kong Special Administrative Region.

Ms. Leung received a bachelor's degree in management from Cornell University in the United States in May 1992 and a master's degree in business administration from Stanford University in the United States in June 2001.

Independent Non-executive Directors

Mr. Ting Yuk Anthony Wu (胡定旭), aged 65, was appointed a Director in November 2018 and was re-designated as an independent non-executive Director. Mr. Wu is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Wu is a leader in the healthcare industry and has extensive management experience in medical system. He joined the Hong Kong Hospital Authority in 1999 and was formerly its chairman from 2004 to 2013. He is the longest-serving chairman of the Hospital Authority. He had led the team of the Hospital Authority to manage all public hospitals and public clinics in Hong Kong and implement the public health policy of the Hong Kong Government. He had also actively promoted a number of public and private medical co-operation projects during his tenure. Mr. Wu is currently an advisor to the Public Policy Advisory Committee of the National Health Commission of, the principal advisor for international cooperation to the State Administration of Traditional Chinese Medicine of the People's Republic of China and a member of the Chinese Medicine Reform and Development Advisory Committee. He was a member of the State Council's Medical Reform Leadership Advisory Committee.

Other important public positions that Mr. Wu has served include a member of the 9th, 10th and 11th of, and a standing committee member of the 12th and 13th of the National Committee of the Chinese People's Political Consultative Conference, and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development and the Task Force on Land Supply of the Hong Kong SAR, and has been awarded Gold Bauhinia Star and Justice of the Peace by the government of Hong Kong SAR. Mr. Wu was a member of the General Committee of the Hong Kong General Chamber of Commerce from 2000 to 2017, served as its chairman from 2010 to

2012, and is currently a member of its Council. Mr. Wu was a director of the Fidelity Funds from 2011 to 2014 and was the chairman of Bauhinia Foundation Research Centre from 2007 to 2012. Mr. Wu was a partner of Ernst & Young ("**EY**") from 1985 to 2005, and served as chairman of the EY's Far East Region from 2000 to 2005. He was also the chief advisor to MUFG Bank, Ltd., the chairman of The Board of Trustees of China Oxford Scholarship Fund, an honorary professor of the Faculty of Medicine of the Chinese University of Hong Kong and the Peking Union Medical College Hospital, and an honorary fellow of the Hong Kong College of Community Medicine.

Mr. Wu has directorships in certain Hong Kong listed companies. He is an independent non-executive director of Power Assets Holdings Limited (Stock Code: 6), Guangdong Investment Limited (Stock Code: 270) and China Taiping Insurance Holdings Company Limited (Stock Code: 966), the chairman and independent non-executive director of China Resources Medical Holdings Company Limited (Stock Code: 1515) and the independent non-executive director of CStone Pharmaceuticals (Stock Code: 2616). He was an independent non-executive director of Agricultural Bank of China Limited (Stock Code: 1288) from January 2009 to June 2015. He was an executive director of Sincere Watch (Hong Kong) Limited (Stock Code: 444) from March 2015 to August 2018.

Mr. Wu completed a foundation course in accountancy at the then Teesside Polytechnic in the United Kingdom in July 1975. Mr. Wu is a fellow of Hong Kong Institute of Certified Public Accounts ("**HKICPA**") and the Institute of Chartered Accountants in England and Wales ("**ICAEW**"), and the honorary chairman of the Institute of Certified Management Accountants (Australia) Hong Kong Branch.

On December 24, 2013, the Disciplinary Committee of the HKICPA found Mr. Wu's failure to observe, maintain or otherwise apply the requirements of the HKICPA in preserving the appearance of independence by acting as an independent financial advisor on behalf of EY to a non-listed company whilst also being a senior partner of EY who acted as auditors of such company in respect of the financial years ended December 31, 1995 to December 31, 1997, and is therefore a deemed auditor of that company under the Companies Ordinance, to be a professional misconduct (the "**Incident**"). Mr. Wu was ordered to pay a penalty of HK$250,000, had his name removed from the register for a period of two years from July 23, 2014, and together with the other respondents, was ordered to pay the costs of HK$2 million to the HKICPA. This incident was then referred to the ICAEW by the HKICPA in 2014, and was dismissed by the ICAEW in 2017.

Mr. Wan Yee Joseph Lau (劉允怡), aged 72, was appointed as an independent non-executive Director in July 2019, with effect from the Listing Date. Mr. Lau is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Lau, a world-renowned expert on hepato-pancreato-biliary surgery and an academician of the Chinese Academy of Sciences, is the Founding Master of Lee Woo Sing College and Choh-Ming Li Professor of Surgery of The Chinese University of Hong Kong, current chairman of the Medical Council of Hong Kong, past president of the International Hepato-Pancreato-Biliary Association and Asian-Pacific Hepato-Pancreato-Biliary Association. Mr. Lau has been an independent non-executive director of NISI (HK) Limited, a company that specialized in noninvasive surgical innovations, since February 2017.

Mr. Lau holds many key positions in government and professional organizations. He is an editorial board member of 23 national and 10 international journals. He has been the chairman of the Medical Council of Hong Kong since March 2012. He was president of the International Hepato-Pancreato-Biliary Association from April 2002 to May 2004. He was elected as an academician of the Chinese Academy of Sciences in 2003, and was awarded Honorary Fellow of

Royal Australasian College of Surgeons in October 2003. He was president of Asian-Pacific Hepato-Pancreato-Biliary Association from March 2009 to September 2011, and was awarded Honorary Fellow of College of Surgeons of Hong Kong in September 2011.

Mr. Lau was awarded the Wu Jieping Medical Prize in Sepember 2012 for his momentous lifetime contributions to the global medical field and the Silver Bauhinia Star (SBS) in 2013 for his distinguished service to Hong Kong.

Mr. Lau received bachelor's degrees in medicine and surgery from the University of Hong Kong in November 1972 and a doctor of medicine from the Chinese University of Hong Kong in December 1995.

Mr. Chi Wai Suen (孫志偉), aged 55, was appointed as an independent non-executive Director in July 2019, with effect from the Listing Date. Mr. Suen is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Suen is a practicing solicitor in Hong Kong and a partner of Withers. He has approximately 18 years of experience in corporate finance and with area of practice principally in initial public offerings on the Hong Kong Stock Exchange, mergers and acquisitions, corporate reorganizations and Listing Rules compliance, and he has advised clients from various industries such as clean energy, pharmaceutical, medical, retails, manufacturing, entertainment and biological. Prior to joining Withers, Mr. Suen was an associate and later a partner of DLA Piper Hong Kong from June 2007 to May 2012 and May 2012 to February 2018, respectively, and served as a manager in the investment products department of the Securities and Futures Commission of Hong Kong from October 2005 to July 2006, responsible for reviewing applications of collective investment schemes and monitoring continuing compliance of authorized schemes. Mr. Suen was an assistant solicitor at Woo Kwan Lee & Lo from September 2000 to March 2005.

Mr. Suen has directorships in certain Hong Kong listed companies. He has served as an independent non-executive director of Xin Yuan Enterprises Group Limited (Stock Code: 1748) since September 2018, and Da Yu Financial Holdings Limited (Stock Code: 1073) since July 2019.

Mr. Suen received a bachelor of science degree from the University of East Anglia in the United Kingdom in July 1987 and a postgraduate certificate in laws from the University of Hong Kong in June 1998. Mr. Suen was admitted as a solicitor in Hong Kong in October 2000 and in England and Wales in December 2003. Mr. Suen has also been a fellow member of the Association of Chartered Certified Accountants since May 1998 and a certified public accountant of the HKICPA since April 1993.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets out information in respect of the Supervisors.

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
Ms. Yan Xiao (肖燕)	37	Chairwoman of the Supervisory Committee Employee Supervisor	November 26, 2018 November 23, 2018	December 18, 2014	Responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor	None
Mr. Wei Wang (王瑋)	36	Shareholders' Representative Supervisor	November 26, 2018	November 26, 2018	Responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor	None
Ms. Lingling Yang (楊玲玲)	58	Shareholders' Representative Supervisor	November 26, 2018	October 19, 2015	Responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor	None

Supervisors

Ms. Yan Xiao (肖燕), aged 37, was appointed as the chairwoman of the Supervisory Committee on November 26, 2018 and an employee Supervisor on November 23, 2018. Ms. Xiao is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Ms. Xiao joined our Group in December 2014 and was our finance manager prior to her appointment as the chairwoman of the Supervisory Committee and an employee Supervisor. Prior to joining our group, Ms. Xiao served as the accounting supervisor at Welform Precision Machining (Hangzhou) Co., Ltd from October 2009 to October 2014, a general ledger accountant at Wolf Packaging Machining (Hangzhou) Co., Ltd from September 2007 to September 2009.

Ms. Xiao received a bachelor's degree in business administration from Hangzhou Dianzi University in the PRC in June 2004. Ms. Xiao received the certificate of accounting profession of the PRC granted by Zhejiang Provincial Department of Finance in December 2008.

Mr. Wei Wang (王瑋), aged 36, was appointed as a shareholders' representative Supervisor on November 26, 2018. Mr. Wang is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Mr. Wang joined our Group in November 26, 2018. Mr. Wang has served as a managing director of DCP Capital since 2017, focusing on private equity transactions in the Greater China region. Prior to that, Mr. Wang served as a director at Kohlberg Kravis Roberts & Co. L.P. from February 2011 to March 2016.

Mr. Wang has served as a non-executive director of China Outfitters Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01146), since May 2012.

Mr. Wang received a bachelor of science degree in economics from Shanghai Jiaotong University in the PRC in July 2005.

Ms. Lingling Yang (楊玲玲), aged 58, was appointed as a shareholders' representative Supervisor on November 26, 2018. Ms. Yang is primarily responsible for monitoring the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Ms. Yang joined our Group in October 2015, was our public affairs manager from October 2015 to September 2018 and is currently our consultant. Prior to joining our group, Ms. Yang served as an office director at Food and Drug Administration and Market Supervision Authority of Xihu district in Hangzhou from December 2005 to August 2015, a vice office director at Food and Drug Administration and director of the Regulations Department in Wenzhou from August 2001 to December 2005, a vice chief of Drug Administration and in Cangnan County from October 1998 to August 2000, various positions including the secretary of the Legal Bureau at the government of Cangnan County from August 1992 to October 1998, various positions including a human resource and legal officer at the Commercial Bureau of Cangnan County from August 1981 to August 1992, and a cashier at Wenzhou Pingyang Wujiaohua Company from December 1979 to August 1981.

Ms. Yang received a bachelor's degree in law from National University of Defense Technology in the PRC through long distance learning courses in June 2002. Ms. Yang received the PRC Certificate of Lawyer's Certificate granted by Zhejiang Provincial Department of Justice in April 1994, and the Lawyer's License of the PRC granted by Shanghai Bureau of Justice in May 2018.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company.

Name	Age	Position/Title	Date of Appointment	Date of Joining our Company	Role and Responsibility	Relationship with other Directors, Supervisors or Senior Management
Mr. Zhenjun Zi (訾振軍)	49	Executive Director	November 21, 2012[1]	November 21, 2012	Responsible for the overall management, business strategies, regulatory approvals and commercial suitability and sustainability of products of the Group	None
		General Manager	November 21, 2012			
Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇)	45	Executive Director	November 26, 2018[2]	December 1, 2016	Responsible for the business operations, regulatory approvals, quality control and commercial suitability and sustainability of products of the Group	None
		Chief Operating Officer	June 5, 2018			
		Chief Technology Officer	December 1, 2016			
Mr. Haiyue Ma (馬海越)	41	Chief Financial Officer	June 17, 2018	June 17, 2018	Responsible for the management of finance of our Group	None
		Joint Company Secretary	July 2, 2019			
Mr. Christopher Lee Richardson	58	Head of U.S. Operations	July 2, 2019	December 26, 2018	Responsible for the operations of our Group in the United States	None

Notes:

(1) Mr. Zi was appointed as a Director on November 21, 2012 and was re-designated as an executive Director on July 2, 2019.

(2) Mr. Lim was appointed as a Director on November 26, 2018 and was re-designated as an executive Director on July 2, 2019.

Mr. Zhenjun Zi (訾振軍), aged 49, is an executive Director and the general manager. For details of his biography, see "— Board of Directors."

Mr. Lim Hou-Sen (Lin Haosheng) (林浩昇), aged 45, is an executive Director, the chief operating officer and the Chief Technology Officer. For details of his biography, see "— Board of Directors."

Mr. Haiyue Ma (馬海越), aged 41, was appointed as the chief financial officer when he joined our Group in June 2018, and the Joint Company Secretary in July 2019. Mr. Ma is primarily responsible for the management of finance of our Group. Prior to joining our Group, Mr. Ma served as an executive director at the investment banking division of Morgan Stanley Huaxin Securities Co., Ltd. from July 2017 to June 2018. From November 2004 to July 2017, Mr. Ma held various positions at KPMG Huazhen LLP, including as an audit manager from November 2004 to June 2007, an audit senior manager from July 2007 to September 2011 and an audit partner from October 2011 to July 2017. From May 2002 to November 2004, Mr. Ma held various positions, including audit manager at Ernst & Young Da Hua.

Mr. Ma received a bachelor's degree in accounting from Shanghai University of Finance and Economics in the PRC in June 1998. Mr. Ma is a member of the Chinese Institute of Certified Public Accountants.

Mr. Christopher Lee Richardson, aged 58, was appointed as the head of U.S. operations when he joined our Group in July 2019. Mr. Richardson is primarily responsible for the operations of our Group in the United States.

Mr. Richardson has served as the president and chief executive officer of Keystone, which was acquired by our Group in December 2018, since May 2016 to November 2018, the president international and chief commercial officer of Direct Flow Medical Inc. from January 2014 to May 2016 and a general manager at Abbott Vascular Structural Heart (Evalve Inc) from January 2008 to January 2014. Mr. Richardson has served as a director of 510 Kardiac Devices, Inc., a medical device company, since September 2015.

Mr. Richardson received a Bachelor of Science degree in psychology from Indiana University in the United States in May 1983. He was certified as a PA-C (Physician Assistant-Certified) after receiving a degree of Associate of Applied Science from Cuyahoga Community College in the United States in June 1985.

Save as disclosed above, each of our Directors, Supervisors and members of senior management has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Save as disclosed above, none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would required disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed above, none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Haiyue Ma (馬海越) was appointed as a joint company secretary in July 2019. For details of his biography, see "— Senior Management."

Ms. Po Yi Fok (霍寶兒) was appointed as the other joint company secretary of our Company on July 2, 2019, effective upon listing. Ms. Fok is a vice president of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**"). Prior to joining SWCS, Ms. Fok worked for an international accounting firm and the Listing Division of the Hong Kong Stock Exchange for over thirteen years. Ms. Fok is a member of the HKICPA. She obtained a Bachelor of Business Administration degree with honors majoring in accounting in the Chinese University of Hong Kong and a Master of Laws in Corporate and Financial Law in the University of Hong Kong.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee 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 Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen. Mr. Chi Wai Suen, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by the Board.

Remuneration and Assessment Committee

We have established a Remuneration and Assessment Committee with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Remuneration and Assessment Committee consists of three Directors, namely Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen. Mr. Ting Yuk Anthony Wu serves as the chairman of the Remuneration and Assessment Committee. The primary duties of the Remuneration and Assessment Committee include, but not limited to, the following:

- advising our Board on the overall remuneration plan and structure of Directors, Supervisors and senior management and the establishment of transparent formal procedures for determining remuneration policy of our Company;
- examining the criteria of performance evaluation of Directors, Supervisors and the senior management of our Company, conducting performance evaluation and making recommendations to our Board;
- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies;
- dealing with other matters that are authorized by the Board, and if necessary, engaging external experts to provide relevant independent services.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen. Mr. Wan Yee Joseph Lau serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for Directors, general managers and other members of the senior management;
- overseeing the implementation of Board diversity policy; taking into account various factors when determining the composition of our Board, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure;
- examining the size and composition of our Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

EMPLOYMENT ARRANGEMENT OF SENIOR MANAGEMENT

We normally enter into an employment contract with each of our senior management members. The key terms of such contract are set forth below.

- *Terms*: We normally enter into three to five years' employment contract with our senior management members.

- *No conflict*: During the term of the employment, the employee shall work on a full-time basis for us and shall not, without prior approval from our Company, (i) operate the production of the same kind of products as those of our Company or engage in the same business as our Company, (ii) hold any position (including but not limited to as a shareholder, partner, director, supervisor, manager, employee, agent or consultant) in any other entity which competes with our Company, (iii) hold any position (including but not limited to as a shareholder, partner, director, supervisor, manager, employee, agent or consultant) in any supplier or customer of our Company, (iv) utilize our Company's resources for his or her own benefit, and (v) work as a part-time employee in any other entity.

Confidentiality

- *Confidential information*: The employee shall keep confidential information, namely technology-related information (including but not limited to technology plan, engineering design, production method, technology standard, experimental statistics, test results) and business-related information (including but not limited to customer information, marketing proposal, purchases information, pricing policy, financial information, supply channels), of our Company or any third-party to which our Company has an obligation of confidentiality, in confidence.

- *Obligation and duration*: The employee shall not, without prior approval from our Company, divulge, publish or otherwise disclose any confidential information to any third party. Such obligation of confidentiality shall sustain for the term of his or her employment and thereafter, and until the relevant information has been publicized by our Company or otherwise known to the public.

Inventions Assignment

- *Work product assignment*: Our Company shall have a complete, absolute and exclusive right, title and interest in the work that he or she produce, solely or jointly with others, during the period of the employee's employment with the Company (i) that relates to the actual or demonstrably anticipated business, work, or R&D of our Company, (ii) that is developed in whole or in part using our equipment, supplies, facilities or confidential information, or (iii) that results from any task assigned to the employee, any work performed by the employee for our Company and on our behalf, or are otherwise within the employee's scope of work with our Company.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation in the form of Directors' or Supervisors' fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses. The total compensation before taxation accrued to our Directors and Supervisors for the years ended December 31, 2017 and December 31, 2018 and the five months ended May 31, 2019 were RMB2.8 million, RMB175.1 million and RMB13.2 million respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending December 31, 2019 to be approximately RMB2.8 million.

The remuneration paid by our Company to the five highest paid individuals (including Directors and Supervisors) for the years ended December 31, 2017 and December 31, 2018 and the five months ended May 31, 2019 were RMB4.5 million, RMB189.2 million and RMB60.9 million respectively.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our 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 our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity 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 our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience in healthcare and biotechnology. They obtained degrees in various majors including solid mechanics, applied chemistry, mechanical and production engineering, management, business administration, accountancy, medicine and law. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a balanced age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

We have appointed Red Solar Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, the Compliance Adviser will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Adviser will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number and class of Shares held[0]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[0]	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Mr. Zi[1]	Beneficial owner	30,923,302 Domestic Shares	13.94%	7.87%
	Interest in controlled corporations	14,894,971 Domestic Shares	6.72%	3.79%
		11,057,251 Unlisted Foreign Shares	4.99%	2.82%
Mr. Zeng[2]	Interest in a controlled corporation	47,954,404 Unlisted Foreign Shares	21.63%	12.21%
Horizon Binjiang LLC[2]	Beneficial owner	47,954,404 Unlisted Foreign Shares	21.63%	12.21%
Qiming Corporate GP III, Ltd.[3][5]	Interest in controlled corporations	30,342,501 H Shares	17.75%	7.73%
		37,185,479 Unlisted Foreign Shares	16.77%	9.47%
Ms. Leung[3][5]	Interest in controlled corporations	30,342,501 H Shares	17.75%	7.73%
		37,185,479 Unlisted Foreign Shares	16.77%	9.47%
Mr. Duane Kuang[3][5]	Interest in controlled corporations	30,342,501 H Shares	17.75%	7.73%
		37,185,479 Unlisted Foreign Shares	16.77%	9.47%
Mr. Gary Rieschel[3][5]	Interest in controlled corporations	30,342,501 H Shares	17.75%	7.73%
		37,185,479 Unlisted Foreign Shares	16.77%	9.47%
Qiming GP III, L.P.[3][5]	Interest in controlled corporations	30,342,501 H Shares	17.75%	7.73%
		37,185,479 Unlisted Foreign Shares	16.77%	9.47%
Qiming Venture Partners III, L.P.[3]	Interest in a controlled corporation	30,342,501 H Shares	17.75%	7.73%
		16,788,728 Unlisted Foreign Shares	7.57%	4.28%

Name of Shareholder	Nature of Interest	Number and class of Shares held[0]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[0]	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Ming Zhi Investments Limited[3]	Interest in a controlled corporation	30,342,501 H Shares	17.75%	7.73%
		16,788,728 Unlisted Foreign Shares	7.57%	4.28%
Ming Zhi Investments (BVI) Limited[3]	Beneficial owner	30,342,501 H Shares	17.75%	7.73%
		16,788,728 Unlisted Foreign Shares	7.57%	4.28%
The Goldman Sachs Group, Inc.[4]	Interest in controlled corporations	23,076,885 H Shares	13.50%	5.88%
		8,039,173 Unlisted Foreign Shares	3.63%	2.05%
Broad Street Principal Investments Superholdco, L.L.C.[4]	Interest in a controlled corporation	20,893,939 H Shares	12.22%	5.32%
		7,278,710 Unlisted Foreign Shares	3.28%	1.85%
Broad Street Principal Investments, L.L.C.[4]	Interest in a controlled corporation	20,893,939 H Shares	12.22%	5.32%
		7,278,710 Unlisted Foreign Shares	3.28%	1.85%
BSPI Intermediate Holdings, L.L.C.[4]	Interest in a controlled corporation	20,893,939 H Shares	12.22%	5.32%
		7,278,710 Unlisted Foreign Shares	3.28%	1.85%
Broad Street Investments Holding (Singapore) Pte. Ltd.[4]	Beneficial owner	20,893,939 H Shares	12.22%	5.32%
		7,278,710 Unlisted Foreign Shares	3.28%	1.85%
Qiming Venture Partners III Annex Fund, L.P.[5]	Interest in a controlled corporation	20,396,751 Unlisted Foreign Shares	9.20%	5.19%
QM22 Limited[5]	Interest in a controlled corporation	20,396,751 Unlisted Foreign Shares	9.20%	5.19%
QM22 (BVI) Limited[5]	Beneficial owner	20,396,751 Unlisted Foreign Shares	9.20%	5.19%
Mr. Neil Nanpeng Shen[6]	Interest in a controlled corporation	18,522,200 Unlisted Foreign Shares	8.35%	4.72%
SNP China Enterprises Limited[6]	Interest in a controlled corporation	18,522,200 Unlisted Foreign Shares	8.35%	4.72%

Name of Shareholder	Nature of Interest	Number and class of Shares held[0]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[0]	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
SC China Holding Limited[6]	Interest in a controlled corporation	18,522,200 Unlisted Foreign Shares	8.35%	4.72%
Sequoia Capital China Venture Fund IV, L.P.[6]	Interest in a controlled corporation	18,522,200 Unlisted Foreign Shares	8.35%	4.72%
SCC Venture IV-Bright (HK) Limited[6]	Beneficial owner	18,522,200 Unlisted Foreign Shares	8.35%	4.72%
DCP General Partner, Ltd.[7]	Interest in a controlled corporation	16,690,318 H Shares	9.76%	4.25%
		3,934 Unlisted Foreign Shares	0.00%	0.00%
DCP Capital Partners, L.P.[7]	Interest in a controlled corporation	16,690,318 H Shares	9.76%	4.25%
		3,934 Unlisted Foreign Shares	0.00%	0.00%
Red Giant Limited[7]	Interest in a controlled corporation	16,690,318 H Shares	9.76%	4.25%
		3,934 Unlisted Foreign Shares	0.00%	0.00%
Muheng Capital Partners (Hong Kong) Limited[7]	Beneficial owner	16,690,318 H Shares	9.76%	4.25%
		3,934 Unlisted Foreign Shares	0.00%	0.00%
Jiaxing Demenghong Investment Partnership (Limited Partnership)[8]	Interest in a controlled corporation	13,628,724 Domestic Shares	6.15%	3.47%
Jiaxing Dechanghong Investment Partnership (Limited Partnership)[8]	Beneficial owner	13,628,724 Domestic Shares	6.15%	3.47%

(0) As advised by our PRC Legal Advisor, holders of our Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares upon completion of the Global Offering. The calculation is based on the total number of 221,754,079 Domestic Shares and Unlisted Foreign Shares in issue and 170,934,364 H Shares in issue immediately after completion of the Global Offering since 92,396,864 Unlisted Foreign Shares will be converted into H Shares, and assuming that the Over-allotment Option is not exercised.

(1) Mr. Zi beneficially owns 30,923,302 Domestic Shares of our Company. In addition to his direct shareholding, he is also deemed to be interested in 14,894,971 Domestic Shares, 11,057,251 Unlisted Foreign Shares of our Company through the below intermediaries he controlled under the SFO:

- Adventure 03 Limited, an investment holding company incorporated in Hong Kong, owns 9,000,636 Unlisted Foreign Shares in our Company. Dinova Healthcare Gamma Fund (USD) L.P. (as the sole shareholder of Adventure 03 Limited), Dinova Venture Partners GP III, L.P. (as the general partner of Dinova Health Gamma Fund (USD) L.P.) and Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.), Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited), are deemed to be interested in the interest owned by Adventure 03 Limited in our Company under the SFO.

- Zhejiang Dinova (浙江德諾瑞盈創業投資合夥企業(有限合夥)), a limited partnership and a venture capital fund holding various portfolios established in the PRC, owns 6,977,955 Domestic Shares of our Company. Zhejiang Dinova Capital Management L.P. (浙江德諾資本管理合夥企業(有限合夥)) (as the general partner of Zhejiang Dinova), Hangzhou Dinova Commercial Information Consulting Ltd. (杭州德諾商務信息諮詢有限公司) (as the general partner of Zhejiang Dinova Capital Management L.P.) and Mr. Zi (as a 40% shareholder of Hangzhou Dinova Commercial Information Consulting Ltd.) are deemed to be interested in the interest owned by Zhejiang Dinova in our Company under the SFO.

- DNA 01 (Hong Kong) Limited, an investment holding company incorporated in Hong Kong, owns 2,056,615 Unlisted Foreign Shares of our Company. Dinova Healthcare Delta Fund (USD) L.P. (as the sole shareholder of DNA 01 (Hong Kong) Limited), Dinova Venture Partners GP IV, L.P. (as the general partner of Dinova Health Delta Fund (USD) L.P.), Dinova Venture Capital Limited (as the general partner of Dinova Venture Partners GP IV, L.P.), Xin Nuo Tong Investment Limited (as a 40% shareholder of Dinova Venture Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by DNA 01 (Hong Kong) Limited under the SFO.

- Shenzhen Dinova Ruihe Venture Investment L.P. (深圳市德諾瑞和創業投資合夥企業(有限合夥)), a limited partnership established in the PRC and a venture capital fund holding various portfolios, owns 1,687,358 Domestic Shares of our Company. Shenzhen Dinova Investment L.P. (深圳市德諾投資合夥企業(有限合夥)) (as the general partner of Shenzhen Dinova Ruihe Venture Investment L.P.), Shenzhen Dinova Investment Consulting Ltd. (as the general partner of Shenzhen Dinova Investment L.P.) and Mr. Zi (as a 66.67% shareholder of Shenzhen Dinova Investment Consulting Ltd.) are deemed to be interested in the interest owned by Shenzhen Dinova Ruihe Venture Investment L.P..

- The PRC Employee Entities own an aggregate of 6,229,658 Domestic Shares of our Company. Hangzhou Nuoxin Investment Management Limited (杭州諾心投資管理有限公司) is the general partner of the PRC Employee Entities. Mr. Zi, as the sole shareholder of Hangzhou Nuoxin Investment Management Limited, is deemed to be interested in the interest owned by the PRC Employee Entities.

(2) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 47,954,404 Unlisted Foreign Shares of our Company. Mr. Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.

(3) Ming Zhi Investments (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 30,342,501 H Shares and 16,788,728 Unlisted Foreign Shares of our Company. For the purpose of the SFO, Ming Zhi Investments Limited (as the sole shareholder of Ming Zhi Investments (BVI) Limited), Qiming Venture Partners III, L.P. (as a 96.94% shareholder of Ming Zhi Investments Limited), Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III, L.P), Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) and Ms. Leung, Mr. Duane Kuang and Mr. Gary Rieschel (each as a 33.33% shareholder of Qiming Corporate GP III, Ltd.) are deemed to be interested in the interest owned by Ming Zhi Investments (BVI) Limited.

(4) Broad Street Investments Holding (Singapore) Pte. Ltd., a company incorporated under the laws of the Republic of Singapore with limited liability as an investment vehicle, owns 20,893,939 H Shares and 7,278,710 Unlisted Foreign Shares of our Company. BSPI Holdings, L.L.C. (as the sole shareholder of Broad Street Investments Holding (Singapore) Pte. Ltd.), Broad Street Principal Investments, L.L.C. and BSPI Intermediate Holdings, L.L.C. (each as a 50% shareholder of BSPI Holdings, L.L.C.), Broad Street Principal Investments, L.L.C. (as the sole shareholder of BSPI Intermediate Holdings, L.L.C.), Broad Street Principal Investments Superholdco, L.L.C. (as the sole shareholder of Broad Street Principal Investments, L.L.C.) and The Goldman Sachs Group, Inc. (as the sole shareholder of Broad Street Principal Investments Superholdco, L.L.C.) are deemed to be interested in the interest owned by Broad Street Investments Holding (Singapore) Pte. Ltd. under the SFO.

The Goldman Sachs Group, Inc. is also deemed to be interested in the 2,182,946 H Shares and 760,463 Unlisted Foreign Shares of our Company owned by MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. under the SFO as MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. is held by multiple employee funds of The Goldman Sachs Group, Inc. among which, all general partners of the funds are wholly-owned subsidiaries of The Goldman Sachs Group, Inc..

(5) QM22 (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 20,396,751 Unlisted Foreign Shares of our Company. For the purpose of the SFO, QM22 Limited (as the sole shareholder of QM22 (BVI) Limited), Qiming Venture Partners III Annex Fund, L.P. (as the sole shareholder of QM22 Limited), Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III Annex Fund, L.P.), Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) and Ms. Leung, Mr. Duane Kuang, an Independent Third Party and Mr. Gary Rieschel, an Independent Third Party (each as a 33.33% shareholder of Qiming Corporate GP III, Ltd.) are deemed to be interested in the interest owned by QM22 (BVI) Limited.

(6) SCC Venture IV-Bright (HK) Limited, a limited company incorporated in Hong Kong, owns 18,522,220 Unlisted Foreign Shares of Company. SCC Venture IV-Bright (HK) Limited is wholly-owned by Sequoia Capital China Venture Fund IV, L.P.. The general partner of Sequoia Capital China Venture Fund IV, L.P. is SC China Venture IV Management, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. Under the SFO, each of Sequoia Capital China Venture Fund IV, L.P., SC China Venture IV Management, L.P., SC China Holding Limited, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is deemed to be interested in the interest owned by SCC Venture IV-Bright (HK) Limited.

(7) Muheng Capital Partners (Hong Kong) Limited, a company incorporated in Hong Kong, owns 16,690,318 H Shares and 3,934 Unlisted Foreign Shares of our Company. For the purpose of the SFO, Red Giant Limited (as the sole shareholder of Muheng Capital Partners (Hong Kong) Limited), DCP Capital Partners, L.P. (as the sole shareholder of Red Giant Limited) and DCP General Partner, Ltd. (as the general partner of DCP Capital Partners, L.P.) are deemed to be interested in the interest owned by Muheng Capital Partners (Hong Kong) Limited.

(8) Jiaxing Dechanghong Investment Partnership (Limited Partnership), a limited partnership organized in the PRC, owns 13,628,724 Domestic Shares of our Company. Jiaxing Demenghong Investment Partnership (Limited Partnership) (嘉興德盟弘投資管理合夥企業(有限合夥)), a limited partnership organized in the PRC, is the general partner of Jiaxing Dechanghong Investment Partnership (Limited Partnership). For the purpose of the SFO, Jiaxing Demenghong Investment Partnership (Limited Partnership) (as the general partner of Jiaxing Dechanghong Investment Partnership (Limited Partnership)) is deemed to be interested in the interest owned by Jiaxing Dechanghong Investment Partnership (Limited Partnership).

For details of the substantial shareholders who will be, directly or indirectly, interested in 10% or more of the value of any class of Shares varying rights to vote in all circumstances at general meetings of any member of our Group, see "Appendix VI—Statutory and General Information—Further Information about our Directors, Supervisors, Management and Substantial Shareholders—1. Disclosure of Interests."

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests and/or short positions in Shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB314,150,943, comprising 314,150,943 Shares of nominal value RMB1.0 each, was categorized as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
Domestic Shares in issue	83,886,936	26.70%
Unlisted Foreign Shares in issue	230,264,007	73.30%
Total	314,150,943	100.00%

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering and conversion of Unlisted Foreign Shares into H Shares, assuming the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
Domestic Shares in issue	83,886,936	21.36%
Unlisted Foreign Shares in issue	137,867,143	35.11%
H Shares converted from Unlisted Foreign Shares	92,396,864	23.53%
H Shares to be issued under the Global Offering	78,537,500	20.00%
Total	392,688,443	100.00%

Immediately following completion of the Global Offering and conversion of Unlisted Foreign Shares into H Shares, assuming the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
Domestic Shares in issue	83,886,936	20.74%
Unlisted Foreign Shares in issue	137,867,143	34.09%
H Shares converted from Unlisted Foreign Shares	92,396,864	22.84%
H Shares to be issued under the Global Offering	90,318,000	22.33%
Total	404,468,943	100.00%

SHARE CLASSES

Upon completion of the Global Offering and conversion of part of our Unlisted Foreign Shares into H Shares held by the existing foreign Shareholders, we would have two classes of Shares: H Shares as one class of Shares, Domestic Shares and Unlisted Foreign Shares together as another class. Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai—Hong Kong Stock Connect or the Shenzhen—Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix V—Summary of Articles of Association." The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix V—Summary of Articles of Association."

Except for the differences above, Domestic Shares, Unlisted Foreign Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

All our Domestic Shares and our Unlisted Foreign Shares are not listed or traded on any stock exchange. The holders of our Domestic Shares and Unlisted Foreign Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have been approved by the securities regulatory authorities of the State Council, including the CSRC. The listing of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion of our Domestic Shares and our Unlisted Foreign Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Shares and our Unlisted Foreign Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Hong Kong Stock Exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares and Unlisted Foreign Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

Please refer to *"Risk Factors — Risks Related to the Global Offering — Future sales or perceived sales of a substantial number of our Shares in the public market following the Global Offering could materially and adversely affect the price of our Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding."*

So far as we are aware, none of our Shareholders currently proposes to convert any of their Domestic Shares into H Shares.

CONVERSION OF OUR UNLISTED FOREIGN SHARES

Upon completion of the Global Offering, 92,396,864 Unlisted Foreign Shares in aggregate held by Ming Zhi Investments (BVI) Limited (30,342,501 Shares), Broad Street Investments Holding (Singapore) Pte. Ltd. (20,893,939 Shares), MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. (2,182,946 Shares), Muheng Capital Partners (Hong Kong) Limited (16,690,318 Shares), Golden Heat Management Company Limited (1,617,676 Shares), Legend Architectural Design Co., Ltd (6,000,062 Shares), Poseidon Capital Partners Management Limited (750,010 Shares), Start New Limited (3,144,654 Shares), Blue Summit Management Limited (3,504,966 Shares), Jupiter Holding Limited (539,226 H Shares), Mars Holding Limited (2,147,150 Shares) and Mercury Holding Limited (4,583,416 Shares) will be converted into H Shares on a one-for-one basis. The conversion of those Unlisted Foreign Shares into H Shares was approved by the CSRC on October 25, 2019 and an application has been made to the Listing Committee for such H Shares to be listed on the Hong Kong Stock Exchange.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Pursuant to the PRC Company Law, our Shares issued prior to the Listing shall not be transferred within one year from the Listing Date.

For details of the lock-up undertaking given by the Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules see "Underwriting — Underwriting Arrangements and Expenses — Undertakings pursuant to the Listing Rules — Undertakings by the Controlling Shareholders."

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to (subject to certain conditions, see "Cornerstone Investors – Conditions Precedent") subscribe at the Offer Price for such number of Offer Shares that may be purchased for an aggregate amount of US$130 million (or approximately HK$1,017.4 million) (the "**Cornerstone Placing**").

Based on the Offer Price of HK$29.0 (being the minimum price of the Offer Price range set out in this Prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 35,081,000, representing approximately (i) 8.93% of the Shares in issue upon the completion of the Global Offering and 44.67% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 8.67% of the Shares in issue upon completion of the Global Offering and 38.84% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised. Based on the Offer Price of HK$33.0 (being the maximum price of the Offer Price range set out in this Prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 30,829,500, representing approximately (i) 7.85% of the Shares in issue upon the completion of the Global Offering and 39.25% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 7.62% of the Shares in issue upon completion of the Global Offering and 34.13% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

The Company is of the view that the investment of the Cornerstone Investors in the Company demonstrates to potential investors that they are confident in our business and prospect. The Company became acquainted with the Cornerstone Investors through introduction by some of the underwriters in the Global Offering. To the best knowledge of the Company, (i) each of the Cornerstone Investors is an Independent Third Party, is not our connected person (as defined under the Listing Rules) or existing Shareholder, and is not a close associate of any of our existing Shareholders; (ii) none of the Cornerstone Investors is accustomed to taking instructions from the Company, the Directors, chief executive of the Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) none of the subscription of Offer Shares by any Cornerstone Investor is financed by the Company, the Directors, chief executive, Controlling Shareholders, substantial Shareholders, or existing Shareholders or any of its subsidiaries or their respective close associates. As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources, including but not limited to (a) subscriptions monies from its fund investors in the accounts managed by them; (b) returns on other investments through fund entities; and/or (c) financial assets of the government (as the case may be). There are no side arrangements between the Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing.

Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 9, 2019.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue and will not be counted towards the public float of our Company under Rule 18A.07 of the Hong Kong Listing Rules. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective cornerstone investment agreements. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder (as defined under the Listing Rules) of our Company. The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective cornerstone investment agreements. Pursuant to paragraph 4.2 of Practice Note 18 to the Listing Rules, in the event of over subscription under the Hong Kong Public Offering, the number of International Offer Shares may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. In such event, the number of Offer Shares to be subscribed by certain Cornerstone Investors may be affected by the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering.

There is deferred settlement of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing in the event of over-allocation. Where deferred settlement takes place, three Cornerstone Investors have agreed that they shall nevertheless pay for the relevant Offer Shares on the Listing Date, whereas the other two Cornerstone Investors namely (i) Gaoling Fund, L.P. and YHG Investment, L.P. and (ii) GIC Private Limited shall pay for the relevant Offer Shares on the actual delivery date.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

		Based on the Offer Price of HK$31.0 (being the mid-point of the Offer Price range)				
Cornerstone Investor	**Investment Amount[2]**	**Number of Offer Shares to be acquired[1][3]**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)**	**Approximate percentage of the H Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of the H Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is fully exercised)**
Gaoling Fund, L.P. and YHG Investment L.P.	US$50 million	12,622,500	3.21%	3.12%	16.07%	13.98%
GIC Private Limited	US$30 million	7,573,500	1.93%	1.87%	9.64%	8.39%
Aspex Master Fund.	US$20 million	5,049,000	1.29%	1.25%	6.43%	5.59%
Cephei QFII China Total Return Fund Ltd.	US$20 million	5,049,000	1.29%	1.25%	6.43%	5.59%
China Alpha Fund Management Ltd	US$10 million	2,524,500	0.64%	0.62%	3.21%	2.80%

(1) Calculated based on the exchange rate of HK$7.8261 to US$1.00 as described in the section headed "Information about this Prospectus and the Global Offering — Exchange Rate Conversion". The actual number of Shares allocated to each Cornerstone Investor may vary due to the actual exchange rate as determined pursuant to the terms of the respective cornerstone investment agreements.

(2) The investment amount excludes brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee which the investor will pay in respect of the Shares subscribed.

(3) Subject to rounding down to the nearest whole board lot of 500 H Shares.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Gaoling Fund, L.P. and YHG Investment, L.P.

Gaoling Fund, L.P. and YHG Investment, L.P. are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. ("**Hillhouse Capital**") serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P..

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

GIC Private Limited

GIC Private Limited ("**GIC**") is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

Aspex Master Fund

Aspex Master Fund ("**AMF**") is a Cayman Islands exempted company incorporated with limited liability operating as a private investment fund. Aspex Management (Cayman) Limited, an exempted company incorporated with limited liability in the Cayman Islands, serves as the investment manager to AMF. Aspex Management (HK) Limited, a company organised in Hong Kong with limited liability and licensed with the SFC, serves as investment advisor. The investment objective of AMF is to achieve attractive absolute returns over the medium-to long-term horizon through a bottom-up, research intensive, fundamentally-driven equity investment strategy focused on companies based in or heavily exposed to the Pan-Asia region. The ultimate beneficial owner of Aspex Master Fund is an individual who is an independent third party of the Company. The individual is a licensed representative and responsible officer under the SFO. Prior to joining Aspex, he was an Executive Managing Director and Head of Asia Equities of an international fund house, and was responsible for, among other things, overseeing Asia equities and private investments across the firm.

Cephei QFII China Total Return Fund Ltd.

Cephei QFII China Total Return Fund Ltd. is a Cayman Islands exempted company with limited liability incorporated in February 2013 to operate as a private investment fund (the "**Cephei Fund**"). The Cephei Fund invests primarily in China related companies listed in the PRC, Hong Kong and other overseas markets. CDH Investment Advisory Private Limited (incorporated under the laws of Singapore in 2005) is the Investment Manager of the Cephei Fund while Cephei Capital Management (Hong Kong) Limited, a private company with limited liability incorporated under the laws of Hong Kong, is the Investment Advisor to manage the investments of the Cephei Fund.

China Alpha Fund Management Ltd

China Alpha Fund Management Ltd ("**China Alpha**") has agreed to procure certain investors (namely China Alpha Master Fund Ltd and Global Intergrity Fund Ltd.) that China Alpha has discretionary investment management power over, to subscribe for, and failing which China Alpha will subscribe for, such number of the Offer Shares as stated above.

China Alpha is registered as an excluded person under the Securities Investment Business Law (as revised) of the Cayman Islands. It acts as the investment manager to certain funds under which China Alpha shall manage, on a discretionary basis, the money, investments, and/or other assets of the fund(s) in accordance with their respective guidelines and restrictions.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Joint Representatives (for themselves and on behalf of the underwriters of the Global Offering);

(c) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the Shares subscribed by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no Laws (as defined in the relevant cornerstone investment agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant cornerstone investment agreement) which prohibit the consummation of the transactions contemplated in the Global Offering or under the relevant cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the cornerstone investment agreements are accurate and true in all respects and not misleading and that there is no material breach of the cornerstone investment on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during a period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the shares subscribed for by it under the relevant cornerstone investment agreement and any shares or other securities of our Company derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares in any way, or allow itself to undergo a change of control (as defined in the Takeovers Code promulgated by the SFC) at the level of its ultimate beneficial owner.

Each Cornerstone Investor may transfer the H Shares so subscribed for in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly owned subsidiary undertakes, and such Cornerstone Investor undertakes to procure, that such wholly owned subsidiary agrees to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and subject to the restrictions on disposals imposed on the Cornerstone Investor.

OUR CONTROLLING SHAREHOLDERS

Mr. Zeng and Mr. Zi, acting in concert, are collectively interested in 33.35% of our total issued share capital immediately prior to the Global Offering, and will be collectively interested in 26.69% of our total issued share capital immediately following the completion of the Global Offering. Details of the shareholding of Mr. Zeng and Mr. Zi are listed below.

Ultimate beneficial owner	Shareholder of our Company	Shareholding immediately prior to the Global Offering	Shareholding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Mr. Zeng	Horizon Binjiang LLC[1]	15.26%	12.21%
	Total interests of Mr. Zeng	15.26%	12.21%
Mr. Zi	Mr. Zi	9.84%	7.87%
	Adventure 03[2]	2.87%	2.29%
	Zhejiang Dinova[3]	2.22%	1.78%
	DNA 01[4]	0.65%	0.52%
	Shenzhen Dinova[5]	0.54%	0.43%
	Hangzhou Qichu[6]	0.39%	0.32%
	Hangzhou Mingnuo[6]	0.34%	0.27%
	Hangzhou Qifei[6]	0.34%	0.27%
	Hangzhou Qihe[6]	0.34%	0.27%
	Hangzhou Qilai[6]	0.17%	0.14%
	Hangzhou Qili[6]	0.17%	0.14%
	Hangzhou Qinuo[6]	0.09%	0.07%
	Hangzhou Qisheng[6]	0.09%	0.07%
	Hangzhou Qixin[6]	0.04%	0.03%
	Total interests of Mr. Zi	18.09%	14.48%[7]
	Total interests of Mr. Zeng and Mr. Zi	33.35%	26.69%

Notes:

(1) Horizon Binjiang LLC is an investment holding company incorporated in California, the United States and wholly-owned by Mr. Zeng.

(2) Adventure 03 is an investment holding company incorporated in Hong Kong and wholly-owned by Dinova Healthcare Gamma Fund (USD) L.P.. Dinova Venture Partners GP III, L.P. is the general partner of Dinova Healthcare Gamma Fund (USD) L.P.. Dinova Capital Limited is the general partner of Dinova Venture Partners GP III. L.P.. Dinova Capital Limited is wholly-owned by Xin Nuo Tong Investment Limited, which is in turn wholly-owned by Mr. Zi.

(3) Zhejiang Dinova is a limited partnership and a venture capital fund holding various portfolios established in the PRC. Zhejiang Dinova Capital Management L.P. (浙江德諾資本管理合夥企業(有限合夥)) is the general partner of Zhejiang Dinova. Hangzhou Dinova Commercial Information Consulting Ltd. (杭州德諾商務信息諮詢有限公司) is the general partner of Zhejiang Dinova Capital Management L.P.. Hangzhou Dinova Commercial Information Consulting Ltd. is 40% owned by Mr. Zi, 30% owned by Ms. Huili Zhu, an Independent Third Party and 30% owned by Ms. Xiumei Huang, an Independent Third Party.

(4) DNA 01 is an investment holding company incorporated in Hong Kong and wholly-owned by Dinova Healthcare Delta Fund (USD) L.P.. Dinova Venture Partners GP IV, L.P. is the general partner of Dinova Healthcare Delta Fund (USD) L.P.. Dinova Venture Capital Limited is the general partner of Dinova Venture Partners GP IV, L.P.. Dinova Venture Capital Limited is 40% owned by Xin Nuo Tong Investment Limited, which is wholly-owned by Mr. Zi, 30% owned by NBL Holding Group Limited, an Independent Third Party and 30% owned by Sloan Investment Company Limited, an Independent Third Party.

(5) Shenzhen Dinova is a limited partnership and a venture capital fund holding various portfolios established in the PRC. Shenzhen Dinova Investment L.P. (深圳市德諾投資合夥企業(有限合夥)) is the general partner of Shenzhen Dinova. Shenzhen Dinova Investment Consulting Ltd. (深圳市德諾投資諮詢有限責任公司) is the general partner of Shenzhen Dinova Investment L.P.. Shenzhen Dinova Investment Consulting Ltd. is 66.67% owned by Mr. Zi and 33.33% owned by Ms. Ling Zhang, an Independent Third Party.

(6) Hangzhou Qichu, Hangzhou Mingnuo, Hangzhou Qifei, Hangzhou Qihe, Hangzhou Qilai, Hangzhou Qili, Hangzhou Qinuo, Hangzhou Qisheng and Hangzhou Qixin are the PRC Employee Entities of which Hangzhou Nuoxin Investment Management Limited is the sole general partner. Mr. Zi is the sole shareholder of Hangzhou Nuoxin Investment Management Limited.

(7) The total shareholding of Mr. Zi is directly calculated with the total number of Shares he held and is not equal to the sum of the percentage above (i.e. 14.47%)

During the Track Record Period, Mr. Zeng and Mr. Zi jointly effected their management and control of our Company as a unified group. Although they had not entered into any formal agreement to act in concert prior to April 30, 2019, they reached consensus between themselves prior to making decisions on the business operations, governance and key matters of our Company. They had always voted unanimously at all Board meetings. On April 30, 2019, Mr. Zeng and Mr. Zi entered into a concert party agreement (the "**Concert Party Agreement**") to confirm and acknowledge the nature of their relationship. Under the Concert Party Agreement, Mr. Zeng and Mr. Zi confirmed that they have been acting in concert prior to April 30, 2019. They have further undertaken to continue to act in concert, and agreed to, among others, vote unanimously at all Board meetings and Shareholders' meetings, discuss and reach consensus with each other before proposing to Shareholders' meetings, and act in concert in respect of the business operations, governance and other key matters of our Company. If Mr. Zeng and Mr. Zi cannot agree on a relevant issue, Mr. Zeng has agreed to act in accordance with the direction of Mr. Zi. As such, Mr. Zeng and Mr. Zi were parties acting in concert during the Track Record Period.

Mr. Zeng and Mr. Zi, collectively, have been the single largest shareholder of the Company and have held more than 30% of the Company's shareholding during the Track Record Period and up to the date of this Prospectus. They shall therefore be regarded as a group of Controlling Shareholders of our Company as at the date of this Prospectus.

Since Mr. Zeng and Mr. Zi, collectively, will hold less than 30% of our total issued share capital following the completion of the Global Offering, they will not be regarded as our Controlling Shareholders as defined under the Listing Rules upon Listing despite the fact that each of them is referred to a "Controlling Shareholder" in this Prospectus. Mr. Zeng and Mr. Zi, collectively, will remain as our single largest group of Shareholders upon Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholders and their close associates after the Listing, taking into consideration the factors below.

Management Independence

We are able to carry on our business independently from the Controlling Shareholders from a management perspective. Our Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors.

(a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance."

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Controlling Shareholders and their close associates after the Listing.

Operational Independence

We do not rely on the Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of the Controlling Shareholders and their close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on the Controlling Shareholders and their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

On January 30, 2019, our Company entered into a loan agreement with Bank of China Limited, Hangzhou Binjiang Branch (中國銀行股份有限公司杭州濱江支行) (the "**Bank**") pursuant to which the Bank granted a 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 (the "**Guaranteed Loan**"). Interest shall be paid quarterly and the principal shall be repaid upon maturity. Hangzhou Gaoxin Technology Innovation Services Ltd. (杭州高新科技創業服務有限公司) ("**Hangzhou Gaoxin**"), an Independent Third Party, has provided a guarantee in favor of the Bank to secure our Company's repayment obligations under the Guaranteed Loan (the "**Guarantee**"). At the same time, Mr. Zi, our Controlling Shareholder, has provided a counter guarantee (the "**Counter Guarantee**"), in the form of a pledge of his equity interest in RMB9 million of our Company's registered capital, representing 9,000,000 Shares, to Hangzhou Gaoxin to secure Hangzhou Gaoxin's obligations under the Guarantee. The pledged Shares represent in aggregate approximately 2.29% of the issued share capital of our Company after the Global Offering (assuming the Over-allotment Option is not exercised). The purpose of the Guaranteed Loan is to support daily operations and fulfill our Company's cash flow needs. As of the Latest Practicable Date, the outstanding amount of the Guaranteed Loan is RMB100 million.

We believe that our Group is able to obtain replacement financing from independent financial institutions if necessary without guarantees provided by our Controlling Shareholders. We have obtained a letter of intent by the Bank dated July 26, 2019, valid until February 29, 2020, (the "**BOC Letter**") under which the Bank agreed to provide a loan up to RMB100 million, without any guarantee from our Shareholders or other third parties. As of the Latest Practicable Date, we have not applied for the loan provided for under the BOC Letter as we believe that such loan would unnecessarily increase financing costs of our Group, and it is in the commercial interests of our Group to retain the Guaranteed Loan.

We expect that the Guaranteed Loan would be our Group's only loan with a guarantee provided by our Controlling Shareholders or their close associates upon Listing. We have developed stable bank relations to support our operations. In view of the financing costs if we replace the Guaranteed Loan, we do not intend to repay the Guaranteed Loan prior to maturity, or seek release of the Counter Guarantee. The commitment we obtained demonstrates that we are able to obtain new financing on market terms without guarantee or security from our Controlling Shareholders, following the Listing. Accordingly, we believe that, notwithstanding the existence of the Guaranteed Loan upon Listing, we are financially independent of our Controlling Shareholders.

Save as disclosed above, as of the Listing Date, there was no outstanding loan or guarantee granted by our Controlling Shareholders or their close associates to us.

Based on the above, our Directors believe that we do not place undue reliance on the Controlling Shareholders after the Listing.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Save and except for the interests of the Controlling Shareholders in our Company and its subsidiaries, the Controlling Shareholders and the Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/its associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and the Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) the Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Red Solar Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix IA and IB to this Prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2017 and 2018 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the leading transcatheter heart valve medical device player in China in terms of implantation volume in 2018. According to Frost & Sullivan, we had a 79.3% market share in China based on implantation volume of TAVR products in 2018. Our self-developed product, VenusA-Valve, is the first TAVR product approved by the NMPA and commercialized in China. As the pioneer in the transcatheter heart valve industry in China, we enjoy first mover advantages. We believe our first mover advantages together with our comprehensive product pipeline covering all four heart valves, robust intellectual property portfolio with 193 issued patents and 196 patent applications as of the Latest Practicable Date, and visionary management team, will serve as high entry barriers and differentiate us from our peers. We have developed a comprehensive product portfolio that covers the transcatheter solutions for all four heart valves including core valve products as well as complementary products to provide comprehensive treatments for patients with structural heart diseases. For details, see "Business."

Since inception, we have incurred net losses, with RMB157.9 million in the year ended December 31, 2017, RMB300.5 million in the year ended December 31, 2018, and RMB50.6 million and RMB138.4 million for the five months ended May 31, 2018 and 2019, respectively. However, our business has grown rapidly during the Track Record Period. Since we launched VenusA-Valve in China in August 2017 and completed the acquisition of InterValve in the same year, our revenue has increased significantly. Our revenue increased from RMB18.2 million in 2017 to RMB115.3 million in 2018, and increased from RMB38.3 million for the five months ended May 31, 2018 to RMB86.2 million for the five months ended May 31, 2019.

We expect to incur an increased amount of operating expenses in the near term as we further our pre-clinical research, continue the clinical development of, and seek regulatory approval for, our product candidates, launch our pipeline products, and expand the commercialization of VenusA-Valve in China. Following the acquisition of Keystone in December 2018, we expect our operating expenses to increase as a result of undertaking the operating expenses of Keystone. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status and the regulatory approval timeline of our product candidates.

OUR ACQUISITION OF KEYSTONE

We completed the acquisition of Keystone on December 26, 2018, and its results of operations have been consolidated into ours since then. Our statement of profit and loss for the year ended December 31, 2018 consolidates the results of Keystone since December 26, 2018, and our statement of profit and loss for the five months ended May 31, 2019 consolidates the full financial results of Keystone.

Keystone did not generate any revenue for the years ended December 31, 2017 and 2018 and for the five months ended May 31, 2018 and 2019, and it incurred net losses of US$19.3 million (or RMB130.4 million at the weighted average exchange rate for the year), US$22.7 million (or RMB150.5 million at the weighted average exchange rate for the year), US$5.7 million (or RMB36.0 million at the weighted average exchange rate for the period) and US$9.0 million (RMB61.1 million) for the same periods, respectively. The consolidated financial statements and the accompanying notes of Keystone for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019 are set forth in Appendix IB to this Prospectus.

For details regarding the acquisition, see "History, Development and Corporate Structure — Acquisitions and Investments" and Note 33 to the Accountants' Report in Appendix IA to this Prospectus.

BASIS OF PREPARATION

The consolidated financial information of our Group has been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board (IASB) applicable to companies reporting under IFRS. The consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which we have been measured at fair value. The consolidated financial information of our Group is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. The preparation of consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Company's accounting policies.

Upon the completion of our acquisition of Keystone on December 26, 2018, we acquired 100% of Keystone's equity interests. The consolidated financial information of Keystone for the years ended December 31, 2017 and 2018 and for the five months ended May 31, 2019, which has been prepared in accordance with IFRS, is listed separately in this section and in Appendix IB to this Prospectus. The consolidated financial information of Keystone is presented in U.S. dollar.

We have also included the unaudited pro forma consolidated statements of profit or loss and other comprehensive income of the enlarged group in this section and in Appendix IIB to this Prospectus for the year ended December 31, 2018 as if we had obtained control of Keystone on January 1, 2018. The pro forma financial information has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial results of the enlarged group.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

Growth of the PRC and Global Transcatheter Heart Valve Medical Device Market

We believe that our financial performance and future growth are dependent on the overall growth of the PRC and global transcatheter heart valve medical device market. An aging population, increasing preference of transcatheter procedures over other minimally invasive procedures and open-chest surgeries, and growing physician awareness and hospital adoption of transcatheter procedures have been driving and will drive the continuing growth of this market.

According to Frost & Sullivan, the global TAV market has expanded at a CAGR of 27.9% from US$1,500 million in 2014 to US$4,100 million in 2018, and is estimated to reach US$10,400 million in 2025 representing a CAGR of 14.3%. At its early stage of development, China's TAV market is estimated to grow significantly at a CAGR of 65.0% from US$28.7 million in 2018 to US$956.6 million in 2025. The global TPV market is estimated to grow at a CAGR of 14.4% from US$220.4 million in 2018 to US$564.5 million in 2025 and China's market is estimated to grow at a CAGR of 57.8% from US$12.1 million in 2020 to US$118.5 million in 2025 after the first TPVR product is launched in China. The TMV and TTV markets are still in the early stage with significant growth potential to address the medical needs of a vast population of mitral and tricuspid valve regurgitation patients. According to Frost & Sullivan, the global prevalence of mitral regurgitation is estimated to reach 108.6 million in 2025 from 95.1 million in 2018 and the global prevalence of tricuspid regurgitation is expected to reach 55.9 million in 2025 from 48.6 million in 2018. For more details, see "Industry Overview."

We believe that by leveraging on our leading position and first mover advantages in the transcatheter heart valve market in China, we are well-positioned to capture the expected growth of the market through our comprehensive product portfolio. With the potential growth in the PRC and global transcatheter heart valve medical device market, we expect our results of operation and financial performance to improve in the future.

Our Ability to Increase Sales Volume of VenusA-Valve

The sales volume of our current products will affect our results of operation in the next several years. Our revenue during the Track Record Period primarily comprised of sales of VenusA-Valve since its launch in August 2017. We expect that sales of VenusA-Valve will continue to account for a substantial portion of our total revenue in the near term. We intend to increase sales of VenusA-Valve to hospitals with which we have existing relationships and expand our sales network to cover more hospitals in China through our in-house sales and marketing team or through our distributors.

Specifically, we plan to increase sales efforts to deepen penetration in hospitals to which we currently sell VenusA-Valve. We expect the demand for TAVR products in these hospitals will continue to grow as the number of TAVR procedures increases in the near future. We also plan to expand into new hospitals and increase the application of TAVR procedures by more physicians in China by providing systematic training to physicians and continuing our sponsorship and participation in heart valve conferences. It is estimated that there will be over 600 hospitals in China with the capacity to perform TAVR procedures in 2025, according to Frost & Sullivan, where we can promote our VenusA-Valve and other products. Furthermore, we will promote the awareness of TAVR procedures among more eligible patients through our cooperation with public health organizations and foundations. We directly or through distributors sold VenusA-Valve to 34, 93 and 121 Class III Grade A hospitals in China in 2017 and 2018 and for the five months ended May 31, 2019, respectively. We plan to focus our selling efforts on establishing and maintaining relationships with hospitals that possess top-tier cardiology technology and resources to further promote VenusA-valve and increase our revenue in the near future.

Development and Commercialization of Our Product Candidates

Our ability to develop and commercialize pipeline products and diversify our product portfolio significantly affects our results of operations. Our market-driven R&D activities focus on product candidates that address rapidly growing clinical needs for transcatheter heart valve replacement procedures in China and globally. Our product candidates cover transcatheter procedures of all four heart valves. Targeting the TAV market, besides the commercialized VenusA-Valve, we have two internally developed TAVR pipeline candidates with more advanced features, including VenusA-Plus, which is in the process of the NMPA registration in China, and VenusA-Pilot, which is under pre-clinical development in China. Addressing the TPV market, we have one internally developed clinical product, VenusP-Valve, the clinical trial of which has been completed in China and is in process overseas. We are also developing products that target TMV and TTV markets. Moreover, to address the cerebral protection markets, we have acquired Keystone which self-developed TriGUARD3, and we have completed clinical trial in the U.S. and expect to file for FDA 510(k) clearance in the first half of 2020. During the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, our total R&D costs amounted to RMB117.4 million, RMB104.8 million, RMB37.0 million and RMB82.4 million, accounting for 646.1%, 90.8%, 96.6% and 95.6% of our total revenue, respectively.

Our results of operations also depend on our ability to successfully commercialize our product candidates upon approval. We plan to utilize our experience in selling VenusA-Valve in China to market additional transcatheter heart valve products. With increasing physicians' awareness in transcatheter procedures and our established relationships with KOLs, hospitals and physicians, we believe that we can effectively promote our new products in our covered hospitals and expand to new hospitals. Our ability to successfully develop and commercialize new transcatheter heart valve products in the manner we contemplate and to achieve the sales we expect is subject to a number of risks, many of which are beyond our control. For further details of the risks relating to the development and commercialization of new products, see "Risk Factors — Risks Relating to Our Business — Risks Relating to the Development of Our Product Candidates."

Changes in Pricing of Our Products

Changes in our products' selling prices constitute another important factor that affects our operating results. In line with market practice, we sell a significant portion of our products to distributors who resell our products to hospitals. As of the Latest Practicable Date, for our sales of VenusA-Valve, we had 48 distributors, and we directly sold our products to three hospitals. Our distributors negotiate directly with hospitals to determine the retail price of our products, and such retail price shall not be less than the suggested resale prices set in the distributorship agreement without our prior consent. Specifically, for VenusA-Valve, we sell our products to distributors either at the minimum order price or at the discount as agreed with the distributors to the retail price hospitals and distributors agreed upon. Hospitals may gain more bargaining power depending on the availability of alternative products, demands of patients and the preference of physicians. If hospitals lower retail prices of our products and therefore reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors. As of the Latest Practicable Date, there was no tender or bidding process or guidance price set by relevant PRC government authorities on our products. If the government issues pricing guidance, price control, other control measures or tendering processes on our products either at the national or provincial level, our profitability and results of operations may be adversely affected. Moreover, we may also face pricing pressure from competing products or new launch of pipeline products by our competitors. For details, see "Business — Pricing."

Our Ability to Improve Operating Efficiency

Our profitability has benefited from our effective control of cost of sales and ability to improve operating efficiency. Our cost of sales primarily includes raw material costs, staff costs, depreciation and amortization, utility costs and other costs. We have devoted efforts to control our cost of sales. Our cost of sales as a percentage of revenue was 16.9%, 14.2%, 14.0% and 17.4% for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, respectively. As our production volume and revenue grow, our cost of sales as a percentage of revenue may decrease.

Similarly, our ability to efficiently control our operating expenses will also impact our profitability. Our operating expenses include R&D costs, selling and distribution expenses, administrative expenses and other expense.

Since our inception, we have focused our resources on R&D activities, including conducting pre-clinical studies and clinical trials and activities related to regulatory filing for our heart valve candidates. For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, our R&D costs accounted for 646.1%, 90.8%, 96.6% and 95.6% of our revenue, respectively. Our R&D costs primarily consist of share awards, staff costs, clinical trial expenses, raw material costs, third-party contracting cost with research institutions, intellectual property expenses and other costs. We expect to incur significant R&D costs for the foreseeable future as our development programs progress and we continue to support the clinical trials of our product candidates.

Selling and distribution expenses is another major component of our operating expenses, accounting for 197.8%, 58.0%, 49.6% and 46.6% of our revenue for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, respectively. Our selling and distribution expenses mainly consist of market development expenses, staff costs and others. We expect our selling and distribution expense to increase in future periods to support the expanded marketing of our existing product and the commercialization of our product candidates once approved.

For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, our administrative expenses accounted for 112.3%, 194.1%, 69.9% and 86.5% of our revenue, respectively. Our administrative expenses primarily consist of share awards, staff costs, office expenses, depreciation and amortization, professional service fees, and others. We expect our administrative expense to increase in future periods to support our product development efforts.

In addition to effective cost and expense controls, we are expanding our production capacities by adding new production lines and facilities. As such, we believe that our efforts to control our cost of sales and increase our production capacity will allow us to achieve economies of scale and enhance our overall operational efficiency. We also believe the continued diversification of our product portfolio will enable us to achieve significant operating efficiencies that will help us reduce costs and improve our profitability.

Funding for Our Operations

For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, we funded our operations primarily through equity financing and bank loans. Going forward, with the marketing of our current products and the successful commercialization of our product candidates, we expect to fund our operations in part with revenue generated from sales of our products. However, with the continuing expansion of our business and development of product candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operation.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix IA to this Prospectus.

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the customer and us at contract inception. When the contract contains a financing component which provides us a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sales of medical devices

Revenue from the sale of medical devices is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the medical devices.

Some contracts for the sale of medical devices provide customers with rights of sales rebates. The rights of sales rebates give rise to variable consideration.

(i) Sales rebates

The Group may provide retrospective sales rebates to certain distributors based on their purchase amount, which are recognised as basic sales rebates, and may also provide additional sales rebates when distributors meet their performance requirements, such as sales target, as agreed in the distribution agreements between the Group and the distributors. Rebates are offset against amounts payable by the distributor arising from its purchase. The expected value method is used to estimate the amount of the additional sales rebates. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(ii) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(iii) Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items are lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair Value Measurement

We measure our financial instruments at fair value through other comprehensive income and at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by our Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Our Group's financial assets at fair value through other comprehensive income categorized within level 3 of fair value measurement mainly concerns our unlisted equity investment in Colibri. Our management performed the following procedures in relation to the valuation of such equity investment: (i) engaged a qualified and independent valuer to perform valuation on such equity investment, (ii) provided all material information relevant to the valuation to the valuer, (iii) reviewed the valuation report towards the basis of computation, scope of review, assumptions, limitations and qualifications and valuation methodologies, and (iv) discussed and enquired with the valuer with regards to the valuation and its methodologies. Based on the above procedures, our management is of the view that the valuation analysis performed by the valuer is fair and reasonable.

Details of the fair value measurement of equity investments designated at fair value through other comprehensive income, particularly the fair value hierarchy, the valuation techniques and significant unobservable inputs, and quantitative sensitivity to changes in unobservable inputs for level 3 fair value measurement are disclosed in Note 38 to the Historical Financial Information of our Group for the Track Record Period as set out in the Accountants' Report in Appendix IA to this Prospectus issued by the reporting accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our reporting accountants' opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on page IA-2 of Appendix IA to this Prospectus.

In relation to the valuation analysis performed by the valuer on unlisted equity investment in Colibri, the Joint Sponsors have conducted relevant due diligence work, including but not limited to (i) review of relevant notes in the Accountants' Report as contained in Appendix IA to this Prospectus and relevant valuation report provided by the valuer; and (ii) discussed with our reporting accountants, the valuer and us about the key basis and assumptions and work performed for the valuation of such unlisted equity investment. Having considered the work performed by our reporting accountants and us and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with the valuation analysis performed by the valuer on such unlisted equity investment.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria is satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	9%~32%
Office equipment	6%~32%
Motor vehicles	24%
Leasehold improvements	10%~52%
Right-of-use assets – Office premises	14%~50%
Right-of-use assets – Motor vehicles	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible Assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intellectual property

Purchased intellectual property is stated at cost less any impairment losses and is amortized on the straight-line basis over their estimated useful lives of 5 to 19 years, which is determined by considering the typical product life cycles for the intellectual property and the technical obsolescence.

Software

Purchased software is stated at cost less any impairment losses and amortized on a straight-line basis over its estimated useful lives of two to five years.

R&D cost

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a government grant account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Share-based payments

Our Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) and non-employees receive remuneration and rewards in the form of share-based payments, whereby employees and non-employees render services as consideration for equity instruments.

Significant Accounting Estimates

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the medical industry sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlations among historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Useful lives of intangible assets

Our finite life intangible assets primarily represent patents transferred from third parties. These intangible assets are amortized on a straight-line basis over their useful economic lives, which are estimated to be the patent life. If our estimate of the duration of the sale of a product is shorter than the patent life, then the shorter period is used. Additional amortization is recognized if the estimated useful lives of patents are different from the previous estimation. Useful lives are reviewed at the end of each of the relevant years/periods based on changes in circumstances.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, non-current asset), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group's goodwill acquired through business combination is due to the acquisition of Keystone in December 2018 and the goodwill has been allocated to Keystone unit as the cash-generating unit for impairment testing.

The recoverable amount of Keystone unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 10-year period approved by senior management. Financial budgets covering a 10-year period was used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value, because the useful life of Keystone's various intellectual property is longer than ten years, and it generally takes longer for a medical device company to reach perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with significant growth potential.

Key assumptions used in the calculation are as follows:

	As of May 31, 2019
Revenue (% compound growth rate)	56.57%
Gross margin (% of revenue)	70.00%-80.00%
Terminal growth rate	0%
Pre-tax discount rate	16.00%

Assumptions were used in the value in use calculation of cash-generating unit as of May 31, 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of when to launch Keystone's product candidate and also expectation of the future market. Keystone's product candidate, TriGUARD3, is at clinical trial stage, and we expect to file for FDA 510(k) clearance in the U.S. for TriGUARD3 in the first half of 2020. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development of related products.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve in the year when to launch Keystone's product candidate, increased for expected efficiency improvements and expected market development.

Terminal growth rate – The forecasted terminal growth rate is based on management expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

As of December 31, 2018 and May 31, 2019, the recoverable amount of the cash-generating unit exceeded its carrying amount by RMB11,436,000 and RMB107,656,000, respectively.

If the pre-tax discount rate rose to 17.06%, the gross margin decreased to the range from 68.00% to 77.00%, or the compound growth rate of revenue decreased to 55.58% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonable possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment as of May 31, 2019.

Based on the impairment assessment conducted by the Group utilizing the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill as of May 31, 2019 and no impairment was considered necessary.

The values assigned to the key assumptions on market development of related products and pre-tax discount rate are consistent with external information sources.

Adoption of IFRS 9, IFRS 15 and IFRS 16

IFRS 9 "Financial Instruments" replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standards are effective for annual periods beginning on or after January 1, 2018 and early adoption is permitted. IFRS 16 "Leases" replaces the previous leases standards IAS 17 "Lease" and related interpretations. The standards are effective for annual periods beginning on or after January 1, 2019 and early adoption is permitted.

All IFRSs effective for the accounting period commencing from January 1, 2019, including IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases", together with the relevant transitional provisions, have been adopted by the Group in the preparation of the historical financial information throughout the Track Record Period and in the period covered by the interim comparative financial information, the text of which is set forth in Appendix IA and IB to this Prospectus.

Upon adoption of IFRS 9, our Group recognized unlisted equity investment as equity investments designated at fair value through other comprehensive income, which should be recognized as available-for-sale financial assets under IAS 39. IFRS 9 also requires the Group to recognize an allowance for expected credit loss for all debt instruments not held at fair value through profit or loss. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The changes to the impairment calculation method compared to that under IAS 39 had minimal impact to the financial information. Accordingly, no impact on our net assets at December 31, 2017 and 2018 and May 31, 2019 as adoption of IFRS 9. The adoption of IFRS 9 has no significant impact on our performance during the Track Record Period.

The adoption of IFRS 15 does not affect the timing and amount of revenue recognition during the Track Record Period. Upon adoption of IFRS 15, contract liabilities which represented the obligation to transfer goods or services to a customer for which our Group has received a consideration (or an amount of consideration that is due) from the customer as of December 31, 2017 and 2018 and May 31, 2019 amounted to RMB1.0 million, RMB2.4 million and RMB2.4 million, respectively. Under IFRS15, we recognize the obligation to refund some or all of the consideration receivable from the customer by estimating the amount we ultimately expect we will have to return to the customer as refund liabilities. As of December 31, 2017 and 2018 and May 31, 2019, we recognized refund liabilities for future sales rebate, which should be recognized as other payables and accruals under IAS 18, of RMB0.1 million, RMB5.5 million and RMB7.8 million, respectively. Our refund liabilities for the future expected sales rebates as of December 31, 2017 and 2018 and May 31, 2019 accounted for 100.0%, 70.2% and 60.1% of the Group's total sales rebates for the years ended December 31, 2017 and 2018 and for the five months ended May 31, 2019, respectively. Accordingly, we consider that the adoption of IFRS 15 has no significant impact on our financial position and performance during the Track Record Period.

Upon adoption of IFRS 16, our Group recognized right-of-use assets and lease liabilities for those leases which should be recognized as operating leases under IAS 17, except for short-term leases and low value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Right-of-use assets of RMB5.6 million, RMB20.2 million and RMB18.4 million as of December 31, 2017 and 2018 and May 31, 2019 were recognized and presented within "Property, Plant and Equipment" in the statement of financial position, respectively. Lease liabilities of RMB6.1 million, RMB21.3 million and RMB19.8 million as of December 31, 2017 and 2018 and May 31, 2019 were recognized and presented separately in the statement of financial position, respectively. Accordingly, there was no significant impact on our net assets financial position as of December 31, 2017 and 2018 and May 31, 2019 after adoption of IFRS 16. Additionally, the adoption of IFRS 16 has no significant impact on our performance during the Track Record Period.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated derived from our consolidated statements of profit or loss set out in the Accountants' Report included in Appendix IA to this Prospectus:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB '000	% of Revenue	RMB '000	% of Revenue
					(unaudited)			
Revenue	**18,164**	**100.0**	**115,348**	**100.0**	**38,315**	**100.0**	**86,206**	**100.0**
Cost of sales	(3,077)	(16.9)	(16,368)	(14.2)	(5,380)	(14.0)	(15,042)	(17.4)
Gross profit	15,087	83.1	98,980	85.8	32,935	86.0	71,164	82.6
Other income and gains	5,137	28.3	13,152	11.4	1,731	4.5	608	0.7
Selling and distribution expenses	(35,922)	(197.8)	(66,865)	(58.0)	(18,996)	(49.6)	(40,143)	(46.6)
R&D costs	(117,360)	(646.1)	(104,774)	(90.8)	(37,026)	(96.6)	(82,416)	(95.6)
Administrative expenses	(20,393)	(112.3)	(223,864)	(194.1)	(26,774)	(69.9)	(74,611)	(86.5)
Other expenses	(2,157)	(11.9)	(11,351)	(9.8)	(326)	(0.9)	(5,062)	(5.9)
Impairment losses on financial assets, net	(330)	(1.8)	(1,674)	(1.5)	(767)	(2.0)	(544)	(0.6)
Finance costs	(1,510)	(8.3)	(3,224)	(2.8)	(973)	(2.5)	(7,198)	(8.3)
Loss before tax	**(157,448)**	**(866.8)**	**(299,620)**	**(259.8)**	**(50,196)**	**(131.0)**	**(138,202)**	**(160.3)**
Income tax expense	(500)	(2.8)	(898)	(0.8)	(407)	(1.1)	(221)	(0.3)
Loss for the year/period	**(157,948)**	**(869.6)**	**(300,518)**	**(260.5)**	**(50,603)**	**(132.1)**	**(138,423)**	**(160.6)**
Add:								
Share awards	73,536	404.8	235,765	204.4	36,279	94.7	47,416	55.0
Listing expenses	–	–	10,091	8.7	–	–	10,166	11.8
Non-IFRS Measure (unaudited)								
Adjusted net loss for the year/period[(1)]	(84,412)	(464.7)	(54,662)	(47.4)	(14,324)	(37.4)	(80,841)	(93.8)

Note:

(1) We define adjusted net loss for the year/period as loss for the year/period adjusted for certain non-operational or one-off expenses that do not affect our ongoing operating performance, including share awards and Listing expenses. For a reconciliation of loss for the year/period to adjusted net loss as we define, see "Financial Information—Non-IFRS Measures."

Revenue

During the Track Record Period, all of our revenue was generated from sales of medical devices. Before the commercialization of VenusA-Valve in August 2017, our revenue in 2017 consisted of the sales of V8 and TAV8 after we completed the asset purchase of InterValve in 2017. 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. During the Track Record Period, revenue from sales of VenusA-Valve accounted for 95.4%, 98.6% and 99.4% of our total revenue. With our pipeline products being launched into the market in the future upon approval, our sources of revenue are expected to become more diversified. The following table sets forth a breakdown of our revenue by product for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
					(unaudited)			
VenusA-Valve								
Revenue	17,321	95.4	113,737	98.6	37,731	98.5	85,707	99.4
Sales volume (unit)	104		737		239		563	
Average selling price (per unit)	166.5		154.3		157.9		152.2	
V8 and TAV8								
Revenue	843	4.6	1,611	1.4	584	1.5	499	0.6
Sales volume (unit)	251		492		151		96	
Average selling price (per unit)	3.4		3.3		3.9		5.2	
Total revenue	**18,164**	**100.0**	**115,348**	**100.0**	**38,315**	**100.0**	**86,206**	**100.0**

The table below shows the sensitivity of our profitability in relation to changes in average selling price and units sold of VenusA-Valve during the periods indicated:

Changes in net profit	For the year ended December 31, 2017	For the year ended December 31, 2018	For the five months ended May 31, 2019
Unit sold +5%	0.5%	1.7%	2.6%
Unit sold -5%	-0.5%	-1.7%	-2.6%
Average selling price +5%	0.5%	1.9%	3.1%
Average selling price -5%	-0.5%	-1.9%	-3.1%

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 Track Record Period. The table below sets forth a breakdown of our cost of sales in absolute amount and as percentage of our total cost of sales for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Cost of Sales								
Staff costs	1,151	37.4	7,523	46.0	2,747	51.1	6,164	41.0
Raw material costs	929	30.2	3,721	22.7	1,348	25.1	4,183	27.8
Depreciation and amortization	742	24.1	2,323	14.2	580	10.8	1,594	10.6
Utility costs	128	4.2	847	5.2	231	4.3	1,151	7.7
Others	127	4.1	1,954	11.9	474	8.7	1,950	12.9
Total	**3,077**	**100.0**	**16,368**	**100.0**	**5,380**	**100.0**	**15,042**	**100.0**

The table below sets forth a breakdown of our cost of sales in absolute amount and as percentage of our total cost of sales by product for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Cost of Sales								
VenusA-Valve	2,089	67.9	14,053	85.9	4,699	87.3	14,687	97.6
V8 and TAV8	988	32.1	2,315	14.1	681	12.7	355	2.4
Total	**3,077**	**100.0**	**16,368**	**100.0**	**5,380**	**100.0**	**15,042**	**100.0**

Our staff costs primarily include salaries, welfare, pension and share awards for employees involved in the production of our products and costs related to the trainings provided to our production workers. Staff costs comprised a substantial amount of the total cost of sales, accounting for 37.4%, 46.0%, 51.1% and 41.0% of our total cost of sales in the years ended December 31, 2017 and 2018 and in the five months ended May 31, 2018 and 2019, respectively, since a qualified manufacturing worker requires extensive training and our manual production incurs higher staff costs.

Our raw material costs primarily consist of costs of nitinol frame and porcine pericardium. We purchase raw materials on an as-needed basis at market prices. Raw material costs accounted for 30.2%, 22.7%, 25.1% and 27.8% of our total cost of sales in the years ended December 31, 2017 and 2018 and in the five months ended May 31, 2018 and 2019, respectively. The purchase prices of our principal raw materials remained relatively stable during the Track Record Period. The increased raw material costs were primarily attributable to our increased production volume.

Depreciation mainly relates to manufacture plants and equipment and amortization represents the amortization of relevant patents and technology know-how. Depreciation and amortization accounted for 24.1%, 14.2%, 10.8% and 10.6% of our total cost of sales in the years ended December 31, 2017 and 2018 and in the five months ended May 31, 2018 and 2019, respectively.

Utility costs mainly relate to fees paid for electricity and water consumed at our production facilities.

Others are mainly comprised of consumable costs, rental expenses and taxes.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, our gross profit was RMB15.1 million, RMB99.0 million, RMB32.9 million and RMB71.2 million, respectively, and our gross profit margin was 83.1%, 85.8%, 86.0% and 82.6%, respectively.

The table below sets forth a breakdown of our gross profit and gross profit margin by product for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
					(unaudited)			
VenusA-Valve	15,232	87.9	99,684	87.6	33,032	87.5	71,020	82.9
V8 and TAV8	(145)	(17.2)	(704)	(43.7)	(97)	(16.6)	144	28.9
Total	**15,087**		**98,980**		**32,935**		**71,164**	

Other Income and Gains

Our other income and gains consist of government grants, bank interest income, other interest income, investment income, foreign exchange gains, net, sales of work in progress and others. The table below sets forth a breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Other Income and Gains				
Government grants	4,129	2,037	1,500	496
Bank interest income	52	434	17	87
Other interest income	272	447	181	–
Investment income	28	32	32	–
Foreign exchange gains, net	–	10,165	–	–
Sales of work in progress	577	–	–	–
Others	79	37	1	25
Total	**5,137**	**13,152**	**1,731**	**608**

Government grants mainly represent incentives we received from the relevant governments for compensation of expenditure arising from our R&D and clinical trial activities, awards for new valve product development and expenditures incurred on certain projects. For example, we received government grants for our R&D of TAVR products under the "National Science & Technology Pillar Program" (國家科技支撐計劃) as part of the 12th Five-Year Plan. Bank interest income refers to the amount of interest we received from our deposits with commercial banks. Other interest income represents the interest we received from loans we granted to two employees of Venus Medtech of America on an arm's length basis. Investment income represents the return on our investment on the financial instruments we purchased. Foreign exchange gains, net, primarily reflect the increased value of the foreign currency we hold resulting from fluctuated exchange rate. Sales of work in progress refers to our sales of work in progress of VenusA-Valve in 2017 to a hospital for training of TAVR procedures to physicians.

Selling and Distribution Expenses

Our selling and distribution expenses mainly consist of market development expenses, staff costs, share awards and others. The table below sets forth a breakdown of our selling and distribution expenses in absolute amount and as percentage of our total selling and distribution expenses for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Selling and Distribution Expenses								
Market development expenses	21,668	60.3	32,873	49.2	8,657	45.6	17,247	43.0
Staff costs	7,128	19.8	14,406	21.5	4,273	22.5	14,405	35.9
Share awards	152	0.4	5,627	8.4	2,089	11.0	2,621	6.5
Others	6,974	19.5	13,959	20.9	3,977	20.9	5,870	14.6
Total	**35,922**	**100.0**	**66,865**	**100.0**	**18,996**	**100.0**	**40,143**	**100.0**

Our market development expenses primarily consist of expenses in connection with our sales and marketing activities, such as conference costs, expense incurred for TAVR training program and product promotion expenses. Our staff costs include salaries, pension and welfare for our sales and marketing employees. Share awards refer to the shares we granted to sales and marketing employees. Our other selling and distribution expenses primarily include rental expenses, office supplies, consulting expenses as well as other expenses that are directly related to our marketing and promotion activities.

R&D Costs

Our R&D costs consist of expenses incurred in connection with carrying out our product development projects. Our R&D costs primarily consist of staff costs, share awards, clinical trial, depreciation and amortization, raw material costs, intellectual property expenses, third-party contracting costs, and others. The table below sets forth a breakdown of our R&D costs in absolute amount and as percentage of our total R&D costs for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
R&D Costs								
Staff costs	12,167	10.4	14,585	13.9	4,947	13.4	20,136	24.4
Share awards	71,756	61.1	50,049	47.8	17,869	48.3	19,063	23.1
Clinical trial	7,043	6.0	10,362	9.9	4,929	13.3	18,809	22.8
Depreciation and amortization	2,489	2.1	3,146	3.0	1,074	2.9	5,431	6.6
Raw material costs	5,925	5.0	7,723	7.4	1,505	4.1	5,066	6.1
Intellectual property expenses	2,535	2.2	3,449	3.3	657	1.8	3,479	4.2
Third-party contracting costs	1,991	1.7	3,142	3.0	2,800	7.6	2,500	3.0
Others	13,454	11.5	12,318	11.7	3,245	8.6	7,932	9.8
Total	**117,360**	**100.0**	**104,774**	**100.0**	**37,026**	**100.0**	**82,416**	**100.0**

Our staff costs include salaries, welfare and pension for our R&D employees. Share awards represent the value of shares we granted to our R&D employees and to consultants who provide R&D services to us. Clinical trial expenses include expenses incurred for conducting clinical trials, including payment to CROs in relation to our clinical trials. Depreciation and amortization includes the depreciation of equipment and renovation of our R&D facilities as well as amortization of intangible assets. Raw material costs represent expenses on the raw materials used for developing our product candidates. Intellectual property expenses mainly include license fees, intellectual property application fees and intellectual property maintenance fees. Third-party contracting costs primarily relate to expenses incurred from outsourcing R&D activities and payments to third parties with which we collaborated for R&D of our pipeline products. Others primarily refer to reagent costs, consulting fees, office rentals, travel expenses, testing expenses and other general expenses incurred for the purpose of R&D.

Administrative Expenses

Our administrative expenses primarily consist of staff costs, share awards, professional service fees, office expenses, depreciation and amortization and others. The table below sets forth a breakdown of our administrative expenses in absolute amount and as percentage of our total administrative expenses for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Administrative Expenses								
Staff costs	6,642	32.6	9,738	4.4	3,555	13.3	22,414	30.0
Share awards	1,628	8.0	180,089	80.4	16,321	61.0	25,732	34.5
Listing expenses	–	–	10,091	4.5	–	–	10,166	13.6
Professional service fees	3,173	15.6	10,706	4.8	1,764	6.6	6,196	8.3
Office expenses	3,800	18.6	5,873	2.6	2,021	7.5	3,654	4.9
Depreciation and amortization	887	4.3	1,394	0.6	1,458	5.4	1,546	2.1
Others	4,263	20.9	5,973	2.7	1,655	6.2	4,903	6.6
Total	**20,393**	**100.0**	**223,864**	**100.0**	**26,774**	**100.0**	**74,611**	**100.0**

Our staff costs include salaries, welfare and pension for our administrative staff. Share awards refer to the shares we granted to our administrative employees. Listing expenses represent the costs, primarily including the professional service fees, we incurred for the Global Offering. Professional service fees include legal fees mainly related to acquisition of Keystone, accounting and other consulting fees. Office expenses include utility costs, communication expenses and other general office expenses. Depreciation and amortization include depreciation of our equipment and facilities for administrative purpose as well as amortization of prepaid lease payments for our office and software. Other administrative expenses primarily include office rentals, traveling and transportation expenses and other general expenses incurred for administrative purposes.

Other Expenses

Our other expenses primarily consist of donations, foreign exchange losses, net and others. The table below sets forth a breakdown of our other expenses for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Other Expenses								
Donations	–	–	10,509	92.6	–	–	4,013	79.3
Foreign exchange losses, net	1,838	85.2	–	–	177	54.3	1,029	20.3
Others	319	14.8	842	7.4	149	45.7	20	0.4
Total	**2,157**	**100.0**	**11,351**	**100.0**	**326**	**100.0**	**5,062**	**100.0**

Our donations mainly represent certain donations made to public health organizations and foundations such as Bethune Charitable Foundation for Medical Research and Development. Foreign exchange losses, net, mainly represent the losses from the change in exchange rate between U.S. dollar and RMB due to our cash balance in U.S. dollars. Others mainly include losses on sales of property, plant and equipment and other general expenses.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net, were RMB0.3 million, RMB1.7 million, RMB0.8 million and RMB0.5 million for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, respectively. Our impairment losses on financial assets, net, mainly consist of impairment of trade and other receivables and provision.

Finance Costs

Our finance costs were RMB1.5 million, RMB3.2 million, RMB1.0 million and RMB7.2 million for the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019, respectively. Our financial costs mainly consist of the interest on bank loans we borrowed from commercial banks and finance charge for guarantee.

Income Tax Expense

Our income tax expense mainly consists of EIT from the U.S., Israel and UK and deferred income tax in the U.S.

Pursuant to the EIT Law and the relevant regulations, our subsidiaries which operate in China are subject to EIT at a rate of 25% on the taxable income derived in China.

Among our subsidiaries, Venus Medtech of America was subject to statutory U.S. federal EIT at a rate of 34%, 21% and 21%, respectively, on the taxable income derived in the U.S. during the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019. Keystone Heart US, Inc. was subject to statutory U.S. federal EIT at a rate of 35%, 21% and 21%, respectively, on the taxable income derived in the U.S. during the same period.

During the five months ended May 31, 2019, Keystone Heart was subject to Israel EIT at a rate of 23% on the taxable income derived in Israel.

During the five months ended May 31, 2019, Keystone Heart UK, Ltd. was subject to EIT at a rate of 19% on the taxable income derived in UK.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes in accordance with tax regulations and did not have any disputes or unresolved tax issues with the relevant tax authorities.

Five Months Ended May 31, 2018 Compared to Five Months Ended May 31, 2019

Revenue

Our total revenue increased by 125.0%, from RMB38.3 million for the five months ended May 31, 2018 to RMB86.2 million for the five months ended May 31, 2019, primarily attributable to the increase in the sales volume of VenusA-Valve as a result of the broader market acceptance and our continued efforts in marketing and expansion.

The average selling price of VenusA-Valve decreased slightly in the five months ended May 31, 2019 compared to May 31, 2018. The average selling price of V8 and TAV8 increased from RMB3,900 per unit for the five months ended May 31, 2018 to RMB5,200 per unit for the five months ended May 31, 2019, primarily because all of the products were directly sold to hospitals and medical centers in 2019, the average selling price of which was higher compared to that of the products sold to distributors.

Cost of Sales

Our cost of sales increased by 177.8% from RMB5.4 million for the five months ended May 31, 2018 to RMB15.0 million for the five months ended May 31, 2019, primarily attributable to the increased staff costs and raw material costs associated with our growth in sales volume of VenusA-Value. Our cost of sales accounted for 14.0% and 17.4% of our revenue for the five months ended May 31, 2018 and 2019, respectively.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 116.4%, from RMB32.9 million for the five months ended May 31, 2018 to RMB71.2 million for the five months ended May 31, 2019. Our gross profit margin decreased from 86.0% for the five months ended May 31, 2018 to 82.6% for the five months ended May 31, 2019, primarily as a result of the decrease in gross profit margin of VenusA-Valve from 87.5% for the five months ended May 31, 2018 to 82.9% for the five months ended May 31, 2019, which was mainly attributable to the increase in fixed costs due to capacity expansion. Gross loss incurred from the sales of V8 and TAV8 for the five months ended May 31, 2018 was primarily attributable to the amortization of the intangible assets we acquired from InterValve Seller that were allocated to the cost of sales of V8 and TAV8. The gross profit margin of V8 and TAV8 increased from -16.6% for the five months ended May 31, 2018 to 28.9% for the five months ended May 31, 2019, primarily because of the increase in the average selling price and the decrease in amortization expenses allocated to each unit during the periods.

Other Income and Gains

Our other income and gains decreased by 64.7%, from RMB1.7 million for the five months ended May 31, 2018 to RMB0.6 million for the five months ended May 31, 2019. Such decrease mainly resulted from the decrease in government grants, the availability of which depends on whether we have projects entitled to government grants and the budgets of the relevant government entities.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 111.1%, from RMB19.0 million for the five months ended May 31, 2018 to RMB40.1 million for the five months ended May 31, 2019. The increase was generally in line with the increase in our revenue and the marketing and promotion efforts, and primarily attributable to the increase in market development expenses from RMB8.7 million to RMB17.2 million associated with our increased marketing activities for our products, and the increase in staff costs from RMB4.3 million to RMB14.4 million primarily because of our increased number of sales and marketing staff from the five months ended May 31, 2018 to the five months ended May 31, 2019. Selling and distribution expenses as a percentage of our revenue decreased from 49.6% for the five months ended May 31, 2018 to 46.6% for the five months ended May 31, 2019.

R&D Costs

Our R&D costs increased by 122.7%, from RMB37.0 million for the five months ended May 31, 2018 to RMB82.4 million for the five months ended May 31, 2019, primarily due to the consolidation of Keystone's financial statements upon the completion of our acquisition of Keystone in December 2018. The increase in R&D costs was mainly attributable to RMB15.2 million increase of staff costs associated with our increased number of R&D staff and RMB13.9 million increase of clinical trial expense primarily incurred by Keystone in the five months ended 31, 2019. Our total R&D costs as a percentage of our revenue decreased from 96.6% for the five months ended May 31, 2018 to 95.6% for the five months ended May 31, 2019.

Administrative Expenses

Our administrative expenses increased by 178.4%, from RMB26.8 million for the five months ended May 31, 2018 to RMB74.6 million for the five months ended May 31, 2019, primarily due to the consolidation of Keystone's financial statements upon the completion of our acquisition of Keystone in December 2018. The increase in administrative expenses was mainly attributable to the increase in staff costs of RMB18.9 million due to the bonuses to Keystone's administrative staff upon certain milestones in relation to the acquisition of Keystone amortized during the five months ended May 31, 2019 and in share awards of RMB9.4 million associated with increase in the number of staff as a result of our business expansion. Administrative expenses as a percentage of our revenue increased from 69.9% for the five months ended May 31, 2018 to 86.5% for the five months ended May 31, 2019.

Other Expenses

Our other expenses increased from RMB0.3 million for the five months ended May 31, 2018 to RMB5.1 million for the five months ended May 31, 2019, primarily due to a RMB4.0 million increase of donations to various public health organizations and fundations and RMB0.8 million increase of foreign exchange losses, resulting from the appreciation of the U.S. dollar.

Finance Costs

Our finance costs increased by 620.0%, from RMB1.0 million for the five months ended May 31, 2018 to RMB7.2 million for the five months ended May 31, 2019, primarily due to an increase in bank loans and credit facilities we obtained in 2019 and the increase of relevant fees we paid for the guarantee provided by a financial institution to guarantee our future payment of milestone considerations for the acquisition of Keystone.

Income Tax Expense

Our income tax expense was RMB0.4 million in the five months ended May 31, 2018 and RMB0.2 million in the five months ended May 31, 2019, primarily due to the EIT incurred by Venus Medtech of America and Keystone Heart US, Inc.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2018

Revenue

Our total revenue increased by 533.5%, from RMB18.2 million for the year ended December 31, 2017 to RMB115.3 million for the year ended December 31, 2018, primarily attributable to the increased sales volume of VenusA-Valve which was because we only generated revenue from the sales of VenusA-Valve for five months during the year ended December 31, 2017 since we launched VenusA-Valve in August 2017, and we significantly increased sales of VenusA-Valve in the year ended December 31, 2018. The average selling price of VenusA-Valve decreased from RMB166,500 per unit in the year ended December 31, 2017 to RMB154,300 per unit in the year ended December 31, 2018, primarily because the units we directly sold to hospitals accounted for a higher percentage of the total units we sold in 2017 compared to such percentage in 2018, and the average selling price of the units we directly sold to hospitals was higher than that of the units we sold to distributors. The average selling price of V8 and TAV8 remained relatively stable in the years ended December 31, 2017 and 2018.

Cost of Sales

Our cost of sales increased by 429.0%, from RMB3.1 million for the year ended December 31, 2017 to RMB16.4 million for the year ended December 31, 2018, which was mainly caused by increased staff costs and raw material costs that were generally in line with the increase in the sales volume of VenusA-Valve, V8 and TAV8. Our cost of sales accounted for 16.9% and 14.2% of our revenue for the years ended December 31, 2017 and 2018, respectively.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 555.6%, from RMB15.1 million for the year ended December 31, 2017 to RMB99.0 million for the year ended December 31, 2018.

Our gross profit margin increased from 83.1% for the year ended December 31, 2017 to 85.8% for the year ended December 31, 2018, primarily attributable to the increase in revenue contribution from VenusA-Valve, the gross profit margin of which was higher than that of V8 and TAV8. The gross profit margin of VenusA-Valve remained relatively stable for the year ended December 31, 2018 compared to December 31, 2017. Our sales of V8 and TAV8 incurred gross

loss in the years ended December 31, 2017 and 2018, primarily attributable to the amortization of the intangible assets we acquired from InterValve Seller that were allocated to the cost of sales of V8 and TAV8 over the respective periods. The gross profit margin of V8 and TAV8 decreased from -17.2% for the year ended December 31, 2017 to -43.7% for the year ended December 31, 2018, primarily because of the slight decrease in the average selling price and the increase in amortization expenses allocated to each unit.

Other Income and Gains

Our other income and gains increased by 158.8%, from RMB5.1 million for the year ended December 31, 2017 to RMB13.2 million for the year ended December 31, 2018. Such increase was primarily attributable to RMB10.2 million increase in foreign exchange gains, net, which resulted from the appreciation of the U.S. dollar from the investment proceeds we received from our shareholders in U.S. dollars in 2018.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 86.4%, from RMB35.9 million for the year ended December 31, 2017 to RMB66.9 million for the year ended December 31, 2018. The increase was generally in line with the increase in the sales volume of VenusA-Valve. It was primarily attributable to a RMB11.2 million increase in market development expenses resulting from our expanded marketing activities, a RMB7.3 million increase in staff costs associated with an increased number of sales and marketing employees and a RMB5.5 million increase in share awards as compensation for our sales and marketing employees. Selling and distribution expenses as a percentage of our revenue decreased from 197.8% for the year ended December 31, 2017 to 58.0% for the year ended December 31, 2018. The decrease was primarily attributable to our increase in revenue since the commercialization of VenusA-Valve in August 2017 and the lower selling and distribution expenses related to maintenance of existing clients as compared to our initial marketing expenses incurred.

R&D Costs

Our R&D costs decreased by 10.7%, from RMB117.4 million for the year ended December 31, 2017 to RMB104.8 million for the year ended December 31, 2018, primarily due to a RMB21.7 million decrease in share awards which was because we granted share awards to our R&D consultants in 2017 while we did not grant such share awards in 2018, partially offset by a RMB2.4 million increase in staff costs associated with the increased number of R&D staff and a RMB3.3 million increase in clinical trial expense incurred for the application of CE Marking for VenusP-Valve. Our total R&D costs as a percentage of our revenue decreased from 646.1% for the year ended December 31, 2017 to 90.8% for the year ended December 31, 2018 as a result of increase in our revenue in 2018.

Administrative Expenses

Our administrative expenses increased by 997.5%, from RMB20.4 million for the year ended December 31, 2017 to RMB223.9 million for the year ended December 31, 2018, primarily as a result of a RMB178.5 million increase in share awards to our administrative staff vested in 2018, share awards granted to our administrative staff in late 2017 and amortized in 2018 and share awards granted and amortized in 2018. Administrative expenses as a percentage of our revenue increased from 112.3% for the year ended December 31, 2017 to 194.1% for the year ended December 31, 2018.

Other Expenses

Our other expenses increased by 418.2%, from RMB2.2 million for the year ended December 31, 2017 to RMB11.4 million for the year ended December 31, 2018. The increase was mainly attributable to RMB10.5 million increase in our donations to various public health organizations and foundations partially offset by a RMB1.8 million decrease in foreign exchange loss. The decrease in foreign exchange loss was due to the appreciation of the U.S. dollar for our cash balance in U.S. dollars.

Finance Costs

Our finance costs increased by 113.3%, from RMB1.5 million for the year ended December 31, 2017 to RMB3.2 million for the year ended December 31, 2018, primarily as a result of increased bank loans from commercial banks.

Income Tax Expense

We incurred income tax expenses of RMB0.5 million for the year ended December 31, 2017 and RMB0.9 million for the year ended December 31, 2018, primarily due to the EIT incurred by Venus Medtech of America in the U.S. as a result of transfer pricing in connection with the remuneration by our Company for its R&D services provided to our Company in developing transcatheter valve systems.

NON-IFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures 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 measures allow investors to consider matrics used by our management in evaluating our performance. Listing expenses are one-off expenses in relation to the Listing and the Global Offering. 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. With respect to share awards, determining its fair value involves a high-degree of judgment. Historical occurrence of share awards is not indicative of any future occurrence. Therefore, we do not consider Listing expenses and share awards to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. 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 measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows reconciliation of net loss for the year/period to our adjusted net loss for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the year/period	(157,948)	(300,518)	(50,603)	(138,423)
Add:				
Share awards	73,536	235,765	36,279	47,416
Listing expenses	–	10,091	–	10,166
Adjusted net loss for the year/period (unaudited) [(1)]	(84,412)	(54,662)	(14,324)	(80,841)

Note:

(1) 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.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix IA to this Prospectus:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total non-current assets	72,327	743,743	738,852
Total current assets	121,684	290,638	310,863
Total assets	**194,011**	**1,034,381**	**1,049,715**
Total current liabilities	95,967	496,130	585,714
Net current assets/(liabilities)	**25,717**	**(205,492)**	**(274,851)**
Total non-current liabilities	16,846	67,877	64,524
Total liabilities	**112,813**	**564,007**	**650,238**
Net assets	**81,198**	**470,374**	**399,477**
Share capital	–	300,000	300,943
Paid-in capital	34,800	–	–
Reserves	37,491	161,564	89,741
Non-controlling interests	8,907	8,810	8,793
Total equity	**81,198**	**470,374**	**399,477**

NET CURRENT ASSETS/LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of May 31,	As of September 30,
	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Inventories	9,418	16,685	16,117	20,613
Trade receivables	17,870	80,646	120,145	136,725
Prepayments, other receivables and other assets	22,033	27,617	32,203	45,361
Due from related parties	280	90	13,060	13,297
Financial assets at fair value through profit or loss ("FVTPL")	13,068	–	–	–
Pledged deposits	–	686	718	736
Cash and cash equivalents	59,015	164,914	128,620	292,140
Total current assets	121,684	290,638	310,863	508,872
Current liabilities				
Trade payables	2,940	983	1,520	2,735
Lease liabilities	2,164	5,959	7,140	8,266
Other payables and accruals	43,495	380,819	377,635	350,052
Due to a related party	1,921	681	685	704
Interest-bearing bank borrowings	30,000	80,000	170,000	170,000
Government grants, current	13,450	14,950	14,950	20,000
Contract liabilities	–	1,399	1,399	2,433
Refund liabilities	148	5,480	7,837	8,607
Tax payable	1,849	5,859	4,548	942
Total current liabilities	95,967	496,130	585,714	563,739
Net current assets/(liabilities)	25,717	(205,492)	(274,851)	(54,867)

We had net current liabilities of RMB54.9 million as of September 30, 2019, being the latest practicable date for the purpose of liquidity disclosure in this Prospectus, compared to net current liabilities of RMB274.9 million as of May 31, 2019. The change was primarily due to an increase in cash and cash equivalents of RMB163.5 million as a result of the E round pre-IPO investment by certain pre-IPO investors. For details, see "History, Development and Corporate Structure — Pre-IPO Investments — (13) E Round Pre-IPO Investment by Certain Pre-IPO Investors."

We had net current liabilities of RMB274.9 million as of May 31, 2019, compared to net current liabilities of RMB205.5 million as of December 31, 2018. The change was primarily due to an increase in the interest-bearing bank borrowings of RMB90.0 million, and a decrease in cash and cash equivalents of RMB36.3 million, partially offset by an increase in prepayments, other receivables and other assets of RMB4.6 million, an increase in due from related parties of RMB13.0 million and an increase in trade receivables of RMB39.5 million. Among the above, the increase in interest-bearing borrowings was mainly due to the RMB100.0 million bank loan we obtained from a commercial bank in China in 2019. The decrease in our cash and cash equivalents was mainly caused by our continued loss from operations. For changes in other key line items, see "—Inventories," "—Trade Receivables," "— Prepayments, Other Receivables and Other Assets" and "—Related-Party Transactions."

We incurred net current liabilities of RMB205.5 million as of December 31, 2018, as compared to net current assets of RMB25.7 million as of December 31, 2017. The change was primarily due to an increase of RMB337.3 million in other payables and accruals, an increase of RMB50.0 million in interest-bearing bank loans and a RMB13.1 million decrease in FVTPL, partially offset by an increase of RMB105.9 million in cash and cash equivalents, an increase of RMB62.8 million in trade receivables and an increase of RMB5.6 million in prepayments, other receivables and other assets. Among the above, the RMB105.9 million increase in cash and cash equivalents was primarily due to the increase in net cash from financing activities, including a RMB445.3 million of capital contributions from our shareholders. The decrease in FVTPL was primarily resulted from the redemption of our relevant financial instruments. For changes in other key line items, see "—Trade Receivables," "—Indebtedness," "—Other Payables and Accruals," "—Related-Party Transactions" and "—Government Grants."

Inventories

Our inventories consist of raw materials, work in progress and finished goods. We formulate the purchase plan of raw materials according to our production and sales targets. We formulate and supervise production progress, inventory levels and projected sales of our products, and adjust our sales and purchase plans accordingly every month according to sales performance, to minimize the risk of inventory shortage or accumulation. We have also established an inventory management system that monitors each stage of the warehousing process. We did not experience any material shortage or accumulation of inventory during the Track Record Period. For further details of our inventory management, see "Business — Inventory." The tables below set forth our inventory balances as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Raw materials	2,978	5,259	6,619
Work in progress	2,007	3,765	4,328
Finished goods	4,575	8,380	5,893
Less: provision for inventories	(142)	(719)	(723)
Total	**9,418**	**16,685**	**16,117**

Our inventory balance increased from RMB9.4 million as of December 31, 2017 to RMB16.7 million as of December 31, 2018 primarily due to an increase in finished goods of RMB3.8 million, an increase in raw materials of RMB2.3 million and an increase in work in progress of RMB1.8 million. The increase in inventory was primarily attributable to the enhanced production capacity due to the increased number of manufacturing workers. Our inventory balance remained stable as of May 31, 2019 compared to that as of December 31, 2018.

The table below sets forth our inventory and finished goods turnover days for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,
	2017	2018	2019
Inventory turnover days[1]	222.9	197.7	123.2
Average finished goods turnover days[2]	262.9	134.9	64.4

Notes:

(1) Inventory turnover days for a year/period is the arithmetic mean of the beginning and ending balances of inventory for the relevant year/period divided by the sum of cost of sales and material costs for R&D for the relevant year/period and multiplied by 365 days for the full-year period and 151 days for the five-month period.

(2) Average finished goods turnover days for a year/period is the arithmetic mean of the beginning and ending balances of finished goods for the relevant year/period divided by the sum of cost of sales and material costs for R&D for the relevant year/period and multiplied by 365 days for the full-year period and 151 days for the five-month period.

For the years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, our inventory turnover days were 222.9 days, 197.7 days and 123.2 days, respectively. The 25.2 days decrease from the year ended December 31, 2017 to the year ended December 31, 2018 in inventory turnover days was primarily due to our increased sales in 2018 compared to 2017. The 74.5 days decrease in inventory turnover days from the year ended December 31, 2018 to the five months ended May 31, 2019 was primarily due to increased sales while our inventory level remained stable due to operating efficiency.

As of September 30, 2019, RMB9.3 million, representing 98.9% of the RMB9.4 million inventory as of December 31, 2017, was utilized, RMB15.2 million, representing 91.0% of the RMB16.7 million inventory as of December 31, 2018, was utilized and RMB11.6 million, representing 72.0% of the RMB16.1 million inventory as of May 31, 2019, was utilized.

Trade Receivables

Our trade receivables primarily represent the balances due from certain customers. While we generally allow for a credit period of six months for our distributors and a credit period of six to 12 months for our direct sales to hospitals, we consider a number of factors in determining the credit term of a customer, including its cash flow conditions and creditworthiness as well as the local medical care policy and market environment. For details, see "Business — Sales and Marketing — Our Sales Arrangements."

The table below sets forth our trade receivables as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables	18,193	82,283	122,323
Less: Impairment of trade receivables	(323)	(1,637)	(2,178)
Total	**17,870**	**80,646**	**120,145**

Our trade receivables increased from RMB18.2 million as of December 31, 2017 to RMB82.3 million as of December 31, 2018 and to RMB122.3 million as of May 31, 2019, which primarily reflected our sales growth in 2018 and in the five months ended May 31, 2019. We do not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing.

In determining impairment of trade receivables, we conduct regular reviews of aging analysis and evaluate collectability, taking into account of the historical loss rates of the comparable listed companies and adjust for forward looking macroeconomic data in calculating the expected credit loss rate. We did not record material provision for impairment of trade receivables during the Track Record Period.

The table below sets forth our trade receivables turnover days for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,
	2017	2018	2019
Average trade receivables turnover days[(1)]	60.0	155.9	175.9

Note:

(1) Trade receivable turnover days for a period equals the arithmetic mean of the beginning and ending trade receivable balances divided by revenue for that period and multiplied by 122 days for 2017, 365 days for 2018 and 151 days for the five months ended May 31, 2019.

The calculation of average turnover days enumerates the average of trade receivables at the beginning and the end of a year, and we had nil trade receivables at the beginning of 2017, which led to a much lower average turnover days in 2017. The average trade receivables turnover days of 155.9 in 2018 and 175.9 in the five months ended May 31, 2019 are in line with the credit term we generally provide for our customers.

The following table sets forth an aging analysis based on the invoice date of our net trade receivables as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 6 months	17,870	63,872	100,404
7 to 12 months	–	15,803	19,738
Over 12 months	–	971	3
Total	**17,870**	**80,646**	**120,145**

The increase in trade receivables with an ageing within six months was primarily in line with the increase in our sales. The increase in trade receivables with an aging of seven months to 12 months and over 12 months was primarily because we extended the credit term for several distributors in 2018 and in the five months ended May 31, 2019. As of May 31, 2019, we had RMB14.6 million past due trade receivables that were not impaired, out of which RMB4.0 million trade receivables were not subsequently settled as of September 30, 2019. All of such RMB4.0 million trade receivables are less than six months past due.

Our trade receivables were mostly with an ageing within six months, which was in line with the credit term we provided to our distributors. As of September 30, 2019, all of the trade receivables outstanding as of December 31, 2017 were settled, RMB74.0 million, representing 91.8% of the RMB80.6 million trade receivables outstanding as of December 31, 2018, were settled and RMB55.3 million, representing 46.0% of the RMB120.1 million trade receivables outstanding as of May 31, 2019, were settled.

Prepayments, Other Receivables and Other Assets

Our current prepayments, other receivables and other assets include prepayments, deferred Listing expenses, other receivables, loans to employees, value-added tax recoverable, deferred finance charges for guarantee, prepayments for acquisition for a subsidiary, prepaid rental expenses and subtract the impairment of other receivables. Prepayments primarily include prepayments to our raw material suppliers and service providers. Deferred Listing expenses primarily refer to the Listing expenses incurred. Other receivables mainly include deposits paid for office rentals and employee reserve fund and deposits paid to our suppliers. Deferred finance charges for a guarantee represents our payment to a financial institution for the guarantee it provided for our contingent payment of considerations related to the acquisition of Keystone. Prepayment for acquisition for a subsidiary represents the prepayment to the escrow account for the acquisition of Keystone. The table below sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current:			
Prepayments	2,081	5,733	6,281
Deferred Listing expenses	–	4,592	9,218
Other receivables	2,047	2,164	4,269
Loans to employees	11,037	–	–
Value-added tax recoverable	6,347	5,444	6,534
Deferred finance charges for a guarantee	–	6,647	5,675
Prepayments for acquisition for a subsidiary	–	2,037	–
Prepaid rental expenses	534	1,002	231
Less: Impairment of other receivables	(13)	(2)	(5)
Total Current	**22,033**	**27,617**	**32,203**

Our current prepayments, other receivables and other assets increased from RMB22.0 million as of December 31, 2017 to RMB27.6 million as of December 31, 2018, which was primarily attributable to the deferred Listing expenses of RMB4.6 million, deferred finance charges for a guarantee of RMB6.6 million and prepayments related to the acquisition of Keystone of RMB2.0 million. Our current prepayments, other receivables and other assets increased from RMB27.6 million as of December 31, 2018 to RMB32.2 million as of May 31, 2019, primarily due to the RMB4.6 million increase of deferred Listing expenses we incurred in 2018.

Trade Payables

Our trade payables primarily consist of the balances due to our suppliers of raw materials. Our trading terms with suppliers vary depending on a number of factors, in particular the type of products and transaction volumes. Our trade payables decreased from RMB2.9 million as of December 31, 2017 to RMB1.0 million as of December 31, 2018, primarily because Venus Medtech of America delayed the payments for the purchase price of nitinol frames in 2017 due to quality issue, which were later resolved and the purchase price was paid in early 2018. Our trade payables increased from RMB1.0 million as of December 31, 2018 to RMB1.5 million as of May 31, 2019, primarily because of our increased procurement amount as a result of increased production volume.

The table below sets forth our average trade payables turnover days for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,
	2017	2018	2019
Average trade payables turnover days[(1)]	70.4	29.7	9.4

Note:

(1) Trade payables turnover days for a year/period equals the arithmetic mean of the beginning and ending trade payables balances divided by the sum of cost of sales and material costs for R&D for the relevant year/period and multiplied by 365 days for the full-year period and 151 days for the five-month period.

Our trade payables turnover days decreased from 70.4 days for the year ended December 31, 2017 to 29.7 days for the year ended December 31, 2018 and further decreased to 9.4 days for the five months ended May 31, 2019, primarily due to the higher trade payables balance as of December 31, 2017 because Venus Medtech of America delayed the payment for the purchase price of nitinol frames in 2017 due to quality issue as mentioned above. The average trade payables turnover days in 2018 and the five months ended May 31, 2019 were in line with the credit term of up to 30 days typically granted by our suppliers.

The following table sets forth an aging analysis of the trade payables as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 3 months	2,849	859	1,417
3 to 6 months	20	5	26
6 to 12 months	21	27	–
Over 12 months	50	92	77
Total	**2,940**	**983**	**1,520**

As of September 30, 2019, 97.5% of the trade payables outstanding as of December 31, 2017 were settled, 92.7% of the trade payables outstanding as of December 31, 2018, were settled and 95.1% of the trade payables outstanding as of May 31, 2019, were settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of payroll payable and other payables. The table below sets forth the details of our other payables and accruals as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Payroll payable	11,915	42,813	39,574
Payables for acquisition of a subsidiary	–	265,437	260,387
Payable for finance charge for guarantee	–	–	780
Interest payable	–	130	1,426
Other payables	31,580	72,439	75,468
Total	**43,495**	**380,819**	**377,635**

The increase in our other payables and accruals from December 31, 2017 to December 31, 2018 was primarily attributable to RMB265.4 million of cash consideration payable for the acquisition of Keystone and the RMB30.9 million increase in payroll payable, which were primarily for Keystone staff. The decrease in our other payables and accruals from December 31, 2018 to May 31, 2019 was primarily attributable to payment of RMB5.1 million payables related to the acquisition of Keystone and RMB3.2 million decrease of payroll payable due to the annual bonus we distributed in the end of 2018.

Government Grants

The table below sets forth our government grants as of the dates indicated:

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current	13,450	14,950	14,950
Non-current	11,940	12,813	12,813
Total	**25,390**	**27,763**	**27,763**

Government grants are related to the subsidies we received from the relevant government for the purpose of compensation for our expenses arising from research activities and clinical trials, awards for new valve products development and capital expenditures incurred on certain projects. Upon completion of the related projects, the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset. Government grants increased from RMB25.4 million as of December 31, 2017 to RMB27.8 million as of December 31, 2018 due to the subsidies of RMB1.5 million we received in 2018 from the Ministry of Science and Technology of PRC Science Technology Department of Zhejiang Province for the R&D of our TPVR product and the grants of RMB0.9 million under the National Science & Technology Pillar Program as part of the 13th Five-Year Plan. We did not receive additional government grants during the five months ended May 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we relied 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 the 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.

With respect to cash management, our objective is to optimize liquidity to gain a better return for Shareholders in a risk-averse manner. Specifically, we have policies in place to monitor and manage the settlement of trade receivables. When determining the credit term of a distributor, we consider a number of factors, including its cash flow conditions and creditworthiness. To monitor the settlement of our trade receivables and avoid credit losses, we conduct annual review of each distributor's financial performance, which is primarily based on the amount and aging of the trade receivables due from such distributor in the respective period. Pursuant to our distribution agreement, when our distributor fails to make a payment within the credit term, we may, at our discretion, increase its order price, reduce or suspend our supply, terminate the distribution arrangement or take certain other measures as appropriate.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Cash flows from operating activities before movements in working capital	(76,508)	(49,558)	(8,015)	(74,002)
Net cash flows used in operating activities	(82,266)	(151,467)	(30,778)	(115,755)
Net cash flows used in investing activities	(46,993)	(194,146)	(4,637)	(10,829)
Net cash flows from financing activities	172,968	453,167	199,357	90,849
Net increase/(decrease) in cash and cash equivalents	43,709	107,554	163,942	(35,735)
Cash and cash equivalents at beginning of year/period	13,437	59,015	59,015	164,914
Effect of foreign exchange rate changes, net	1,869	(1,655)	18	(559)
Cash and cash equivalents at end of year/period	59,015	164,914	222,975	128,620

Net Cash Flows Used in Operating Activities

Since inception, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from our R&D costs and selling and distribution expenses.

For the five months ended May 31, 2019, our net cash used in operating activities was RMB115.8 million, which was primarily attributable to our net loss before tax of RMB138.2 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include equity-settled share award expense of RMB47.4 million, finance costs of RMB7.2 million and amortization of other intangible assets of RMB5.3 million. The amount was then adjusted downward by changes in working capital, primarily including increase in trade receivables of RMB40.0 million and increase in prepayments and other assets of RMB5.6 million.

In 2018, our net cash used in operating activities was RMB151.5 million, which was primarily attributable to our net loss before tax of RMB299.6 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include equity-settled share award expense of RMB235.8 million and depreciation of property, plant and equipment of RMB4.3 million. The amount was then adjusted downward by changes in working capital, primarily including increase in trade receivables of RMB64.1 million and decrease in other payables and accruals of RMB25.4 million.

In 2017, our net cash used in operating activities was RMB82.3 million, primarily attributable to our net loss before tax of RMB157.4 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include increase in equity-settled share award expenses of RMB73.5 million. The amount was then adjusted downward by changes in working capital, primarily including increase in trade receivables of RMB18.2 million.

Net Cash Flows Used in Investing Activities

For the five months ended May 31, 2019, our net cash used in investing activities was RMB10.8 million, mainly attributable to acquisition of Keystone of RMB6.4 million, and purchases of property, plant and equipment of RMB3.7 million for our R&D and manufacturing activities.

In 2018, our net cash used in investing activities was RMB194.1 million, mainly attributable to prepayments for acquisition of Keystone of RMB192.5 million, and purchases of property, plant and equipment of RMB15.0 million for our R&D and manufacturing activities, partially offset by repayments of loans to employees of RMB14.5 million, and disposal of financial assets at FVTPL of RMB13.1 million.

In 2017, our net cash used in investing activities was RMB47.0 million, mainly attributable to purchases of financial assets at FVTPL of RMB13.1 million, purchases of other intangible assets of RMB11.9 million, and purchases of equity investments at fair value through other comprehensive income of RMB10.4 million, partially offset by receipt of government grants for purchase of property, plant and equipment of RMB2.5 million.

Net Cash Flows from Financing Activities

During the Track Record Period, we derived our cash inflows from financing activities primarily from capital injections by our shareholders and bank loans.

For the five months ended May 31, 2019, we had RMB90.8 million of net cash flows from financing activities, primarily attributable to RMB120.0 million of new bank loans, and RMB20.5 million of capital contributions from shareholders, partially offset by the RMB30.0 million repayment of bank loans and other borrowings, and RMB13.0 million of loans to related parties.

In 2018, we had RMB453.2 million of net cash flows from financing activities, primarily attributable to RMB445.3 million of capital contributions from shareholders, and RMB80.0 million of new bank loans, partially offset by the RMB61.0 million of the repayment of bank and other borrowings.

In 2017, we had RMB173.0 million of net cash flows from financing activities, primarily attributable to RMB135.6 million of capital contributions from shareholders, RMB30.0 million of new bank loans and RMB10.3 million of capital contribution from a non-controlling shareholder.

WORKING CAPITAL

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including R&D costs, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this Prospectus:

- our future operating cash flows in respective periods;
- cash and cash equivalents;
- available equity financing and bank facilities; and
- the estimated net proceeds from the Global Offering.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
R&D Costs[1]				
R&D Costs for Core Products				
Clinical trial expenses	6,962	9,339	4,929	4,758
Staff costs	8,652	9,365	3,163	3,679
Third-party contracting costs	236	1,142	800	1,500
Raw material costs	3,138	3,697	1,412	1,045
Intellectual property expenses	2,530	3,208	646	930
Others	7,748	8,131	2,466	5,265
R&D Costs for Other Product Candidates				
Staff costs	3,515	5,220	1,784	16,457
Clinical trial expenses	81	1,023	–	14,051
Raw material costs	2,787	4,026	93	4,021
Intellectual property expenses	5	241	11	2,549
Third-party contracting costs	1,755	2,000	2,000	1,000
Others	8,195	7,333	1,853	8,098
Workforce Employment[2]	27,088	46,252	15,522	63,119
Product Marketing	35,770	61,238	16,907	37,522
Direct Production Cost	6,854	11,444	2,853	9,249
Non-income taxes, royalties and other governmental charges	–	–	–	–
Contingency allowances	–	–	–	–
Any other significant costs	–	–	–	–

Notes:

(1) Our R&D burn rate, as the cash operating costs per month relating to R&D activities excluding depreciation and amortization expenses, was RMB3.6 million, RMB4.3 million, RMB3.6 million and RMB11.6 million during the year ended December 31, 2017, 2018 and the five months ended May 31, 2018 and 2019, respectively. The increase in burn rate in 2018 compared to 2017 was primarily attributable to the increase in clinical trial expenses incurred mainly as a result of the clinical trial for our CE Marking application for VenusP-Valve and the increase in staff costs associated with the increased number of R&D staffs. Our burn rate increased in the five months ended May 31, 2019 compared to the five months ended May 31, 2018, which was primarily because of the R&D costs incurred by Keystone, including the staff costs associated with its R&D staffs and the expenses incurred for the clinical trial for TriGUARD3.

(2) Workforce employment costs represent total staff costs mainly including salaries and bonus.

INDEBTEDNESS

The following table sets forth the breakdown of our financial indebtedness as of the dates indicated:

	As of December 31,		As of May 31,	As of September 30,
	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Bank loans	30,000	80,000	170,000	170,000
Lease liabilities	6,087	21,314	19,792	27,157
Total	**36,087**	**101,314**	**189,792**	**197,157**

Bank Loans

	Effective interest rate (%)	Maturity (year)	As of December 31,		As of May 31,	As of September 30,
			2017	2018	2019	2019
			RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Current – unsecured						
Bank loans	4.35	2018	10,000	–	–	–
Bank loans	5.00	2018	10,000	–	–	–
Bank loans	5.26	2018	10,000	–	–	–
Bank loans	5.22	2019	–	50,000	50,000	50,000
Bank loans	5.44	2019	–	30,000	–	–
Bank loans	5.44	2020	–	–	20,000	20,000
Current – secured						
Bank loans	4.35	2020	–	–	100,000	100,000
Total			**30,000**	**80,000**	**170,000**	**170,000**
Analysed into:						
Bank loans repayable within one year			30,000	80,000	170,000	170,000

As of September 30, 2019, being the latest practicable date for the purpose of liquidity disclosure in this Prospectus, we did not incur new bank loans or repay any outstanding bank loans as compared to May 31, 2019. As of September 30, 2019, we had a total credit line of RMB320 million, of which RMB150 million remained unutilized.

As of May 31, 2019, we had in total RMB170 million outstanding bank loans, comprised of unsecured banking facilities in aggregate of RMB70 million from two commercial banks in China and secured banking facilities in aggregate of RMB100 million from a commercial bank in China, all of which will become due within one year. The RMB110 million increase of bank loans as of May 31, 2019 compared to December 31, 2018 is due to the RMB20 million unsecured bank loan and the RMB100 million secured bank loan we obtained in 2019. The RMB50 million increase of bank loans as of December 31, 2018 compared to December 31, 2017 is attributable to the newly obtained RMB80 million unsecured bank loans, offset by repayment of the RMB30 million bank loans we borrowed in 2017.

Generally, the bank loan agreements contain covenants that impose certain restrictions or maintenance requirements on the Company, our subsidiaries and/or the guarantor, including:

- the guarantor and/or borrower, as applicable, may not change the general nature of its business;
- the guarantor and/or borrower, as applicable, may not create encumbrances on any part of its property or assets; and
- the guarantor and/or borrower, as applicable, must comply with certain financial covenants, including but not limited to (i) combined tangible net worth, and (ii) the ratio of combined net borrowings to combined tangible net worth.

The bank loan agreements contain standard events of default such as the occurrence of a change of control, bankruptcy and an event that has a material adverse effect. Our Directors confirm that we had no material defaults in payment of bank borrowings and had not breached any finance covenants thereunder during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings.

Lease Liabilities

Since IFRS 16 was adopted by our Group throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and low value assets. The table below sets forth our lease liabilities for the period indicated:

	As of December 31,		As of May 31,	As of September 30,
	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Non-current	3,923	15,355	12,652	18,891
Current	2,164	5,959	7,140	8,266
Total	**6,087**	**21,314**	**19,792**	**27,157**

Our total lease liabilities increased from RMB6.1 million as of December 31, 2017 to RMB21.3 million as of December 31, 2018, primarily attributable to the lease we entered into in 2018 to expand our facility for another approximately 3,790 sq.m. and the consolidation of Keystone's financial statements upon the completion of our acquisition. The lease liabilities remained relatively stable as of May 31, 2019 as compared to that of December 31, 2018. Our

total lease liabilities increased from RMB19.8 million as of May 31, 2019 to RMB27.2 million as of September 30, 2019, primarily attributable to the renewal of our lease for the manufacturing facility and office space in our headquarter.

Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

CAPITAL EXPENDITURES

We regularly make capital expenditures to expand our operations, upgrade our facilities and increase our operating efficiency. The table below sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Investment to a subsidiary	–	(192,547)	–	(6,443)
Purchases of equity investment at FVOCI	(10,406)	–	–	–
Purchases of property, plant and equipment	(7,526)	(14,991)	(6,487)	(3,737)
Purchases of other intangible assets	(11,940)	(11,542)	(10,086)	(649)
Total	**(29,872)**	**(219,080)**	**(16,573)**	**(10,829)**

We expect to incur capital expenditures in 2019 and 2020 primarily for the upgrade of our existing facilities or our continued expansion plan to increase our production capabilities in anticipation of the expected increase in demand for our current product and the launch of our new products. For details, see "Business — Manufacturing" and "Future Plans and Use of Proceeds." We expect to finance such capital expenditures through a combination of operating cash flows, net proceeds from the Global Offering and bank and other borrowings. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2017 and 2018 and May 31, 2019, we had capital commitments of RMB4.8 million, RMB0.9 million and RMB0.2 million, respectively, primarily in connection with our decreasing contracted purchases of property, plant and equipment during the same periods.

CONTINGENT LIABILITIES

As of December 31, 2017 and 2018 and May 31, 2019, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there have been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios of our Group for the periods or as of the dates indicated:

	For the year ended/As of December 31,		For the five months ended/As of May 31,
	2017	2018	2019
	(%)	(%)	(%)
Gross margin[(1)]	83.1	85.8	82.6
Current ratio[(2)]	126.8	58.6	53.1
Gearing ratio[(3)]	44.4	21.5	47.5

Notes:

(1) Gross margin equals gross profit divided by revenue for the year/period.

(2) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

(3) Gearing ratio equals the total sum of interest-bearing loans and lease liabilities divided by total equity as of the end of the year/period.

Gross Margin

Our gross margin in 2017, 2018 and in the five months ended May 31, 2019 remained relatively stable.

Current Ratio

The decrease in current ratio was primarily due to the increase in our current liabilities resulting from the increased bank loans and/or other payables and accruals.

Gearing Ratio

The decrease in gearing ratio as of December 31, 2018 compared to December 31, 2017 was primarily attributable to the increased capital contributions by shareholders in 2018. The increase in gearing ratio as of May 31, 2019 compared to December 31, 2018 was primarily due to the increase in interest-bearing loan we borrowed in 2019.

RELATED-PARTY TRANSACTIONS

The below table sets forth transactions between us and our related parties during the Track Record Period.

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Purchases of services:				
Colibri	3,265	–	–	–
Loans to:				
Horizon Scientific Corporation	–	–	–	12,970
Broncus Technologies, Inc	–	5,000	5,000	–
Broncus Technologies (Hangzhou), Inc	–	10,000	–	–
Mr. Lim	–	5,000	–	–
Tian Zhi Wei Medical Technology (Shanghai) Co., Ltd.	20,120	3,000	3,000	–
Total	**20,120**	**23,000**	**8,000**	**12,970**
Payment on behalf of related parties:				
Horizon Scientific Corporation	381	–	–	–
Mars Holding Limited	–	1,059	–	–
Mercury Holding Limited	–	203	–	–
Mr. Lim	–	137	–	–
Mr. Zi	226	14	14	–
Golden Heat Management Company Limited	–	4	4	–
DNA 01(Hong Kong) Limited	–	1	1	–
Hangzhou Mingnuo Investment LLP	–	10	–	–
Hangzhou Qifei Investment LLP	–	10	–	–
Hangzhou Qinuo Investment LLP	–	10	–	–
Hangzhou Qichu Investment LLP	–	10	–	–
Hangzhou Qixin Investment LLP	–	10	–	–
Hangzhou Qilai Investment LLP	–	10	–	–
Hangzhou Qihe Investment LLP	–	10	–	–
Hangzhou Qili Investment LLP	–	10	–	–
Hangzhou Qisheng Investment LLP	–	10	–	–
Total	**607**	**1,508**	**19**	**–**

During the Track Record Period, we granted unsecured and interest-free loans to the entities controlled by our Directors and loans to our Director, Mr. Lim. The loans are repayable on demand. Payment on behalf of related parties represents stamp duty we paid on behalf of certain shareholders related to transfers of their shares and certain administrative expense we paid on behalf of several affilliates. Besides, we acquired several subsidiaries controlled by our Directors. During the year ended December 31, 2018, we acquired a subsidiary, Hangzhou Aihua Technology Consultation Limited, which is controlled by Mr. Zi, and contributed paid-in capital in the amount of RMB10,000. During the year ended December 31, 2017, we acquired two subsidiaries, Venus Holding Inc. and InterValve, from Mr. Zeng, with consideration of US$1 and US$1, respectively.

The below table sets forth outstanding balances with related parties as of the dates indicated.

	As of December 31,		As of May 31,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Due to a related party:			
Colibri	1,921	681	685
Due from related parties:			
Real Wealth Management Ltd.	14	–	–
Golden Heat Management Company Limited	15	–	–
Adventure 03	21	–	–
DNA 01 (Hong Kong) Limited	4	–	–
Horizon Scientific Corporation	–	–	12,970
Mr. Zi	226	–	–
Hangzhou Mingnuo Investment LLP	–	10	10
Hangzhou Qifei Investment LLP	–	10	10
Hangzhou Qinuo Investment LLP	–	10	10
Hangzhou Qichu Investment LLP	–	10	10
Hangzhou Qixin Investment LLP	–	10	10
Hangzhou Qilai Investment LLP	–	10	10
Hangzhou Qihe Investment LLP	–	10	10
Hangzhou Qili Investment LLP	–	10	10
Hangzhou Qisheng Investment LLP	–	10	10
Total	**280**	**90**	**13,060**

Due to a related party refers to outstanding balances from our purchase of services from Colibri. Due from related parties represents payment we made on behalf of our shareholders as discussed above, except that the outstanding balances from Horizon Scientific Corporation represent the loan we granted to it. The balances with related parties are unsecured, interest-free and repayable on demand.

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. We expect to settle the outstanding balances with related parties before the Listing. Details of our transactions with related parties during the Track Record Period are set out in Note 20 and 36 to the Accountants' Report included in Appendix IA to this Prospectus.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks.

Foreign Currency Risk

Foreign currency risk means the risk of loss resulting from changes in foreign currency exchange rates.

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. For further details, including relevant sensitivity analysis, please see Note 39 to the Accountants' Report set out in Appendix IA to this Prospectus.

Credit Risk

We trade with recognized and creditworthy third parties. It is our policy that counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. There are no significant concentrations of credit risk within our Group as the customer bases of our trade receivables are widely spread.

The carrying amounts of cash and cash equivalents, trade receivables, other receivables and other assets, amounts due from related parties represent our maximum exposure to credit risk in relation to its financial assets. Our cash and cash equivalents are deposited in high quality financial institutions without significant credit risk. For further details, see Note 39 to the Accountants' Report set out in Appendix IA to this Prospectus.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For further details, see Note 39 to the Accountants' Report set out in Appendix IA to this Prospectus.

DIVIDEND

No dividend has been paid or declared by us for the years ended December 31, 2017, 2018 and the five months ended May 31, 2019, respectively. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. As of the Latest Practicable Date, we did not have a formal dividend policy. The Board has approved a dividend policy, which will become effective upon Listing. Under the dividend policy, we intend to provide our Shareholders with interim or annual dividends as appropriate. The Board is required to consider, among other things, the following factors when proposing dividends and determining the amount of dividends:

- our actual and projected financial performance;
- our estimated working capital requirements, capital expenditure requirements and future business expansion plan;

- our present and future cash flow;
- other internal and external factors that may have an impact on our business operations or financial performance and position; and
- other factors that our Board of Directors deem relevant.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of Shareholders.

PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if we become profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our dividend distribution may also be restricted if we incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of May 31, 2019, we did not have any distributable reserves.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The total Listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK$150.0 million (or approximately RMB134.3 million) assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$31.0 (being the mid-point of our Offer Price range of HK$29.0 to HK$33.0 per Offer Share). These Listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering.

As of May 31, 2019, the Listing expenses (excluding underwriting commissions) incurred by our Company in relation to the Listing were RMB29.5 million. No such expenses were recognized or charged to our consolidated statements of profit or loss for the year ended December 31, 2017. In the year ended December 31, 2018, the Listing expenses charged to profit or loss were RMB10.1 million (approximately HK$11.3 million) and the Listing expenses capitalized to deferred Listing expenses were RMB4.6 million (approximately HK$5.1 million). In the five months ended May 31, 2019, the Listing expenses charged to profit or loss were RMB10.2 million (approximately HK$11.4 million) and the Listing expenses capitalized to deferred Listing expenses were RMB4.6 million (approximately HK$5.1 million). We estimate that additional Listing expenses of approximately RMB104.8 million (including underwriting commissions of approximately RMB65.4 million, assuming the Over-allotment Option is not exercised and based on the mid-point of our Offer Price range of HK$29.0 to HK$33.0 per Offer Share) will be incurred by our Company, approximately RMB30.4 million of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB74.4 million of which is expected to be capitalized.

The underwriting commissions, the Hong Kong Stock Exchange trading fees and the SFC transaction levies, are expected to be HK$73.0 million, HK$121.7 thousand and HK$65.7 thousand, respectively, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$31.0 (being the mid-point of our Offer Price range of HK$29.0 to HK$33.0 per Offer Share).

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of our adjusted consolidated net tangible assets as of May 31, 2019, which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on May 31, 2019, and is based on our consolidated net tangible assets as of May 31, 2019, as set out in Appendix IA to this Prospectus.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true and fair picture of our financial position had the Global Offering been completed as of May 31, 2019 or any future dates.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as of May 31, 2019[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of May 31, 2019[3]	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of May 31, 2019[4]	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$29.0 per Share	(268,528)	1,909,281	1,640,753	4.32	4.83
Based on an Offer Price of HK$33.0 per Share	(268,528)	2,182,115	1,913,587	5.04	5.63

Notes:

(1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as of May 31, 2019 was equal to the consolidated net assets attributable to owners of the parent as of May 31, 2019 of RMB390,684,000 after deducting other intangible assets of RMB187,355,000 and goodwill of RMB471,857,000 as of May 31, 2019 set out in the Accountants' Report in Appendix IA to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on estimated Offer Prices of HK$29.0 or HK$33.0 per Share after deduction of the underwriting fees and other related expenses payable by our Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the amounts stated in Hong Kong dollars are converted into RMB at the rate of RMB1.00 to HK$1.1168. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 379,480,896 Shares are in issue assuming that the Global Offering has been completed on May 31, 2019.

(4) For the purpose of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share, the amounts stated in RMB are converted into Hong Kong dollars at the rate of RMB1.00 to HK$1.1168. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects since May 31, 2019, being the end of the period reported on as set out in the Accountants' Report included in Appendix IA to this Prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION OF KEYSTONE

The table below sets forth the consolidated statements of profit or loss of Keystone for the periods indicated derived from the consolidated statements of profit or loss of Keystone set out in the Accountants' Report included in Appendix IB to this Prospectus:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Other Income	–	76	29	–
Selling and distribution expenses	(1,764)	(1,625)	(490)	(978)
R&D costs	(13,693)	(12,277)	(3,700)	(4,749)
Administrative expenses	(3,042)	(7,070)	(964)	(3,167)
Other expenses	(86)	(760)	–	(25)
Finance costs	(676)	(945)	(530)	(8)
Loss before tax	**(19,261)**	**(22,601)**	**(5,655)**	**(8,927)**
Income tax expense	(37)	(144)	(6)	(106)
Loss for the year/period	**(19,298)**	**(22,745)**	**(5,661)**	**(9,033)**

Other Income

Other income of US$76,000 of Keystone in 2018 consists of the increase in the fair value of the warrant Keystone granted to the creditors of a loan borrowed by Keystone (the "**Keystone Loan**"). Under the warrant, the creditors of the Keystone Loan may, upon exercise of the warrant, purchase Keystone's preferred shares or shares to be issued by Keystone in the future. The warrant is measured as financial liabilities at fair value through profit or loss. There was no such income in the five months ended May 31, 2019, because the warrant was converted to certain shares of Keystone upon our acquisition of Keystone in December 2018.

Selling and Distribution Expenses

Keystone's selling and distribution expenses primarily consist of staff costs, market development expenses, professional fees, share awards and others. Staff costs include salaries and benefits for sales and marketing employees. Market development expenses primarily consist of expenses in connection with sales and marketing activities, such as conference costs and expense incurred for trade shows. Professional fees primarily refer to the consulting fees paid for Keystone's consultants. The table below sets forth a breakdown of Keystone's selling and distribution expenses in absolute amount and as percentage of Keystone's total selling and distribution expenses for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
					(unaudited)			
Staff costs	987	56.0	1,149	70.7	302	61.6	752	76.9
Market development expenses	700	39.7	272	16.7	85	17.3	140	14.3
Professional fees	48	2.7	203	12.5	102	20.8	83	8.5
Share awards	10	0.6	1	0.1	–	–	–	–
Others	19	1.0	–	–	1	0.3	3	0.3
Total	**1,764**	**100.0**	**1,625**	**100.0**	**490**	**100.0**	**978**	**100.0**

Keystone's selling and distribution expenses increased from US$0.5 million for the five months ended May 31, 2018 to US$1.0 million for the five months ended May 31, 2019, which was in line with our increased marketing activities in 2019 for TriGUARD3. Keystone's selling and distribution expenses decreased by 11.1%, from US$1.8 million for the year ended December 31, 2017 to US$1.6 million for the year ended December 31, 2018. The decrease was primarily attributable to a US$0.4 million decrease in market development expenses, primarily because Keystone ceased marketing TriGuard HDH in the second half of 2017.

R&D Costs

Keystone's R&D costs refer to expenses incurred by Keystone in connection with carrying out its product development projects, primarily consisting of clinical trial expenses, staff costs, intellectual property expenses, raw material costs and other costs of R&D activities. The table below sets forth a breakdown of Keystone's R&D costs in absolute amount and as percentage of Keystone's total R&D costs for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
					(unaudited)			
Clinical trial	7,958	58.1	5,805	47.3	1,670	45.1	1,935	40.7
Staff costs	2,613	19.1	3,934	32.0	1,244	33.6	1,893	39.9
Intellectual property expenses	580	4.2	464	3.8	224	6.1	265	5.6
Raw material costs	811	5.9	1,009	8.2	289	7.8	224	4.7
Share awards	391	2.9	71	0.6	18	0.5	–	–
Depreciation and amortization	93	0.7	70	0.6	28	0.8	29	0.6
Others	1,247	9.1	924	7.5	227	6.1	403	8.5
Total	**13,693**	**100.0**	**12,277**	**100.0**	**3,700**	**100.0**	**4,749**	**100.0**

Keystone's R&D costs increased from US$3.7 million for the five months ended May 31, 2018 to US$4.7 million for the five months ended May 31, 2019, mainly due to US$0.6 million increase in staff costs and US$0.3 million increase in clinical trial expense associated with the increased enrollment in clinical trials. It decreased by 10.2%, from US$13.7 million for the year ended December 31, 2017 to US$12.3 million for the year ended December 31, 2018, which was primarily attributable to US$2.2 million decrease in clinical trial expense, because all costs of Phase I REFLECT trial were incurred in 2017, while Phase II REFLECT trial did not start patient enrollment and thus did not incur any cost until mid-2018.

Administrative Expenses

Keystone's administrative expenses primarily consist of staff costs, professional service fees, rental expenses, share awards, and others. Staff costs include salaries and benefits for administrative staff. Professional service fees include legal, accounting and other consulting fees. Rental expenses refer to expense incurred for office rental. Other administrative expenses primarily include traveling and transportation expenses, insurance and other general expenses incurred for administrative purposes. The table below sets forth a breakdown of Keystone's administrative expenses in absolute amount and as percentage of Keystone's total administrative expenses for the periods indicated:

	For the year ended December 31,				For the five months ended May 31,			
	2017		2018		2018		2019	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
					(unaudited)			
Staff costs	1,191	39.1	3,622	51.2	360	37.3	2,472	78.1
Professional service fees	651	21.4	2,283	32.3	176	18.3	245	7.7
Rental expenses	316	10.4	327	4.6	143	14.8	144	4.5
Share awards	167	5.5	124	1.8	71	7.4	–	–
Others	717	23.6	714	10.1	214	22.2	306	9.7
Total	**3,042**	**100.0**	**7,070**	**100.0**	**964**	**100.0**	**3,167**	**100.0**

Keystone's administrative expenses increased from US$1.0 million for the five months ended May 31, 2018 to US$3.2 million for the five months ended May 31, 2019, due to the US$2.1 million increase in staff costs due to the bonus Keystone granted to its staff upon the occurrence of a milestone in 2019. Keystone's administrative expenses increased by 136.7%, from US$3.0 million for the year ended December 31, 2017 to US$7.1 million for the year ended December 31, 2018. The increase was primarily attributable to the US$2.4 million increase in staff costs due to the bonus Keystone granted to its staff upon the occurrence of a milestone in 2018 and the increase of US$1.6 million in professional service fees associated with our acquisitions of Keystone.

Other Expenses

Keystone's other expenses primarily consist of the decrease in the fair value of the warrant related to the Keystone Loan and the foreign exchange differences. The table below sets forth a breakdown of Keystone's other expenses for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Foreign exchange difference	21	20	–	25
Changes in the fair value of warrant	65	–	–	–
Prepayment cost	–	740	–	–
Total	**86**	**760**	**–**	**25**

Keystone's other expenses increased from nil for the five months ended May 31, 2018 to US$25,000 for the five months ended May 31, 2019, mainly due to the increase of US$25,000 in exchange difference. Keystone's other expenses increased from US$86,000 for the year ended December 31, 2017 to US$760,000 for the year ended December 31, 2018. The increase was primarily attributable to the US$740,000 prepayment cost as a result of prepayment of the Keystone Loan in 2018.

Finance Costs

Keystone's finance costs represent the interest payment on loans. It decreased from US$530,000 for the five months ended May 31, 2018 to US$8,000 for the five months ended May 31, 2019, because we repaid the Keystone Loan in December 2018. It increased by 28.6%, from US$0.7 million for the year ended December 31, 2017 to US$0.9 million for the year ended December 31, 2018, primarily because the interest was accrued from May 2017 when Keystone Loan became effective, while the interest was accrued for the entire year of 2018.

Income Tax Expense

Israel

Pursuant to the relevant tax laws of Israel, the EIT was levied at the rate of 24% on the taxable income of Keystone arising in Israel during the year ended December 31, 2017, and reduced to 23% during the year ended December 31, 2018 and the five months ended May 31, 2018 and 2019.

U.S.

Pursuant to the relevant tax laws of the U.S., federal income tax was levied at the rate of up to 35% on the taxable income of Keystone arising in the U.S. during the year ended December 31, 2017, and was levied at the rate of 21% on the taxable income arising in U.S. during the year ended December 31, 2018 and the five months ended May 31, 2018 and 2019.

UK

Pursuant to the relevant tax laws of UK, income tax was levied at the rate of up to 19% on the taxable income of Keystone arising in UK during the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019.

Keystone has paid all relevant taxes in accordance with tax regulations and does not have any disputes or unresolved tax issues with the relevant tax authorities during the years ended December 31, 2017 and 2018 and the five months ended May 31, 2018 and 2019.

DESCRIPTION OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table sets forth Keystone's cash flows for the periods indicated:

	For the year ended December 31,		For the five months ended May 31,	
	2017	2018	2018	2019
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Net cash flows used in operating activities	(16,158)	(14,093)	(5,610)	(11,236)
Net cash flows used in investing activities	(115)	(30)	–	(23)
Net cash flows from financing activities	8,999	20,257	5,774	9,873
Net increase in cash and cash equivalents	(7,274)	6,134	164	(1,386)
Cash and cash equivalents at beginning of year/period	8,419	1,145	1,145	7,279
Cash and cash equivalents at end of year/period	1,145	7,279	1,309	5,893

Net Cash Flows used in Operating Activities

For the five months ended May 31, 2019, Keystone's net cash used in operating activities was US$11.2 million, which was primarily attributable to its loss before tax of US$8.9 million, adjusted by decrease in other payables and accruals of US$1.9 million.

In 2018, Keystone's net cash used in operating activities was US$14.1 million, primarily attributable to its loss before tax of US$22.6 million, adjusted by increase in other payables and accruals of US$7.1 million.

In 2017, Keystone's net cash used in operating activities was US$16.2 million, primarily attributable to its loss before tax of US$19.3 million, adjusted by share-based payment expense of US$0.8 million, loan interest expense of US$0.6 million and increase in other payables and accruals of US$1.4 million.

Net Cash Flows used in Investing Activities

For the five months ended May 31, 2019, Keystone's net cash used in investing activities was US$23,000, mainly attributable to purchases of items of property, plant and equipment.

In 2018, Keystone's net cash used in investing activities was US$30,000, mainly attributable to purchases of items of property, plant and equipment of US$30,000.

In 2017, Keystone's net cash used in investing activities was US$115,000, mainly attributable to purchases of property, plant and equipment of US$115,000.

Net Cash Flows from Financing Activities

During the Track Record Period, Keystone derived its cash inflows from financing activities primarily from capital contribution by shareholders and new interest-bearing other borrowings.

For the five months ended May 31, 2019, Keystone had US$9.9 million of net cash flow from financing activities, primarily attributable to capital contribution from a shareholder of US$10.0 million, partially offset by payments for lease liabilities of US$0.1 million.

In 2018, Keystone had US$20.3 million of net cash flow from financing activities, primarily attributable to US$20.4 million of capital contribution from a shareholder, partially offset by the US$6.3 million of the repayments of a long term loan and US$0.6 million of interest paid.

In 2017, Keystone had US$9.0 million of net cash flow from financing activities, primarily attributable to US$5.1 million of new interest-bearing other borrowings and US$4.7 million of proceeds from issue of shares, partially offset by US$0.3 million of interest paid and US$0.2 million of the repayments of a long term loan and US$0.3 million of payment for lease liabilities.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following table presents the unaudited pro forma consolidated financial information of the enlarged group for the year ended December 31, 2018 as if we had obtained the control of Keystone on January 1, 2018. For further details, see Appendix IIB to this Prospectus.

	The Group for the year ended December 31, 2018	The Keystone Group for the year ended December 31, 2018	Unaudited Pro Forma Adjustment	Unaudited Pro Forma Adjustment	Unaudited Pro Forma Enlarged Group for the year ended December 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	
REVENUE	115,348	–			115,348
Cost of sales	(16,368)	–			(16,368)
Gross profit	98,980	–			98,980
Other income and gains	13,152	503			13,655
Selling and distribution expenses	(66,865)	(10,753)		(870)	(78,488)
R&D costs	(104,774)	(81,242)	(8,544)	(2,887)	(197,447)
Administrative expenses	(223,864)	(46,785)		(10,226)	(280,875)
Other expenses	(11,351)	(5,029)			(16,380)
Impairment losses on financial assets, net	(1,674)	–			(1,674)
Finance costs	(3,224)	(6,253)			(9,477)
LOSS BEFORE TAX	(299,620)	(149,559)			(471,706)
Income tax expense	(898)	(953)	1,965		114
LOSS FOR THE YEAR	(300,518)	(150,512)			(471,592)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the foreign operations	7,248	(7,448)	(244)	(519)	(963)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:					
Financial assets at fair value through other comprehensive income ("FVOCI"):					
Changes in fair value	1,387	–			1,387
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	8,635	(7,448)			424
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(291,883)	(157,960)			(471,168)
Loss attributable to:					
Owners of the parent	(300,421)	(150,512)	(6,579)	(13,983)	(471,495)
Non-controlling interests	(97)	–			(97)
	(300,518)	(150,512)			(471,592)
Total comprehensive loss attributable to:					
Owners of the parent	(291,786)	(157,960)	(6,823)	(14,502)	(471,071)
Non-controlling interests	(97)	–			(97)
	(291,883)	(157,960)			(471,168)

Notes:

(1) The financial information of the Group is extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2018 as set out in the Accountants' Report of the Group included in Appendix IA to this Prospectus.

(2) The financial information of the Keystone Group is extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Keystone Group for the year ended December 31, 2018 as set out in the Accountants' Report of the Keystone Group included in Appendix IB to this Prospectus, after translation into RMB at the weighted average exchange rate for the year of US$1.00 to RMB6.6174.

(3) Upon completion of the acquisition on December 26, 2018, Keystone Group is controlled by the Group and the identifiable assets and liabilities of the Keystone Group as at December 26, 2018 are accounted for using the acquisition method.

For the purpose of the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income, the acquisition is assumed to have been completed on January 1, 2018. For the purpose of the unaudited pro forma financial information, the Directors, based on valuation report dated July 2, 2019 prepared by an independent valuer, have assumed the fair value of the identifiable net assets of Keystone Group as of January 1, 2018 to be RMB168,375,000 and the consequential deferred tax liability amounting to RMB38,726,000 had been assumed to be provided at January 1, 2018.

The intangibles were assumed to be amortized over its useful lives which are 19 years. Assuming the acquisition had been completed on January 1, 2018, the pro forma adjustment represents the amortization charge of RMB8,544,000 for the year ended December 31, 2018 net of the reversal of the deferred tax liability which amounted to RMB1,965,000. This pro forma adjustment is expected to have a continuing effect on the enlarged group's consolidated statement of profit or loss and other comprehensive income.

(4) Pursuant to the Plan of Merger, the Group agreed to pay bonuses to certain management members of Keystone Group upon achievement of certain milestones at different periods. For the purpose of this unaudited pro forma financial information, it is presumed that the result of certain milestones are achieved and the pro forma adjustment represented relevant bonuses incurred for the year ended December 31, 2018. The actual amounts of bonuses to be paid are subject to final results of all the milestones and accordingly, the bonuses recognised in profit or loss in subsequent periods will likely result in different amounts than those stated in this unaudited pro forma financial information. This pro forma adjustment is expected to have a continuing effect on the enlarged group's consolidated statement of profit or loss and other comprehensive income.

(5) No adjustments have been made to the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income to reflect any trading results or other transactions of the enlarged group entered into subsequent to December 31, 2018.

FUTURE PLANS

For a detailed description of our future plans, see "Business — Our Strategies."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,284.6 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$31.0 per Offer Share, being the mid-point of the indicative Offer Price range of HK$29.0 to HK$33.0 per Offer Share in this Prospectus. We intend to use the net proceeds we will receive from the Global Offering for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- 35.0%, or approximately HK$799.6 million allocated to our Core Products as follows:

  (i) 5.0% of net proceeds, or approximately HK$114.2 million, to fund ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries, including (a) approximately HK$72.0 million on the continuous expansion of market coverage of VenusA-Valve in China to penetrate into more hospitals by enhancing physician education and training, increasing presence in academic conferences and expanding our in-house sales and marketing team, (b) HK$16.0 million on the commercialization in Colombia, (c) HK$16.0 million on the commercialization in Philippines, and (d) HK$10.2 million on the commercialization in other jurisdictions such as Brazil and Taiwan, after receiving relevant marketing approval;

  (ii) 12.0% of net proceeds, or approximately HK$274.2 million, to fund ongoing and planned R&D and commercial launches of VenusA-Plus, including (a) approximately HK$7.3 million on pre-clinical activities in China, primarily for raw material validations, (b) HK$20.5 million on the ongoing clinical trial in China, (c) HK$8.6 million on registration, including HK$2.6 million on the registration in China and HK$6.0 million on the registration in other jurisdictions, (d) HK$191.3 million on the commercialization in various jurisdictions, including approximately HK$144.5 million on the commercialization in China, approximately HK$46.8 million on the commercialization in other markets, such as Brazil and Taiwan, after receiving relevant marketing approval, and (e) HK$46.5 million on post-marketing surveillance; and

  (iii) 18.0% of net proceeds, or approximately HK$411.2 million, to fund ongoing and planned R&D and commercial launches of VenusP-Valve, including (a) approximately HK$24.2 million on pre-clinical activities in the U.S., primarily for animal trials and device validations, (b) HK$49.6 million on the clinical trial to be conducted for the FDA approval, (c) HK$20.9 million on registration, including HK$1.5 million for the registration with the NMPA, HK$10.4 million for the FDA approval and HK$9.0 million for CE Marking, (d) HK$300.3 million on commercialization in various jurisdictions, including approximately HK$87.9 million on the commercialization in China, approximately HK$29.1 million on the commercialization in the U.S. and Canada, approximately HK$61.2 million on the commercialization in the EU, and approximately HK$122.1 million on the commercialization in other markets, after receiving relevant marketing approval, and (e) HK$16.2 million on post-marketing surveillance.

- 30.0%, or approximately HK$685.4 million allocated to our other products and product candidates as follows:

  (i) 17.0% of net proceeds, or approximately HK$388.4 million, to fund ongoing and planned R&D and marketing of CEP device, including approximately HK$95.5 million on pre-clinical activities, primarily for R&D of potential future generations of CEP device, HK$84.3 million on clinical trials primarily for the ongoing Phase II REFLECT trial in the U.S. and the clinical trial for TriGUARD3 planned to be conducted in China, HK$89.8 million on registration and post-marketing surveillance and HK$118.8 million on commercialization in various jurisdictions, such as the U.S., the EU and China, after receiving relevant marketing approval;

  (ii) 3.0% of net proceeds, or approximately HK$68.5 million, to fund ongoing and planned R&D of VenusA-Pilot. We expect to initiate the pre-clinical animal trial for VenusA-Pilot in late 2019. Similar to other TAVR products, we plan to commercialize VenusA-Pilot primarily in the Asian and South American markets;

  (iii) 2.0% of net proceeds, or approximately HK$45.7 million, to fund ongoing and planned R&D of mitral valve products. Our mitral valve product is currently at the design stage, and we expect to initiate the pre-clinical animal trial in 2021;

  (iv) 2.0% of net proceeds, or approximately HK$45.7 million, to fund ongoing and planned R&D of tricuspid valve products. Our tricuspid valve product is currently at the design stage, and we expect to initiate the pre-clinical animal trial in 2020;

  (v) 2.0% of net proceeds, or approximately HK$45.7 million, to fund ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8, primarily including the ongoing clinical trial in China; and

  (vi) 4.0% of net proceeds or approximately HK$91.4 million, to fund ongoing and planned R&D of other product candidates;

- 10.0% of net proceeds, or approximately HK$228.5 million, to fund payment of considerations and other transaction expenses related to acquisition of Keystone;

- 15.0% of net proceeds, or approximately HK$342.6 million, to fund our continued expansion of product portfolio through internal research and/or potential acquisition; and

- 10.0% of net proceeds, or approximately HK$228.5 million, for working capital and other general corporate purposes.

The allocation of the proceeds used for the above will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at HK$33.0 per Share, being the high end of the stated Offer Price range, our net proceeds will be (i) increased by approximately HK$152.4 million, assuming the Over-allotment Option is not exercised; or (ii) increased by approximately HK$175.2 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we currently intend to use such additional proceeds to increase the net proceeds applied for the same purposes as set out above on a pro rata basis. If the Offer Price is fixed at HK$29.0 per Share,

being the low end of the stated Offer Share range, our net proceeds will be (i) decreased by approximately HK$152.4 million, assuming the Over-allotment Option is not exercised; or (ii) decreased by approximately HK$175.2 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we currently intend to reduce the net proceeds applied for the same purposes as set out above on a pro rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds that we will receive will be approximately HK$354.2 million, assuming an Offer Price of HK$31.0 per Share, being the mid-point of the proposed Offer Price range. The Company may be required to issue up to an aggregate of 11,780,500 additional Shares pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
China International Capital Corporation Hong Kong Securities Limited
Credit Suisse (Hong Kong) Limited
China Merchants Securities (HK) Co., Limited
CMB International Capital Limited
Haitong International Securities Company Limited
BOCI Asia Limited
ABCI Securities Company Limited
The Hongkong and Shanghai Banking Corporation Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 7,854,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any H Shares to be converted from Unlisted Foreign Shares as mentioned herein, and certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between our Company and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in H Shares commences on the Hong Kong Stock Exchange:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, Singapore, Japan, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) or any other jurisdiction relevant to our Company (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in a change or prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency, credit or market conditions or sentiments, equity securities or other financial markets (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) or currency exchange rate or controls in or affecting any Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, acts of God, epidemic, pandemic, outbreak or escalation of infectious disease, (including without limitation SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(iv) the imposition or declaration of (a) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; (b) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company listed or quoted on a stock exchange or an over-the-counter market or (c) any moratorium on banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services in those places or jurisdictions;

(v) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(vi) any (a) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (b) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) the commencement by any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or other regulatory or political body or organisation of any public action or investigation against a Director or an announcement by any Governmental Authority or regulatory or political body or organisation that it intends to take any such action; or

(viii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction; or

(ix) any change or development or event involving a prospective change in the Company's assets, liabilities, profits, losses, performance, condition, business, financial position, earnings, trading position or prospects, or any change in capital stock or long-term debt of the Company, or any loss or interference with the assets, operations or business of the Company, which (in any such case) is not set out in this Prospectus; or

(x) except as disclosed in this Prospectus, a demand by any tax authority for payment of any tax liability in respect of the Company with an amount exceeding USD1 million; or

(xi) any non-compliance of this Prospectus (or any other documents used with the contemplated subscription of the Hong Kong Offer Shares); or

(xii) any event, act or omission which gives rise or is likely to give rise to any liability of the Company or the Controlling Shareholders pursuant to the indemnities in the Hong Kong Underwriting Agreement;

(xiii) an order or petition is presented for the winding-up or liquidation of any member of the Group, or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xiv) any non-compliance of this Prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(xv) any change or prospective change, or a materialisation of, any of the risks set out in the section headed "*Risk Factors*" in this Prospectus; or

(xvi) any contravention by the Company or any Director of the Listing Rules or applicable laws,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters): (A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, prospects, shareholders' equity, profits, losses,

results of operations, position or condition, financial or otherwise, or performance of our Company as a whole; (B) has or will or may have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) has or will or may have a material adverse effect on the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (D) make, will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering, to market the Global Offering or the delivery of H Shares on the Listing Date; or (E) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) any of the following shall have come to the notice of any of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in any of the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading in any respect; or

(ii) that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become unfair or misleading in any respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or

(iii) any matter which would, if the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or

(iv) it becomes necessary for our Company to issue a supplemental prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(v) any material breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement; or

(vi) any material breach of any of the obligations of any party (other than the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement, the agreements with cornerstone investors or the International Underwriting Agreement; or

(vii) any material adverse change, or any development or any prospective material adverse change or development, in the condition (financial or otherwise) or in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company as a whole; or

(viii) that (a) any Director, president or vice president of our Company named in this Prospectus seeks to retire, or is removed from office, (b) any certificate given by our Company or any of its respective officers to any of the Joint Global Coordinators under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any material respect or (c) any Director or any member of senior management as named in this Prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman of the Board, president, vice president or any Director of the Company vacating his/her office; or

(x) any litigation or claim instigated, or any litigation or claim being threatened against any member of the Group, any Director or the Controlling Shareholders; or

(xi) the Company withdraws this Prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(xii) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xiii) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(xiv) any person (other than any of the Joint Sponsors) has withdrawn or sought to withdraw its consent to being named in any of the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Global Offering Documents (as defined in the Hong Kong Underwriting Agreement); or

(xv) that a material portion of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(xvi) any contravention by the Company or any Director of the Listing Rules or applicable laws; or

(xvii) any Governmental Authority or any political body or organisation in any Relevant Jurisdiction is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xviii) a demand by any creditor for repayment or payment of any of the Company's indebtedness in respect of which the Company is liable prior to its stated maturity.

then the Joint Representatives may, for themselves and on behalf of the Hong Kong Underwriters, in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rule, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for the issue of H Shares or securities pursuant to the Global Offering (including the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering, he/it shall not and shall procure that the registered holder(s) controlled by him/it shall not in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date ("**Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares directly or indirectly beneficially owned by him/it.

Nothing in the above shall prevent the Controlling Shareholders from pledging or charging any Shares as security for a bona fide commercial loan in accordance with Note 2 to Rule 10.07(2) or the share lending arrangement to be entered into by the Controlling Shareholders pursuant to Rule 10.07(3) of the Listing Rules.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and to our Company that during the Six-Month Period:

(i) if he/it pledges or charges the Shares beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), he/it will immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, he/it will immediately inform our Company of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

We have also undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, and the Controlling Shareholders undertakes to the same parties to procure that, except pursuant to the Global Offering (including the Over-allotment Option) or with the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), and unless in compliance with the Listing Rules, we shall not, during a period of six months from the Listing Date (the "**First Six-Month Period**") and whether conditionally or unconditionally:

(i) allot, issue, offer, sell, contract to sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, pledge, grant or sell any option, warrant or right to subscribe for or purchase, contract to purchase, or create any interests or encumbrance in respect of, transfer or otherwise dispose of, directly or indirectly, any H Shares or any securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares); or

(ii) enter into a transaction or an arrangement (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any H Shares, any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer or agree or announce any intention to do any of the foregoing,

in each case, whether any of the foregoing transactions is to be settled by delivery of H Shares or such other equity securities of the Company, or in cash or otherwise (whether or not the issue of the H Shares or such other securities will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of H

Shares by the Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in clause (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that such transaction, agreement or, as the case may be, such announcement will not create a disorderly or false market in the securities of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders agrees and undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and the Company that, within the First Six-Month Period, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), it shall not (and it shall procure that none of its subsidiaries shall) whether conditionally or unconditionally:

(i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, or otherwise assign, transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to assign, transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(ii) enter into any swap or other derivative transaction or other arrangement that transfers to another, in whole or in part, any economic consequence of ownership of any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) dispose of any direct or indirect interest in any company or entity holding any Shares or any securities convertible into or exercisable or exchangeable for any Shares,

or offer or agree to do any of the foregoing or announce any intention to effect any of the transactions specified in (i), (ii), (iii) and (iv) above, whether any of the foregoing transactions above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Each of the Controlling Shareholders agrees and undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and the Company that, it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii), (iii) or (iv) above or offer to or agree to or contract to or publicly announce any intention to effect any such transaction if,

immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of the Company, and until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i), (ii), (iii) or (iv) above or offers to or agrees to or contracts to or publicly announces any intention to effect any such transaction, it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market in the securities of the Company.

Indemnity

Our Company has agreed to indemnify, among others, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, as the case may be.

Joint Sponsors' Fee

An amount of US$500,000 is payable by our Company as sponsor fees to each of the Joint Sponsors, totaling an amount of US$2,000,000.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option), failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 11,780,500 additional Offer Shares representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to the Underwriters for their respective accounts an incentive fee up to 1.0% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$31.0 per Offer Share (being the mid-point of the indicative offer price range of HK$29.0 to HK$33.0 per Offer Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK$150.0 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering (together, referred to as "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering—The International Offering—Over-allotment Option" and "Structure of the Global Offering—The International Offering—Stabilization." These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Hong Kong Underwriters' Interests in our Company

Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd., each being an associate of Goldman Sachs (Asia) L.L.C., will hold approximately 7.17% and 0.75% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Save as disclosed in this Prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Joint Representatives, the Joint Global Coordinators, the Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Representatives, Joint Global Coordinators, Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Underwriters

The Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Joint Representatives, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our H Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in "Structure of the Global Offering—The International Offering—Stabilization," and "Structure of the Global Offering—The International Offering—Over-allotment Option."

Independence of the Joint Sponsors

As Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. in aggregate hold more than 5% of the issued share capital of our Company as of the Latest Practicable Date, Goldman Sachs (Asia) L.L.C. does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Apart from Goldman Sachs (Asia) L.L.C., each of the other Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 7,854,000 Offer Shares in Hong Kong as described below in the paragraph headed "—The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 70,683,500 Offer Shares, consisting of the offering of H Shares (i) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Representatives, as representative of the International Underwriters, have an option to require us to issue and allot up to 11,780,500 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.33% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either

(1) apply for Offer Shares under the Hong Kong Public Offering; or

(2) apply for or indicate an interest for Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 20.00% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.33% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "—The International Offering—Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "—The Hong Kong Public Offering—Reallocation" below.

Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited and Haitong International Securities Company Limited are the Joint Global Coordinators of the Global Offering. Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, Haitong International Securities Company Limited, BOCI Asia Limited, ABCI Capital Limited and The Hongkong and Shanghai Banking Corporation Limited are the Joint Bookrunners of the Global Offering. Goldman

Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited, Haitong International Securities Company Limited, BOCI Asia Limited, ABCI Securities Company Limited and The Hongkong and Shanghai Banking Corporation Limited are the Joint Lead Managers of the Global Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 7,854,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.00% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 2.00% of our Company's registered capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "—The International Offering—Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC translation levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 3,927,000 are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In accordance with paragraph 4.2 of Practice Note 18 of the Listing Rules, if the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 23,562,000 H Shares, 31,415,000 H Shares and 39,269,000 H Shares, respectively, representing approximately 30.0% (in the case of (i)), 40.0% (in the case of (ii)) and approximately 50.0% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), reallocation being referred to in this Prospectus as "Mandatory Reallocation." In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Representatives deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Representatives may reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 7,854,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the H Shares available under the Hong Kong Public Offer will be increased to 15,708,000 Offer Shares, representing approximately 20.00% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In the event that the International Offering and the Hong Kong Public Offering are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$33.0 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "—The International Offering—Pricing of the Global Offering" below, is less than the maximum price of HK$33.0 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares."

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 70,683,500 Offer Shares to be initially offered by us, representing approximately 90.00% of the total number of Offer Shares initially available under the Global Offering and approximately 18.00% of our Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "—The International Offering—Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the sub-section headed "The Hong Kong Public Offering—Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 11,780,500 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.33% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within

30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be issued under the Over-allotment Option, namely, 11,780,500 H Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Thursday, January 2, 2020. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, December 4, 2019 and in any event on or before Monday, December 9, 2019, by agreement between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and our Company.

The Offer Price will not be more than HK$33.0 per H Share and is expected to be not less than HK$29.0 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**http://www.venusmedtech.com**) notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, our Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives (for themselves and on behalf of the Underwriters) may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares and the Hong Kong Offer Shares may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters).

Assuming an Offer Price of HK$31.0 per Offer Share (being the mid-point of the Offer Price Range of between HK$29.0 and HK$33.0 per Offer Share), the net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$2,284.6 million.

The final Offer Price is expected to be announced on Monday, December 9, 2019. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, December 9, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**http://www.venusmedtech.com**).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting."

Admission of the H Shares into CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Monday, December 9, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Monday, December 9, 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, December 10, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this Prospectus has not been exercised.

Dealings in the H Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, December 10, 2019, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, December 10, 2019.

The H Shares will be traded in board lots of 500 H Shares each and the stock code of the H Shares will be 2500.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Representatives, the **White Form eIPO Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a PRC legal or natural person.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of any Shares in our Company and/or any its subsidiaries;
- are a Director, Supervisor or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Thursday, November 28, 2019 until 12:00 noon on Tuesday, December 3, 2019 from:

(i) any of the following offices of the Hong Kong Underwriters:

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central, Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central,
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

(ii) any of the designated branches of the following receiving banks:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong
	South Horizons Branch	Shop G13 & G15, G/F, Marina Square, West Commercial Block, South Horizons, Ap Lei Chau, Hong Kong
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon
New Territories	East Point City Branch	Shop Nos. 217 D-E, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O, New Territories
	Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories

CMB Wing Lung Bank Limited

District	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Central District Branch	189 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, November 28, 2019 until 12:00 noon on Tuesday, December 3, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – VENUS MEDTECH (HANGZHOU) PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Thursday, November 28, 2019 – 9:00 a.m. to 5:00 p.m.
- Friday, November 29, 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, November 30, 2019 – 9:00 a.m. to 1:00 p.m.
- Monday, December 2, 2019 – 9:00 a.m. to 5:00 p.m.
- Tuesday, December 3, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, December 3, 2019, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) agree that none of our Company, the Joint Representatives, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Joint Representatives, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Representatives, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "7. Who can apply" in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO Service Provider** to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, November 28, 2019 until 11:30 a.m. on Tuesday, December 3, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, December 3, 2019 or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Venus Medtech (Hangzhou) Inc." **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Representatives and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- agree that none of our Company, the Joint Representatives, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, the receiving banks, the Joint Representatives, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree with our Company, for itself and for the benefit of each shareholder of our Company and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of our Company and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for our Company itself and for the benefit of each shareholder of our Company) that H Shares in our Company are freely transferable by their holders;

- authorize our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, November 28, 2019 – 9:00 a.m. to 8:30 p.m.

- Friday, November 29, 2019 – 8:00 a.m. to 8:30 p.m.

- Monday, December 2, 2019 – 8:00 a.m. to 8:30 p.m.

- Tuesday, December 3, 2019 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, November 28, 2019 until 12:00 noon on Tuesday, December 3, 2019 (24 hours daily, except on December 3, 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, December 3, 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, December 3, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—The Hong Kong Public Offering—Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions;

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 3, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, December 3, 2019 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this Prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, December 9, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at **http://www.venusmedtech.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below.

- in the announcement to be posted on our Company's website at **http://www.venusmedtech.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, December 9, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, December 9, 2019 to 12:00 midnight on Sunday, December 15, 2019;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, December 9, 2019 to Thursday, December 12, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, December 9, 2019 to Wednesday, December 11, 2019 at all the receiving banks' designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Representatives believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$33.0 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, December 9, 2019.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Monday, December 9, 2019. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Tuesday, December 10, 2019 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, December 9, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, December 9, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, December 9, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, December 9, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, December 9, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, December 9, 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, December 9, 2019, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, December 9, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of Results" above on Monday, December 9, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, December 9, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, December 9, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, December 9, 2019.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Venus Medtech (Hangzhou) Inc.
Goldman Sachs (Asia) L.L.C.
China International Capital Corporation Hong Kong Securities Limited
Credit Suisse (Hong Kong) Limited
China Merchants Securities (HK) Co., Limited

Dear Sirs,

We report on the historical financial information of Venus Medtech (Hangzhou) Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-3 to IA-77, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017 and 2018, and the five months ended 31 May 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017 and 2018 and 31 May 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-3 to IA-77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 November 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and 2018 and 31 May 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
28 November 2019

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
REVENUE	5	18,164	115,348	38,315	86,206
Cost of sales		(3,077)	(16,368)	(5,380)	(15,042)
Gross profit		15,087	98,980	32,935	71,164
Other income and gains	5	5,137	13,152	1,731	608
Selling and distribution expenses		(35,922)	(66,865)	(18,996)	(40,143)
Research and development costs		(117,360)	(104,774)	(37,026)	(82,416)
Administrative expenses		(20,393)	(223,864)	(26,774)	(74,611)
Other expenses		(2,157)	(11,351)	(326)	(5,062)
Impairment losses on financial assets, net		(330)	(1,674)	(767)	(544)
Finance costs	7	(1,510)	(3,224)	(973)	(7,198)
LOSS BEFORE TAX	6	(157,448)	(299,620)	(50,196)	(138,202)
Income tax expense	10	(500)	(898)	(407)	(221)
LOSS FOR THE YEAR/PERIOD		(157,948)	(300,518)	(50,603)	(138,423)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the foreign operations		(3,815)	7,248	(538)	(311)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Equity investments at fair value through other comprehensive income:					
Changes in fair value		(3,994)	1,387	(515)	(128)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		(7,809)	8,635	(1,053)	(439)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(165,757)	(291,883)	(51,656)	(138,862)
Loss attributable to:					
Owners of the parent		(156,532)	(300,421)	(50,558)	(138,406)
Non-controlling interests		(1,416)	(97)	(45)	(17)
		(157,948)	(300,518)	(50,603)	(138,423)
Total comprehensive loss attributable to:					
Owners of the parent		(164,341)	(291,786)	(51,611)	(138,845)
Non-controlling interests		(1,416)	(97)	(45)	(17)
		(165,757)	(291,883)	(51,656)	(138,862)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB)	12	(0.67)	(1.03)	(0.18)	(0.46)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017	As at 31 December 2018	As at 31 May 2019
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	18,748	46,731	45,706
Goodwill	14	–	471,857	471,857
Other intangible assets	15	23,726	191,120	187,355
Deferred tax assets	29	–	2,711	3,001
Equity investments designated at fair value through other comprehensive income	16	28,097	29,484	29,356
Prepayments, other receivables and other assets	19	1,756	1,840	1,577
Total non-current assets		72,327	743,743	738,852
CURRENT ASSETS				
Inventories	17	9,418	16,685	16,117
Trade receivables	18	17,870	80,646	120,145
Prepayments, other receivables and other assets	19	22,033	27,617	32,203
Due from related parties	20/36	280	90	13,060
Financial assets at fair value through profit or loss	21	13,068	–	–
Pledged deposits	22	–	686	718
Cash and cash equivalents	22	59,015	164,914	128,620
Total current assets		121,684	290,638	310,863
CURRENT LIABILITIES				
Trade payables	23	2,940	983	1,520
Lease liabilities	24	2,164	5,959	7,140
Other payables and accruals	25	43,495	380,819	377,635
Due to a related party	36	1,921	681	685
Interest-bearing bank borrowings	26	30,000	80,000	170,000
Government grants, current	27	13,450	14,950	14,950
Contract liabilities	28	–	1,399	1,399
Refund liabilities	5	148	5,480	7,837
Tax payable		1,849	5,859	4,548
Total current liabilities		95,967	496,130	585,714
NET CURRENT ASSETS/LIABILITIES		25,717	(205,492)	(274,851)
TOTAL ASSETS LESS CURRENT LIABILITIES		98,044	538,251	464,001
NON-CURRENT LIABILITIES				
Lease liabilities	24	3,923	15,355	12,652
Contract liabilities	28	983	983	983
Deferred tax liabilities	29	–	38,726	38,076
Government grants, non-current	27	11,940	12,813	12,813
Total non-current liabilities		16,846	67,877	64,524
Net assets		81,198	470,374	399,477
EQUITY				
Equity attributable to owners of the parent				
Share capital	30	–	300,000	300,943
Paid-in capital	30	34,800	–	–
Reserves	31	37,491	161,564	89,741
		72,291	461,564	390,684
Non-controlling interests		8,907	8,810	8,793
Total equity		81,198	470,374	399,477

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Paid-in capital	Other reserves*	Fair value reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 31)						
At 1 January 2017	31,333	179,778	1,883	4,704	(190,174)	27,524	–	27,524
Loss for the year	–	–	–	–	(156,532)	(156,532)	(1,416)	(157,948)
Other comprehensive loss for the year:								
Exchange differences related to foreign operations	–	–	–	(3,815)	–	(3,815)	–	(3,815)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(3,994)	–	–	(3,994)	–	(3,994)
Total comprehensive loss for the year	–	–	(3,994)	(3,815)	(156,532)	(164,341)	(1,416)	(165,757)
Equity-settled share award expense	–	73,536	–	–	–	73,536	–	73,536
Capital contribution by shareholders	3,467	132,105	–	–	–	135,572	–	135,572
Capital contribution by a non-controlling interest of a subsidiary	–	–	–	–	–	–	10,323	10,323
At 31 December 2017	34,800	385,419	(2,111)	889	(346,706)	72,291	8,907	81,198

	Attributable to owners of the parent									
	Share capital	Share premium*	Paid-in capital	Other reserves*	Fair value reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 31)	(note 30)	(note 31)						
At 1 January 2018	–	–	34,800	385,419	(2,111)	889	(346,706)	72,291	8,907	81,198
Loss for the year	–	–	–	–	–	–	(300,421)	(300,421)	(97)	(300,518)
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	7,248	–	7,248	–	7,248
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	1,387	–	–	1,387	–	1,387
Total comprehensive loss for the year	–	–	–	–	1,387	7,248	(300,421)	(291,786)	(97)	(291,883)
Capital contribution by shareholders	–	–	7,220	438,074	–	–	–	445,294	–	445,294
Conversion into a joint stock company	300,000	199,672	(42,020)	(920,768)	–	–	463,116	–	–	–
Equity-settled share award expense	–	–	–	235,765	–	–	–	235,765	–	235,765
At 31 December 2018	300,000	199,672	–	138,490	(724)	8,137	(184,011)	461,564	8,810	470,374

	Attributable to owners of the parent								
	Share capital	Share premium*	Other reserves*	Fair value reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 31)	(note 31)						
At 1 January 2019	300,000	199,672	138,490	(724)	8,137	(184,011)	461,564	8,810	470,374
Loss for the period	–	–	–	–	–	(138,406)	(138,406)	(17)	(138,423)
Other comprehensive loss for the period:									
Exchange differences related to foreign operations	–	–	–	–	(311)	–	(311)	–	(311)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(128)	–	–	(128)	–	(128)
Total comprehensive loss for the period	–	–	–	(128)	(311)	(138,406)	(138,845)	(17)	(138,862)
Capital contribution by shareholders	943	19,606	–	–	–	–	20,549	–	20,549
Equity-settled share award expense	–	–	47,416	–	–	–	47,416	–	47,416
At 31 May 2019	300,943	219,278	185,906	(852)	7,826	(322,417)	390,684	8,793	399,477

	Attributable to owners of the parent							
	Paid-in capital	Other reserves	Fair value reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	34,800	385,419	(2,111)	889	(346,706)	72,291	8,907	81,198
Loss for the period (Unaudited)	–	–	–	–	(50,558)	(50,558)	(45)	(50,603)
Other comprehensive loss for the period:								
Exchange differences related to foreign operations (Unaudited)	–	–	–	(538)	–	(538)	–	(538)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (Unaudited)	–	–	(515)	–	–	(515)	–	(515)
Total comprehensive loss for the period (Unaudited)	–	–	(515)	(538)	(50,558)	(51,611)	(45)	(51,656)
Equity-settled share award expense (Unaudited)	–	36,279	–	–	–	36,279	–	36,279
Capital contribution by shareholders (Unaudited)	1,908	190,355	–	–	–	192,263	–	192,263
At 31 May 2018 (Unaudited)	36,708	612,053	(2,626)	351	(397,264)	249,222	8,862	258,084

* These reserve accounts comprise the consolidated reserves of RMB37,491,000, RMB161,564,000 and RMB89,741,000 in the consolidated statements of financial position as at 31 December 2017 and 2018 and 31 May 2019, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(157,448)	(299,620)	(50,196)	(138,202)
Adjustments for:					
Finance costs	7	1,510	3,224	973	7,198
Impairment of trade and other receivables		330	1,675	767	544
Investment income	5	(28)	(32)	(32)	–
Depreciation of property, plant and equipment	13	2,307	4,318	1,077	3,116
Depreciation of right-of-use assets	13	1,421	2,024	838	2,828
Amortisation of other intangible assets	15	2,585	3,701	1,436	5,299
Equity-settled share award expense		73,536	235,765	36,279	47,416
Loss on disposal of property, plant and equipment, net		–	284	19	19
Impairment of inventories	17	142	577	127	4
Other interest income	5	(272)	(447)	(181)	–
Foreign exchange differences, net		(591)	(1,027)	878	(2,224)
		(76,508)	(49,558)	(8,015)	(74,002)
(Increase)/decrease in inventories		(7,985)	(7,844)	(1,717)	564
Increase in trade receivables		(18,193)	(64,090)	(25,221)	(40,040)
(Increase)/decrease in prepayments and other assets		(858)	(3,383)	1,213	(5,594)
Increase in other receivables		(901)	(7,241)	(3,852)	(924)
(Increase)/decrease in amounts due from related parties		(226)	190	–	–
Increase/(decrease) in trade payables		2,409	(1,957)	(1,282)	537
Increase/(decrease) in an amount due to a related party		1,921	(1,240)	–	4
Increase/(decrease) in other payables and accruals		7,214	(25,448)	7,296	3,074
Increase in contract liabilities		–	1,399	–	–
Increase/(decrease) in refund liabilities		148	5,332	(73)	2,357
Increase in government grants		10,713	2,373	873	–
Cash used in operations		(82,266)	(151,467)	(30,778)	(114,024)
Net income tax paid		–	–	–	(1,731)
Net cash flows used in operating activities		(82,266)	(151,467)	(30,778)	(115,755)

	Notes	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(7,526)	(14,991)	(6,487)	(3,737)
Purchases of other intangible assets		(11,940)	(11,542)	(10,086)	(649)
Purchases of equity investments at fair value through other comprehensive income		(10,406)	–	–	–
Purchases of financial assets at fair value through profit or loss		(13,068)	–	–	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	13,068	13,068	–
Proceeds from disposal of items of property, plant and equipment		–	50	43	–
Investment income		28	32	32	–
Receipt of government grants for property, plant and equipment		2,500	–	–	–
Loans to employees		(6,581)	(2,680)	(1,207)	–
Repayments of loans to employees		–	14,464	–	–
Acquisition of a subsidiary		–	(192,547)	–	(6,443)
Net cash flows used in investing activities		(46,993)	(194,146)	(4,637)	(10,829)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution from shareholders	31	135,572	445,294	192,263	20,549
Capital contribution from a non-controlling interest		10,323	–	–	–
Loans to related parties		(20,120)	(23,000)	(8,000)	(12,970)
Repayments of loans to related parties		20,120	23,000	7,000	–
Proceeds from bank borrowings	26	30,000	80,000	40,000	120,000
Repayment of bank and other borrowings		–	(60,972)	(30,000)	(30,000)
Principal portion of lease payments		(1,417)	(1,414)	(933)	(2,580)
Interest portion of lease liabilities		(344)	(895)	(91)	(304)
Interest paid		(1,166)	(2,199)	(882)	(1,882)
Payment for a deferred finance charge for guarantee		–	(6,647)	–	(1,964)
Net cash flows from financing activities		172,968	453,167	199,357	90,849
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		43,709	107,554	163,942	(35,735)
Cash and cash equivalents at beginning of year/period	22	13,437	59,015	59,015	164,914
Effect of foreign exchange rate changes, net		1,869	(1,655)	18	(559)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	22	59,015	164,914	222,975	128,620

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2017	As at 31 December 2018	As at 31 May 2019
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	16,196	37,357	36,674
Other intangible assets	15	4,336	4,541	4,416
Equity investments designated at fair value through other comprehensive income	16	28,097	–	–
Investments in subsidiaries		78,849	498,382	588,896
Prepayments, other receivables and other assets	19	1,756	1,737	1,432
Total non-current assets		129,234	542,017	631,418
CURRENT ASSETS				
Inventories	17	8,845	15,667	13,562
Trade receivables	18	17,631	80,470	120,068
Prepayments, other receivables and other assets	19	9,828	16,690	24,747
Due from related parties	20/36	280	90	90
Due from subsidiaries	36	–	26,719	4,926
Financial assets at fair value through profit or loss	21	13,068	–	–
Cash and cash equivalents	22	49,377	71,278	68,999
Total current assets		99,029	210,914	232,392
CURRENT LIABILITIES				
Trade payables	23	1,459	846	1,387
Lease liabilities	24	1,853	4,075	4,713
Other payables and accruals	25	28,526	57,419	67,216
Interest-bearing bank borrowings	26	30,000	80,000	170,000
Government grants, current	27	13,450	14,950	14,950
Contract liabilities	28	–	1,399	1,399
Refund liabilities	5	148	5,480	7,837
Due to subsidiaries	36	56,197	107,550	117,872
Total current liabilities		131,633	271,719	385,374
NET CURRENT LIABILITIES		(32,604)	(60,805)	(152,982)
TOTAL ASSETS LESS CURRENT LIABILITIES		96,630	481,212	478,436
NON-CURRENT LIABILITIES				
Lease liabilities	24	2,418	10,373	8,771
Contract liabilities	28	983	983	983
Government grants, non-current	27	11,940	12,813	12,813
Total non-current liabilities		15,341	24,169	22,567
Net assets		81,289	457,043	455,869
EQUITY				
Share capital	30	–	300,000	300,943
Paid-in capital	30	34,800	–	–
Reserves	31	46,489	157,043	154,926
Total equity		81,289	457,043	455,869

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Venus Medtech (Hangzhou) Inc. (the "Company") and its subsidiaries (together, the "Group") is a joint stock company with limited liability established in the People's Republic of China ("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 Relevant Periods, the Company and its subsidiaries are principally engaged in research and development, and the manufacturing and sale of bioprosthetic heart valves.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Qiming Medical Equipment (Shanghai) Limited ("Venus Shanghai")* 啓銘醫療器械(上海)有限公司 (Note (a))	PRC/Mainland China 7 December 2012	RMB1,000,000	100% (direct)	Research and development
Venus Medtech of America ("Venus America") (Note (a))	United States of America ("USA") 31 August 2012	United States dollars ("US$") 10,000,000	100% (direct)	Research and development
Venus Holding Inc. ("Venus Holding") (Note (a))	USA 18 November 2016	US$1	100% (direct)	Investment holding
InterValve Medical Inc. ("InterValve") (Note (a))	USA 18 November 2016	US$1	100% (indirect)	Research, development and sale of medical devices
Venibri Medtech Inc. ("Venibri")* 浙江啓明科瑞醫療科技有限公司 (Note (a))	PRC/Mainland China 4 February 2017	US$10,000,000/ US$1,500,000	85% (direct)	Research and development
Hangzhou Qi'ai Medical Equipment Limited ("Qi'ai")* 杭州啓愛醫療器械有限公司 (Note (a))	PRC/Mainland China 24 November 2017	RMB100,000	100% (direct)	Sale of medical devices
Hangzhou Qi'an Medical Equipment Limited ("Qi'an")* 杭州啓安醫療器械有限公司 (Note (a))	PRC/Mainland China 24 November 2017	RMB100,000	100% (direct)	Sale of medical devices
Hangzhou Qichang Medical Equipment Limited ("Qichang")* 杭州啓暢醫療器械有限公司 (Note (a))	PRC/Mainland China 21 November 2017	RMB100,000	100% (direct)	Sale of medical devices
Hangzhou Qichuang Medical Equipment Limited ("Qichuang")* 杭州啓創醫療器械有限公司 (Note (a))	PRC/Mainland China 21 November 2017	RMB100,000	100% (direct)	Sale of medical devices

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Hangzhou Qidi Medical Equipment Limited ("Qidi")* 杭州啓迪醫療器械有限公司 (Note (a))	PRC/Mainland China 21 November 2017	RMB100,000	100% (direct)	Sale of medical devices
Hangzhou Qisidong Shareholding Investment Management Limited* ("Qisidong") 杭州企斯動股權投資管理有限公司 (Note (a))	PRC/Mainland China 24 November 2017	RMB100,000	100% (direct)	Investment holding
Venus Medtech (Hong Kong) Limited ("Venus HK") (Note (b))	Hong Kong 20 September 2018	HK$10,000	100% (direct)	Investment holding
Keystone Heart Ltd. ("Keystone") (Note (c))	Israel 17 November 2004	Nil	100% (indirect)	Research and development and manufacturing
SMT U.S. Inc. (Note (a))	USA 10 November 2011	Nil	100% (indirect)	No business
Keystone Heart US, Inc. (Note (a))	USA 15 June 2016	US$102,000	100% (indirect)	Research and development
Keystone Heart UK, Ltd. (Note (a))	United Kingdom ("UK") 15 September 2016	US$22,000	100% (indirect)	Sale of medical devices

Notes:

(a) No audited financial statements have been prepared for these entities since their dates of incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

(b) No audited financial statements have been prepared for this entity as this entity was established in 2018.

(c) The statutory financial statements of these entities for the year ended 31 December 2017 prepared in accordance with generally accepted accounting principles of the USA were audited by Deloitte Touche Tohmatsu Limited, Certified Public Accountants, Israel.

* The English names of these entities registered in Mainland China represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

As at 31 May 2019, the Group's current liabilities exceeded its current assets by RMB274,851,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the Historical Financial Information, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements.

As at 31 May 2019, the Group's total borrowings amounted to RMB170,000,000 and the Group had unutilised banking facilities of US$38,743,000 and RMB50,000,000. In the opinion of the directors of the Company, the Group is able to renew its short-term borrowings upon their maturities.

During June 2019, the rest proceeds of RMB287,700,000 as mentioned in note 30(b) had been fully received, with approximately RMB13,208,000 and RMB274,492,000 credited to the Company's share capital and share premium, respectively.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to classify all assets as current assets and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the Historical Financial Information.

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 the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position, except as described below.

Further information about this IFRS which is expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial instruments at fair value through other comprehensive income and at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	9%-32%
Office equipment	6%-32%
Motor vehicles	24%
Leasehold improvements	10%-52%
Right-of-use assets — Office premises	14%-50%
Right-of-use assets — Motor vehicles	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intellectual property

Purchased intellectual property is stated at cost less any impairment losses and is amortised on the straight-line basis over their estimated useful lives of 5 to 19 years, which is determined by considering the typical product life cycles for the intellectual property and the technical obsolescence.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 2 to 5 years.

Research and development cost

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation.

Since 1 January 2016, the Group as a lessee has recognised assets at present value for the right of use received and liabilities for the payment obligations entered into for all leases in the statement of financial position. Lease liabilities include the following lease payments:

- fixed payments, less lease incentives offered by the lessor;
- the exercise price of call options when the exercise is estimated to be sufficiently likely and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a terminated option.

The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be readily determined. Otherwise, discounting is at the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The discount rates used by the Group range from 5.00% to 5.94%, which were derived – for a period of up to 7 years (the lease term) – from the yield of corporate borrowings and government bonds. These reference interest rates were adjusted for interest rate differentials to consider the different borrowing rates, risk and tenors in various countries.

Right-of-use assets are measured at cost, which comprises the following:

- lease liability;
- lease payments made at or prior to delivery, less lease incentives received;
- initial direct costs and
- restoration obligations.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the term of the lease using the straight-line method.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases") or lease contracts for which the underlying asset is of low value ("low value assets"). In such cases, the lease payments made associated with them are recognised as an expense, and no right-of-use asset and lease liability are to be recognised.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Group the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. The Group reassesses the lease terms if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group also applied the following available practical expedients wherein it:

- Uses a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- Uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Elects to not to apply the requirements to leases for which the lease term ends within 12 months of the date of initial application and accounts for those leases in the same way as short-term leases.
- Excludes initial direct costs from the measurement of the right-of-use assets at the date of initial application.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, amount due from related companies and deposits and other receivables included in prepayments, other receivables and other assets.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- 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.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Equity investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, 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, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a government grant account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of medical devices

Revenue from the sale of medical devices is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the medical devices.

Some contracts for the sale of medical devices provide customers with rights of sales rebates. The rights of sales rebates give rise to variable consideration.

(i) Sales rebates

The Group may provide retrospective sales rebates to certain distributors based on their purchase amount, which are recognised as basic sales rebates, and may also provide additional sales rebates when distributors meet their performance requirements, such as sales target, as agreed in the distribution agreements between the Group and the distributors. Rebates are offset against amounts payable by the distributor arising from its purchase. The expected value method is used to estimate the amount of the additional sales rebates. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(ii) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(iii) Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and non-employees of the Group receive remuneration and rewards in the form of share-based payments, whereby employees and non-employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and non-employees is measured by reference to the fair value at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 32 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of certain overseas subsidiaries, which use currencies other than the RMB as their functional currencies, are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

There is no significant effect on the amounts recognised in the Historical Financial Information arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the medical industry sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the Historical Financial Information.

Fair value of unlisted equity investments

The Group has used the equity allocation model (specifically hybrid approach) for the valuation of the unlisted equity investments, to determine the fair value of the preferred shares at the end of each of the Relevant Periods as detailed in note 38 to the Historical Financial Information. This valuation requires the Group to make estimates about time to the exit event, risk free rate and equity volatility, and hence they are subject to uncertainty. In addition, the Group makes estimates about the discount for illiquidity. The Group classifies the fair value of these investments as Level 3. The fair values of the unlisted equity investments were RMB28,097,000, RMB29,484,000 and RMB29,356,000 as at 31 December 2017 and 2018 and 31 May 2019, respectively. Further details are included in note 16 to the Historical Financial Information.

Useful lives of intangible assets

The Group's finite life intangible assets primarily represent patents transferred from third parties. These intangible assets are amortised on a straight-line basis over their useful economic lives, which are estimated to be the patent life. If the Group's estimate of the duration of the sale of a product is shorter than the patent life, then the shorter period is used. Additional amortisation is recognised if the estimated useful lives of patents are different from the previous estimation. Useful lives are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, non-current asset), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2017 and 2018 and 31 May 2019 were nil, RMB471,857,000 and RMB471,857,000, respectively. Further details are given in note 14 to the Historical Financial Information.

4. 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

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Mainland China	17,321	113,737	37,731	85,707
Other	843	1,611	584	499
	18,164	115,348	38,315	86,206

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

(b) Non-current assets

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Mainland China	22,294	43,564	42,301
USA	21,328	21,229	20,255
Israel	–	174,408	171,494
Total	43,622	239,201	234,050

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 Relevant Periods and the five months ended 31 May 2018 is set out below:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Customer A	3,424	N/A*	5,085	N/A*
Customer B	3,073	15,231	5,970	8,870
Customer C	2,079	N/A*	N/A*	N/A*
Customer D	N/A*	19,177	6,382	11,154
Customer E	N/A*	17,048	4,614	14,378
Customer G	N/A*	N/A*	N/A*	9,498

* Less than 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Revenue from contracts with customers				
Sale of medical devices	18,164	115,348	38,315	86,206

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Geographical markets				
Mainland China	17,321	113,737	37,731	85,707
Other countries/regions	843	1,611	584	499
Total revenue from contracts with customers	18,164	115,348	38,315	86,206
Timing of revenue recognition				
Goods transferred at a point in time	18,164	115,348	38,315	86,206

There was no revenue recognised during the Relevant Periods and the five months ended 31 May 2018 that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods.

(b) Performance obligations

	As at 31 December		As at 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Current	–	1,399	–	1,399
Non-current	983	983	983	983
	983	2,382	983	2,382

The current performance obligations expected to be recognised immediately relate to the sale of medical devices that is to be requested by the customers.

The non-current performance obligations expected to be recognised in more than one year relate to the sale of medical devices that is expected to be satisfied in 2023.

(c) Refund liabilities

	As at 31 December		As at 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Refund liabilities arising from sales rebates	148	5,480	75	7,837

An analysis of other income and gains is as follows:

	Note	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other income					
Government grants	a	4,129	2,037	1,500	496
Sales of work in progress		577	–	–	–
Other interest income		272	447	181	–
Bank interest income		52	434	17	87
Investment income		28	32	32	–
Others		79	37	1	25
Gains					
Foreign exchange gains, net		–	10,165	–	–
Other income and gains		5,137	13,152	1,731	608

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.

6. LOSS BEFORE TAX

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

	Notes	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of sales*		3,077	15,244	5,160	13,887
Research and development costs**		117,360	104,774	37,026	82,416
Depreciation of property, plant and equipment	13	2,307	4,318	1,077	3,116
Depreciation of right-of-use assets	13	1,421	2,024	838	2,828
Amortisation of other intangible assets***	15	2,585	3,701	1,436	5,299
Impairment of trade receivables	18	323	1,314	478	541
Impairment of other receivables	19	7	361	289	3
Impairment of inventories	17	142	577	127	4
Auditor's remuneration		168	302	168	–
Sales of work in progress		(577)	–	–	–
Cost of work in progress		170	–	–	–
Government grants		(4,129)	(2,037)	(1,500)	(496)
Other interest income		(272)	(447)	(181)	–
Bank interest income		(52)	(434)	(17)	(87)
Investment income		(28)	(32)	(32)	–
Donation		–	10,509	–	4,013
Listing expenses		–	10,091	–	10,166
Loss on disposal of items of property, plant and equipment, net		–	284	19	19
Expenses for short-term leases		1,495	794	414	13
Foreign exchange differences, net		1,838	(10,165)	177	1,029
Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration (note 8)):					
Wages and salaries		20,090	35,134	11,888	55,785
Pension scheme contributions		1,087	1,905	624	764
Staff welfare expenses		3,926	6,565	2,245	5,362
Equity-settled share award expense		1,018	57,731	22,644	35,393
		26,121	101,335	37,401	97,304

* The cost of sales include RMB1,694,000, RMB9,846,000, RMB7,758,000 and RMB3,327,000 relating to employee benefit expense, depreciation and amortisation for the Relevant Periods and the five months ended 31 May 2018, respectively, which are also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB14,656,000, RMB17,731,000, RMB25,473,000 and RMB6,020,000 relating to employee benefit expense, depreciation and amortisation of other intangible assets, respectively, for the Relevant Periods and the five months ended 31 May 2018, which are also included in the respective total amounts disclosed above for each type of expenses. Research and development costs also included share award expenses, which is set out in note 32, for one former employee and specialists, RMB71,086,000, RMB5,561,000, nil and nil for the Relevant Periods and the five months ended 31 May 2018.

*** The amortisation of other intangible assets for the Relevant Periods and the five months ended 31 May 2018 are included in "Cost of sales," "Administrative expenses" and "Research and development costs" in the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Interest on bank loans	1,166	2,329	882	3,178
Interest portion of lease liabilities	344	895	91	304
Finance charge for guarantee	–	–	–	3,716
	1,510	3,224	973	7,198

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any independent non-executive directors at any time before 26 November 2018.

Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen were appointed as independent non-executive directors of the Company on 26 November 2018, 2 July 2019 and 2 July 2019, respectively.

Certain directors received remuneration from the Company and its subsidiaries for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	1,392	2,226	594	1,085
Pension scheme contributions	24	26	11	11
Equity-settled share award expense	1,432	172,401	13,635	11,957
	2,848	174,653	14,240	13,053

Independent non-executive director

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018				
Mr. Ting Yuk Anthony Wu	29	–	–	29
Five months ended 31 May 2019				
Mr. Ting Yuk Anthony Wu	147	–	–	147

Executive directors

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017				
Mr. Zhenjun Zi[(1)]	760	24	739	1,523
Mr. Michael Yiwei Zhao[(2)]	120	–	693	813
Mr. Min Frank Zeng[(3)]	512	–	–	512
	1,392	24	1,432	2,848
Year ended 31 December 2018				
Mr. Zhenjun Zi[(1)]	765	26	24,528	25,319
Mr. Michael Yiwei Zhao[(2)]	120	–	8,431	8,551
Mr. Lim Hou-Sen (Lin Haosheng)[(4)]	714	–	4,375	5,089
Mr. Min Frank Zeng[(3)]	598	–	135,067	135,665
	2,197	26	172,401	174,624
Five months ended 31 May 2019				
Mr. Zhenjun Zi[(1)]	326	11	10,147	10,484
Mr. Lim Hou-Sen (Lin Haosheng)[(4)]	314	–	1,810	2,124
Mr. Min Frank Zeng[(3)]	298	–	–	298
	938	11	11,957	12,906
Five months ended 31 May 2018 (Unaudited)				
Mr. Min Frank Zeng[(3)]	238	–	–	238
Mr. Zhenjun Zi[(1)]	306	11	10,147	10,464
Mr. Michael Yiwei Zhao[(2)]	50	–	3,488	3,538
	594	11	13,635	14,240

During the Relevant Periods and the five months ended 31 May 2018, shares were granted to Mr. Michael Yiwei Zhao, Mr. Lim Hou-Sen (Lin Haosheng), Mr. Min Frank Zeng and Mr. Zhenjun Zi in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the Historical Financial Information. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the five months ended 31 May 2018 is included in the above directors' remuneration disclosures.

The Group did not appoint chief executive, and the duty of chief executive was performed by general manager.

(1) Mr. Zhenjun Zi was also the general manager of the Company during the Relevant Periods and the five months ended 31 May 2018.

(2) Mr. Michael Yiwei Zhao resigned as an executive director with effect from 26 November 2018.

(3) Mr. Min Frank Zeng was also the chairman of the board of directors of the Company during the Relevant Periods and the five months ended 31 May 2018.

(4) Mr. Lim Hou-Sen (Lin Haosheng) was appointed as an executive director with effect from 26 November 2018.

Non-executive directors

There were no fees and other emoluments payable to non-executive directors during the Relevant Periods and the five months ended 31 May 2018.

Supervisors

Ms. Yan Xiao, Mr. Wei Wang and Ms. Lingling Yang were appointed as supervisors of the Company on 23 November 2018, 26 November 2018 and 26 November 2018, respectively.

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018				
Ms. Yan Xiao	278	26	72	376
Mr. Wei Wang	–	–	–	–
Ms. Lingling Yang	91	–	–	91
	369	26	72	467
Five months ended 31 May 2019				
Ms. Yan Xiao	114	11	66	191
Mr. Wei Wang	–	–	–	–
Ms. Lingling Yang	–	–	–	–
	114	11	66	191

There were no fees and other emoluments payable to Mr. Wei Wang during the year ended 31 December 2018 and the five months ended 31 May 2019.

There were no fees and other emoluments payable to Ms. Lingling Yang during the five months ended 31 May 2019.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2018 included two, three, one and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining three, two, four and three highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the five months ended 31 May 2018 are as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Salaries, bonuses, allowances and benefits in kind	1,949	1,099	539	37,636
Pension scheme contributions	47	–	–	11
Equity-settled share award expense	123	18,551	10,088	12,803
	2,119	19,650	10,627	50,450

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees			
	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
			(Unaudited)	
Nil to HK$1,000,000	3	–	–	–
HK$1,000,001 to HK$143,000,000	–	2	3	4
	3	2	3	4

During the Relevant Periods and the five months ended 31 May 2018, shares were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the Historical Financial Information. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the five months ended 31 May 2018 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. 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.

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of up to 34% on the taxable income arising in the USA during the year ended 31 December 2017, and was levied at the rate of 21% on the taxable income arising in the USA during the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019.

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at the rate of 24% on the taxable income arising in Israel during the year ended 31 December 2017, and was levied at 23% on the taxable income arising in Israel during the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019.

UK

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% on the taxable income arising in the UK during the Relevant Periods and the five months ended 31 May 2018.

The income tax expense of the Group during the Relevant Periods and the five months ended 31 May 2018 is analysed as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Current – USA				
Charge for the year/period	500	898	407	1,030
Current – Israel				
Charge for the year/period	–	–	–	264
Current – UK				
Charge for the year/period	–	–	–	34
Deferred tax (note 29)	–	–	–	(1,107)
	500	898	407	221

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Loss before tax	(157,448)	(299,620)	(50,196)	(138,202)
Tax at the statutory tax rate	(38,987)	(74,974)	(12,528)	(31,132)
Expenses not deductible for tax	3,139	1,846	129	(652)
Deemed income subject to tax	2,106	1,993	754	684
Additional deductible allowance for research and development costs	(2,602)	(9,340)	(3,263)	(4,852)
Temporary differences and tax losses not recognised	36,844	81,373	15,315	36,173
Tax charge at the Group's effective tax rate	500	898	407	221

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		As at 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Tax losses	150,618	772,463	187,338	842,014
Deductible temporary differences	106,364	260,882	26,661	66,870
	256,982	1,033,345	213,999	908,884

The Group has tax losses arising in Mainland China of RMB149,135,000, RMB236,833,000, RMB255,498,000 and RMB183,985,000 as at the end of each of the Relevant Periods and 31 May 2018, respectively, that will expire in one to five years for offsetting against taxable profits.

The Group has tax losses arising in USA of US$219,000 (equivalent to RMB1,483,000), US$663,000 (equivalent to RMB4,390,000), US$902,000 (equivalent to RMB6,096,000) and US$528,000 (equivalent to RMB3,353,000) as at the end of each of the Relevant Periods and 31 May 2018, respectively, that will expire in twenty years for offsetting against taxable profits, respectively.

The Group has tax losses arising in Hong Kong of nil, US$464,000 (equivalent to RMB3,070,000), US$1,697,000 (equivalent to RMB11,477,000) and nil as at the end of each of the Relevant Periods and 31 May 2018, respectively, that has no limitation for offsetting against future taxable profits, respectively.

The Group has tax losses arising in Israel of nil, US$79,815,000 (equivalent to RMB528,170,000), US$84,146,000 (equivalent to RMB568,943,000) and nil as at the end of each of the Relevant Periods and 31 May 2018, respectively, that has no limitation for offsetting against future taxable profits, respectively.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDEND

No dividend has been paid or declared by the Company since its date of incorporation and up to the end of each of the Relevant Periods and the five months ended 31 May 2018.

12. 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 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 233,308,000, 290,423,000, 300,006,000 and 276,850,000 in issue during the Relevant Periods and the five months ended 31 May 2018, respectively, as adjusted to reflect the rights issue during the year or period. 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 (note 30).

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods and the five months ended 31 May 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the five months ended 31 May 2018.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets Office premises	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017							
At 1 January 2017:							
Cost	5,065	1,194	641	6,106	115	6,046	19,167
Accumulated depreciation	(1,685)	(462)	(392)	(1,642)	–	–	(4,181)
Net carrying amount	3,380	732	249	4,464	115	6,046	14,986
At 1 January 2017, net of accumulated depreciation	3,380	732	249	4,464	115	6,046	14,986
Additions	3,046	315	–	257	2,892	1,100	7,610
Depreciation provided during the year (note 6)	(631)	(192)	(43)	(1,441)	–	(1,421)	(3,728)
Transfers	202	–	–	230	(432)	–	–
Exchange realignment	(8)	–	–	–	–	(112)	(120)
At 31 December 2017, net of accumulated depreciation	5,989	855	206	3,510	2,575	5,613	18,748
At 31 December 2017:							
Cost	8,304	1,509	641	6,593	2,575	7,023	26,645
Accumulated depreciation	(2,315)	(654)	(435)	(3,083)	–	(1,410)	(7,897)
Net carrying amount	5,989	855	206	3,510	2,575	5,613	18,748

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets: Office premises	Right-of-use assets: Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018								
At 1 January 2018:								
Cost	8,304	1,509	641	6,593	2,575	7,023	–	26,645
Accumulated depreciation	(2,315)	(654)	(435)	(3,083)	–	(1,410)	–	(7,897)
Net carrying amount	5,989	855	206	3,510	2,575	5,613	–	18,748
At 1 January 2018, net of accumulated depreciation	5,989	855	206	3,510	2,575	5,613	–	18,748
Additions	8,879	1,308	1,090	564	4,047	11,356	–	27,244
Acquisition of a subsidiary (note 33)	631	556	–	975	–	4,811	336	7,309
Disposals	(146)	(27)	(161)	–	–	–	–	(334)
Depreciation provided during the year (note 6)	(1,617)	(307)	(203)	(2,191)	–	(2,024)	–	(6,342)
Transfers	2,936	72	–	3,285	(6,293)	–	–	–
Exchange realignment	34	–	–	–	–	72	–	106
At 31 December 2018, net of accumulated depreciation	16,706	2,457	932	6,143	329	19,828	336	46,731
At 31 December 2018:								
Cost	19,739	3,048	1,090	11,417	329	23,291	336	59,250
Accumulated depreciation	(3,033)	(591)	(158)	(5,274)	–	(3,463)	–	(12,519)
Net carrying amount	16,706	2,457	932	6,143	329	19,828	336	46,731

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets: Office premises	Right-of-use assets: Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2019								
At 1 January 2019:								
Cost	19,739	3,048	1,090	11,417	329	23,291	336	59,250
Accumulated depreciation	(3,033)	(591)	(158)	(5,274)	–	(3,463)	–	(12,519)
Net carrying amount	16,706	2,457	932	6,143	329	19,828	336	46,731
At 1 January 2019, net of accumulated depreciation	16,706	2,457	932	6,143	329	19,828	336	46,731
Additions	1,800	537	–	184	1,362	817	241	4,941
Disposals	(19)	–	–	–	–	–	–	(19)
Depreciation provided during the period (note 6)	(1,293)	(209)	(100)	(1,514)	–	(2,713)	(115)	(5,944)
Transfers	96	118	–	–	(214)	–	–	–
Exchange realignment	(27)	2	–	4	–	18	–	(3)
At 31 May 2019, net of accumulated depreciation	17,263	2,905	832	4,817	1,477	17,950	462	45,706
At 31 May 2019:								
Cost	21,558	3,706	1,090	11,606	1,477	24,141	582	64,160
Accumulated depreciation	(4,295)	(801)	(258)	(6,789)	–	(6,191)	(120)	(18,454)
Net carrying amount	17,263	2,905	832	4,817	1,477	17,950	462	45,706

Company

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets Office premises	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017							
At 1 January 2017:							
Cost	4,586	1,088	263	5,952	115	3,932	15,936
Accumulated depreciation	(1,426)	(396)	(250)	(1,523)	–	–	(3,595)
Net carrying amount	3,160	692	13	4,429	115	3,932	12,341
At 1 January 2017, net of accumulated depreciation	3,160	692	13	4,429	115	3,932	12,341
Additions	2,749	249	–	–	2,892	1,099	6,989
Depreciation provided during the year	(525)	(174)	–	(1,348)	–	(1,087)	(3,134)
Transfers	202	–	–	230	(432)	–	–
At 31 December 2017,net of accumulated depreciation	5,586	767	13	3,311	2,575	3,944	16,196
At 31 December 2017:							
Cost	7,537	1,337	263	6,182	2,575	5,031	22,925
Accumulated depreciation	(1,951)	(570)	(250)	(2,871)	–	(1,087)	(6,729)
Net carrying amount	5,586	767	13	3,311	2,575	3,944	16,196

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets Office premises	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018							
At 1 January 2018:							
Cost	7,537	1,337	263	6,182	2,575	5,031	22,925
Accumulated depreciation	(1,951)	(570)	(250)	(2,871)	–	(1,087)	(6,729)
Net carrying amount	5,586	767	13	3,311	2,575	3,944	16,196
At 1 January 2018, net of accumulated depreciation	5,586	767	13	3,311	2,575	3,944	16,196
Additions	8,820	1,248	1,090	291	4,047	11,356	26,852
Disposals	(74)	(18)	(3)	–	–	–	(95)
Depreciation provided during the year	(1,470)	(294)	(169)	(1,966)	–	(1,697)	(5,596)
Transfers	2,936	72	–	3,285	(6,293)	–	–
At 31 December 2018, net of accumulated depreciation	15,798	1,775	931	4,921	329	13,603	37,357
At 31 December 2018:							
Cost	18,743	2,366	1,090	9,758	329	16,387	48,673
Accumulated depreciation	(2,945)	(591)	(159)	(4,837)	–	(2,784)	(11,316)
Net carrying amount	15,798	1,775	931	4,921	329	13,603	37,357

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets Office premises	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2019							
At 1 January 2019:							
Cost	18,743	2,366	1,090	9,758	329	16,387	48,673
Accumulated depreciation	(2,945)	(591)	(159)	(4,837)	–	(2,784)	(11,316)
Net carrying amount	15,798	1,775	931	4,921	329	13,603	37,357
At 1 January 2019, net of accumulated depreciation	15,798	1,775	931	4,921	329	13,603	37,357
Additions	1,555	447	–	157	1,634	679	4,472
Disposals	(19)	–	–	–	–	–	(19)
Depreciation provided during the period	(1,207)	(176)	(100)	(1,368)	–	(2,013)	(4,864)
Transfers	96	118	–	–	(486)	–	(272)
At 31 May 2019, net of accumulated depreciation	16,223	2,164	831	3,710	1,477	12,269	36,674
At 31 May 2019:							
Cost	20,309	2,931	1,090	9,915	1,477	17,066	52,788
Accumulated depreciation	(4,086)	(767)	(259)	(6,205)	–	(4,797)	(16,114)
Net carrying amount	16,223	2,164	831	3,710	1,477	12,269	36,674

Right-of-use assets

During the Relevant Periods, the Group entered into certain long-term lease contracts for office premises.

During the Relevant Periods, the Group also leased certain office premises under short-term (i.e. within 12 months) lease arrangement. The Group has elected not to recognise right-of-use assets on these short-term lease contracts. There are no restrictions or covenants imposed and no sale and leaseback transactions.

The following future cash outflows of the Group are potentially exposed to those which are not reflected in the measurement of lease liabilities:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Future cash outflows for short-term leases	595	794	–

Further details of lease expenses recognised in profit or loss during the Relevant Periods are disclosed in note 6 to the Historical Financial Information.

14. GOODWILL

Group

	RMB'000
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Acquisition of a subsidiary (note 33)	471,857
Cost as at 31 December 2018, 1 January 2019 and 31 May 2019	471,857
Impairment	–
Net carrying amount as at 31 December 2018, 1 January 2019 and 31 May 2019	471,857

Impairment testing of goodwill

The Group's goodwill acquired through business combination is from the acquisition of Keystone in December 2018 and the goodwill has been allocated to Keystone unit as the cash-generating unit for impairment testing.

The recoverable amount of Keystone unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 10-year period approved by senior management. The management considers that using a 10-year forecast period for financial budget in the goodwill impairment test is appropriate because the useful lives of Keystone's relevant intellectual property are longer than ten years, and it generally takes longer for a medical device company to reach perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a 10-year period was used as the management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

Key assumptions used in the calculation are as follows:

	As at 31 May 2019
Revenue (% compound growth rate)	56.57%
Gross margin (% of revenue)	70.00%-80.00%
Terminal growth rate	0%
Pre-tax discount rate	16.00%

Assumptions were used in the value in use calculation of cash-generating unit as at 31 May 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of when to launch Keystone's product and also expectation of the future market. Keystone's product candidate, TriGUARD3 cerebral embolic protection device ("Keystone Product"), is at clinical trial stage, and the management expects to file for Food and Drug Administration ("FDA") 510(k) clearance in the USA for Keystone Product in the first half of 2020. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development of related products.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve in the year when to launch Keystone's product, increased for expected efficiency improvements and expected market development.

Terminal growth rate – The forecasted terminal growth rate is based on management expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

If the pre-tax discount rate rose to 17.06%, the gross margin decreased to the range from 68.00% to 77.00%, or the compound growth rate of revenue decreased to 55.58% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonable possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at 31 May 2019.

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

The values assigned to the key assumptions on market development of related products and pre-tax discount rate are consistent with external information sources.

15. OTHER INTANGIBLE ASSETS

Group

	Intellectual property	Software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017:			
Cost	6,044	252	6,296
Accumulated amortisation	(705)	(165)	(870)
Net carrying amount	5,339	87	5,426
Cost at 1 January 2017, net of accumulated amortisation	5,339	87	5,426
Additions	21,408	253	21,661
Exchange realignment	(776)	–	(776)
Amortisation during the year (note 6)	(2,451)	(134)	(2,585)
At 31 December 2017	23,520	206	23,726
At 31 December 2017:			
Cost	26,635	505	27,140
Accumulated amortisation	(3,115)	(299)	(3,414)
Net carrying amount	23,520	206	23,726
Cost at 1 January 2018, net of accumulated amortisation	23,520	206	23,726
Additions	–	1,821	1,821
Acquisition of a subsidiary (note 33)	168,375	–	168,375
Exchange realignment	899	–	899
Amortisation during the year (note 6)	(3,294)	(407)	(3,701)
At 31 December 2018	189,500	1,620	191,120
At 31 December 2018:			
Cost	196,047	2,326	198,373
Accumulated amortisation	(6,547)	(706)	(7,253)
Net carrying amount	189,500	1,620	191,120
Cost at 1 January 2019, net of accumulated amortisation	189,500	1,620	191,120
Additions	–	649	649
Exchange realignment	885	–	885
Amortisation during the period (note 6)	(5,029)	(270)	(5,299)
At 31 May 2019	185,356	1,999	187,355
At 31 May 2019:			
Cost	197,042	2,975	200,017
Accumulated amortisation	(11,686)	(976)	(12,662)
Net carrying amount	185,356	1,999	187,355

In June 2017, InterValve, a subsidiary of the Group, acquired certain intellectual property rights and relevant equipment from InterValve Inc., for a fixed consideration of US$3,179,000 and unfixed consideration of royalty fees. Royalty fees refer to 5% of worldwide revenue (excluding PRC) generate from technology about TAV8 and V8 included in the intangible assets for a period until the later to occur of the expiration of all intellectual property rights acquired or the fifteenth anniversary of the acquisition. These royalty fee is expected to be expensed during every year when it accrued.

Company

	Intellectual property	Software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017:			
Cost	6,044	252	6,296
Accumulated amortisation	(705)	(165)	(870)
Net carrying amount	5,339	87	5,426
Cost at 1 January 2017, net of accumulated amortisation	5,339	87	5,426
Additions	–	253	253
Amortisation during the year	(1,209)	(134)	(1,343)
At 31 December 2017	4,130	206	4,336
At 31 December 2017:			
Cost	6,044	505	6,549
Accumulated amortisation	(1,914)	(299)	(2,213)
Net carrying amount	4,130	206	4,336
Cost at 1 January 2018, net of accumulated amortisation	4,130	206	4,336
Additions	–	1,821	1,821
Amortisation during the year	(1,209)	(407)	(1,616)
At 31 December 2018	2,921	1,620	4,541
At 31 December 2018:			
Cost	6,044	2,326	8,370
Accumulated amortisation	(3,123)	(706)	(3,829)
Net carrying amount	2,921	1,620	4,541
Cost at 1 January 2019, net of accumulated amortisation	2,921	1,620	4,541
Additions	–	649	649
Amortisation during the period	(504)	(270)	(774)
At 31 May 2019	2,417	1,999	4,416
At 31 May 2019:			
Cost	6,044	2,975	9,019
Accumulated amortisation	(3,627)	(976)	(4,603)
Net carrying amount	2,417	1,999	4,416

16. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at fair value			
Colibri Heart Valve LLC ("Colibri")	28,097	29,484	29,356

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at fair value			
Colibri	28,097	–	–

The Group designated the unlisted equity investments as investments at fair value through other comprehensive income on the basis that they are not held for trading.

The fair value adjustment on the unlisted equity investments measured at fair value through other comprehensive income for the Relevant Periods and the five months ended 31 May 2018 were in amounts of loss of RMB3,994,000, gain of RMB1,387,000, loss of RMB128,000 and loss of RMB515,000, respectively.

17. INVENTORIES

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Raw materials	2,978	5,259	6,619
Work in progress	2,007	3,765	4,328
Finished goods	4,575	8,380	5,893
	9,560	17,404	16,840
Less: Provision for inventories	(142)	(719)	(723)
	9,418	16,685	16,117

The movements in provision for impairment of inventories are as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of year/period	–	142	719
Provision	142	577	4
At end of year/period	142	719	723

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Raw materials	3,095	5,168	4,631
Work in progress	2,007	3,765	4,328
Finished goods	3,743	6,734	4,603
	8,845	15,667	13,562

18. TRADE RECEIVABLES

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables	18,193	82,283	122,323
Impairment	(323)	(1,637)	(2,178)
	17,870	80,646	120,145

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 each of the Relevant Periods (based on the invoice date, net of provisions) is as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 6 months	17,870	63,872	100,404
7 to 12 months	–	15,803	19,738
Over 12 months	–	971	3
	17,870	80,646	120,145

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of year/period	–	323	1,637
Impairment losses (note 6)	323	1,314	541
At end of year/period	323	1,637	2,178

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The expected credit loss rate was reviewed, and adjusted if appropriate, as at the end of each of the Relevant Periods. The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. As at 31 December 2018 and 31 May 2019, the Group updated the historical observed default rate with forward-looking information and concluded that the changes in expected credit loss rate to the balance of the expected credit loss are not significant. Thus, the Group remained the same expected credit loss rate throughout the Relevant Periods.

The expected credit losses as at the end of each of the Relevant Periods were determined according to a provision matrix as follows:

	Less than 1 year	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000
31 December 2017			
Trade receivables	18,193	–	18,193
Expected credit loss rate	1.78%	–	
Expected credit losses	323	–	323
31 December 2018			
Trade receivables	81,119	1,164	82,283
Expected credit loss rate	1.78%	16.61%	
Expected credit losses	1,444	193	1,637
31 May 2019			
Trade receivables	122,319	4	122,323
Expected credit loss rate	1.78%	16.61%	
Expected credit losses	2,177	1	2,178

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade receivables	17,951	82,104	122,245
Impairment	(320)	(1,634)	(2,177)
	17,631	80,470	120,068

The Company'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 Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company 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 Company as at the end of each of the Relevant Periods (based on the invoice date, net of provisions) is as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 6 months	17,631	63,696	100,327
7 to 12 months	–	15,803	19,738
Over 12 months	–	971	3
	17,631	80,470	120,068

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of year/period	–	320	1,634
Impairment losses	320	1,314	543
At end of year/period	320	1,634	2,177

The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The expected credit loss rate was reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The provision matrix is initially based on the historical observed default rates from listed companies in the same sector. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. As at 31 December 2018 and 31 May 2019, the Company updated the historical observed default rate with forward-looking information and concluded that the changes in expected credit loss rate to the balance of the expected credit loss are not significant. Thus, the Company remained the same expected credit loss rate throughout the Relevant Periods.

The expected credit losses as at the end of each of the Relevant Periods were determined according to a provision matrix as follows:

	Less than 1 year	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000
31 December 2017			
Trade receivables	17,951	–	17,951
Expected credit loss rate	1.78%		
Expected credit losses	320	–	320
31 December 2018			
Trade receivables	80,940	1,164	82,104
Expected credit loss rate	1.78%	16.61%	
Expected credit losses	1,441	193	1,634
31 May 2019			
Trade receivables	122,241	4	122,245
Expected credit loss rate	1.78%	16.61%	
Expected credit losses	2,176	1	2,177

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current:			
Prepayments for purchase of items of property, plant and equipment	1,148	1,350	989
Rental deposits	308	490	588
Loans to employees	300	–	–
	1,756	1,840	1,577
Current:			
Prepayments	2,081	5,733	6,281
Deferred listing expenses	–	4,592	9,218
Other receivables	2,047	2,164	4,269
Loans to employees	11,037	–	–
Value-added tax recoverable	6,347	5,444	6,534
Deferred finance charges for a guarantee	–	6,647	5,675
Prepayments for acquisition for a subsidiary	–	2,037	–
Prepaid rental expenses	534	1,002	231
	22,046	27,619	32,208
Less: Impairment of other receivables	(13)	(2)	(5)
	22,033	27,617	32,203

Except for those impaired other receivables, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Since 1 January 2017, the Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. For certain receivables for which the counterparty failed to make demanded repayment, the Group has made 100% provision ("default receivables"). For rental deposits to factory and offices included in other receivables, the balances were settled within 12 months and had no historical default. Except for the above balances, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. As at 31 May 2019, except for the default receivables, the Group estimated that the expected credit loss rate for other receivables is minimal.

The movements in provision for impairment of other receivables are as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of year/period	84	13	2
Impairment losses recognised (note 6)	7	361	3
Write-off	(78)	(372)	–
At end of year/period	13	2	5

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current:			
Prepayments for purchase of items of property, plant and equipment	1,148	1,350	989
Rental deposits	308	387	443
Loans to employees	300	–	–
	1,756	1,737	1,432
Current:			
Prepayments	1,477	4,283	5,172
Deferred listing expenses	–	4,592	9,218
Other receivables	2,013	1,636	3,960
Value-added tax recoverable	6,102	5,191	6,183
Prepaid rental expenses	240	990	219
	9,832	16,692	24,752
Less: Impairment of other receivables	(4)	(2)	(5)
	9,828	16,690	24,747

Except for those impaired other receivables, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Since 1 January 2017, the Company has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. For certain receivables for which the counterparty failed to make demanded repayment, the Company has made 100% provision ("default receivables"). For rental deposits to factory and offices included in other receivables, the balances were settled within 12 months and had no historical default. Except for the above balances, the Company considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. As at 31 May 2019, except for the default receivables, the Company estimated that the expected credit loss rate for other receivables is minimal.

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of year/period	78	4	2
Impairment losses recognised	4	370	3
Write-off	(78)	(372)	–
At end of year/period	4	2	5

20. DUE FROM RELATED PARTIES

Group

Loans to Directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 May 2019	Maximum amount outstanding during the period	At 31 December 2018 and 1 January 2019	Maximum amount outstanding during the year	At 31 December 2017 and 1 January 2018	Maximum amount outstanding during the year	At 1 January 2017	Security held
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Tian Zhi Wei Medical Technology (Shanghai) Co., Ltd. ("Tian Zhi Wei") 天之緯醫療科技(上海)有限公司*	–	–	–	3,000	–	20,120	–	None
Broncus Technologies, Inc ("Broncus Shanghai") 堃博生物科技(上海)有限公司*	–	–	–	5,000	–	–	–	None
Broncus Technologies (Hangzhou), Inc ("Broncus Hangzhou") 杭州堃博生物科技有限公司*	–	–	–	10,000	–	–	–	None
Real Wealth Management Ltd. ("Real Wealth")	–	–	–	14	14	14	14	None
Golden Heat Management Company Limited ("Golden")	–	–	–	19	15	15	15	None
Adventure 03 Limited ("Adventure")	–	–	–	21	21	21	21	None
DNA 01 (Hong Kong) Limited ("DNA 01")	–	–	–	5	4	4	4	None
Mars Holding Limited ("Mars")	–	–	–	1,059	–	–	–	None
Mercury Holding Limited ("Mercury")	–	–	–	203	–	–	–	None
Horizon Scientific Corporation ("Horizon")	12,970	12,970	–	–	–	381	–	None
Mr. Lim Hou-Sen (Lin Haosheng)	–	–	–	5,000	–	–	–	None
Mr. Zhenjun Zi	–	–	–	240	226	226	–	None
Hangzhou Mingnuo Investment Partnership (Limited Partnership) ("Mingnuo") 杭州明諾投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
Hangzhou Qifei Investment Partnership (Limited Partnership) ("Qifei") 杭州啓非投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None

Name	At 31 May 2019	Maximum amount outstanding during the period	At 31 December 2018 and 1 January 2019	Maximum amount outstanding during the year	At 31 December 2017 and 1 January 2018	Maximum amount outstanding during the year	At 1 January 2017	Security held
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Hangzhou Qinuo Investment Partnership (Limited Partnership) ("Qinuo") 杭州啓諾投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
Hangzhou Qixin Investment Partnership (Limited Partnership) ("Qixin") 杭州啓心投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
Hangzhou Qilai Investment Partnership (Limited Partnership) ("Qilai") 杭州啓來投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
Hangzhou Qihe Investment Partnership (Limited Partnership) ("Qihe") 杭州啓和投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
Hangzhou Qili Investment Partnership (Limited Partnership) ("Qili") 杭州啓立投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
Hangzhou Qichu Investment Partnership (Limited Partnership) ("Qichu") 杭州啓初投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
Hangzhou Qisheng Investment Partnership (Limited Partnership) ("Qisheng") 杭州啓勝投資合伙企業(有限合伙)*	10	10	10	10	–	–	–	None
	13,060		90		280		54	

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

The loans granted to Tian Zhi Wei, the company controlled by Mr. Michael Yi Wei Zhao, and the payment on behalf of Golden, the company controlled by Mr. Michael Yi Wei Zhao, are unsecured, non-interest-bearing and repayable on demand.

The loans granted to Broncus Shanghai and Broncus Hangzhou, the two companies' director of which is Mr. Zhenjun Zi, and the payments on behalf of Adventure, DNA 01, Mingnuo, Qifei, Qinuo, Qichu, Qixin, Qilai, Qihe, Qili and Qisheng, the eleven companies controlled by Mr. Zhenjun Zi, are unsecured, non-interest-bearing and repayable on demand.

The loans granted to Horizon, the company controlled by Mr. Min Frank Zeng, for the five months ended 31 May 2019, are unsecured, non-interest-bearing and repayable on demand. The payments on behalf of Horizon for the years ended 31 December 2017, are unsecured, non-interest-bearing and repayable on demand.

The loan granted to Mr. Lim Hou-Sen (Lin Haosheng), is unsecured, non-interest-bearing and repayable on demand.

The payments on behalf of Real Wealth, Mars and Mercury, the three companies controlled by Mr. Min Frank Zeng, for the year ended 31 December 2018 are unsecured, non-interest-bearing and repayable on demand.

Company

Name	At 31 May 2019	Maximum amount outstanding during the period	At 31 December 2018 and 1 January 2019	Maximum amount outstanding during the year	At 31 December 2017 and 1 January 2018	Maximum amount outstanding during the year	At 1 January 2017	Security held
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Tian Zhi Wei	–	–	–	3,000	–	20,120	–	None
Broncus Shanghai	–	–	–	5,000	–	–	–	None
Broncus Hangzhou	–	–	–	10,000	–	–	–	None
Real Wealth	–	–	–	14	14	14	14	None
Golden	–	–	–	15	15	15	15	None
Adventure	–	–	–	21	21	21	21	None
DNA 01	–	–	–	4	4	4	4	None
Mr. Lim Hou-Sen (Lin Haosheng)	–	–	–	5,000	–	–	–	None
Mr. Zhenjun Zi	–	–	–	240	226	226	–	None
Mingnuo	10	10	10	10	–	–	–	None
Qifei	10	10	10	10	–	–	–	None
Qinuo	10	10	10	10	–	–	–	None
Qixin	10	10	10	10	–	–	–	None
Qilai	10	10	10	10	–	–	–	None
Qihe	10	10	10	10	–	–	–	None
Qichu	10	10	10	10	–	–	–	None
Qili	10	10	10	10	–	–	–	None
Qisheng	10	10	10	10	–	–	–	None
	90		90		280		54	

The loans granted to Tian Zhi Wei, the company controlled by Mr. Michael Yi Wei Zhao, and the payment on behalf of Golden, the company controlled by Mr. Michael Yi Wei Zhao, is unsecured, non-interest-bearing and repayable on demand.

The loans granted to Broncus Shanghai and Broncus Hangzhou, the two companies' director of which is Mr. Zhenjun Zi, and the payments on behalf of Adventure, DNA 01, Mingnuo, Qifei, Qinuo, Qichu, Qixin, Qilai, Qihe, Qili and Qisheng, the eleven companies controlled by Mr. Zhenjun Zi, are unsecured, non-interest-bearing and repayable on demand.

The loan granted to Mr. Lim Hou-Sen (Lin Haosheng), is unsecured, non-interest-bearing and repayable on demand.

The payments on behalf of Real Wealth, Mars and Mercury, the three companies controlled by Mr. Min Frank Zeng, for the year ended 31 December 2018 are unsecured, non-interest-bearing and repayable on demand.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Foreign exchange swap contracts	13,068	–	–

The Company has entered into various foreign exchange swap contracts to manage its exchange rate exposures. The derivatives are not designated for hedge purposes and are measured at financial assets at fair value through profit or loss. Changes in the fair value of non-hedging derivatives amounting to gains of RMB28,000, RMB32,000, nil and RMB32,000 were included in the consolidated statement of profit or loss and other comprehensive income during the Relevant Periods and the five months ended 31 May 2018, respectively.

22. CASH AND CASH EQUIVALENTS

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total cash and bank balances, including pledged deposits	59,015	165,600	129,338
Less: Pledged deposits	–	(686)	(718)
Cash and cash equivalents	59,015	164,914	128,620
Denominated in:			
RMB	14,163	71,151	68,816
US$	44,843	94,449	60,514
European dollars ("EUR")	9	–	8
Total cash and bank balances, including pledged deposits	59,015	165,600	129,338

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	49,377	71,278	68,999
Denominated in:			
RMB	13,204	70,691	68,359
US$	36,164	587	632
EUR	9	–	8
Total cash and bank balances, including pledged deposits	49,377	71,278	68,999

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade payables	2,940	983	1,520

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 3 months	2,849	859	1,417
3 to 6 months	20	5	26
6 to 12 months	21	27	–
Over 12 months	50	92	77
	2,940	983	1,520

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

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade payables	1,459	846	1,387

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 3 months	1,388	725	1,284
3 to 6 months	–	2	26
6 to 12 months	21	27	–
Over 12 months	50	92	77
	1,459	846	1,387

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

24. LEASE LIABILITIES

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current:			
Lease liabilities	3,923	15,355	12,652
Current:			
Lease liabilities	2,164	5,959	7,140
	6,087	21,314	19,792

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current:			
Lease liabilities	2,418	10,373	8,771
Current:			
Lease liabilities	1,853	4,075	4,713
	4,271	14,448	13,484

25. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Payroll payable	11,915	42,813	39,574
Payables for acquisition of a subsidiary (a)	–	265,437	260,387
Payable for finance charge for guarantee	–	–	780
Interest payable	–	130	1,426
Other payables	31,580	72,439	75,468
	43,495	380,819	377,635

Other payables are non-interest-bearing, and repayable on demand.

(a) The balance as at 31 December 2018 and 31 May 2019 represents the cash consideration for the acquisition of Keystone Group. Further details of the acquisition are included in note 33 to the Historical Financial Information.

Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Payroll payable	9,669	14,851	10,800
Interest payable	–	131	1,426
Other payables	18,857	42,437	54,990
	28,526	57,419	67,216

Other payables are non-interest-bearing, and repayable on demand.

26. INTEREST-BEARING BANK BORROWINGS

Group and Company

	Effective interest rate	Maturity	As at 31 December		As at 31 May
			2017	2018	2019
	(%)		RMB'000	RMB'000	RMB'000
Current-unsecured					
Bank loans	4.35	2018	10,000	–	–
Bank loans	5.00	2018	10,000	–	–
Bank loans	5.26	2018	10,000	–	–
Bank loans	5.22	2019	–	50,000	50,000
Bank loans	5.44	2019	–	30,000	–
Bank loans	5.44	2020	–	–	20,000
Current-secured					
Bank loans (a)	4.35	2020	–	–	100,000
			30,000	80,000	170,000
Analysed into:					
Bank loans repayable within one year			30,000	80,000	170,000

Note:

(a) The Group's bank loans amounting to RMB100,000,000 are guaranteed by a third party company and mortgaged by Mr. Zhenjun Zi's 9,000,000 shares in the Company.

27. GOVERNMENT GRANTS

Group and Company

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Government grants			
Current	13,450	14,950	14,950
Non-current	11,940	12,813	12,813
	25,390	27,763	27,763

The movements in government grants during the Relevant Periods are as follows:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
At beginning of the year/period	12,177	25,390	27,763
Grants received during the year/period	15,890	2,373	–
Recognised as income during the year/period	(2,677)	–	–
At end of the year/period	25,390	27,763	27,763
Current	13,450	14,950	14,950
Non-current	11,940	12,813	12,813
	25,390	27,763	27,763

The grants are related to the subsidies received from the local government for the purpose of compensation for expenses arising from research activities and clinical trials, and awards for new valve product development and capital expenditure incurred on certain projects. Upon completion of the related projects, the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset.

28. CONTRACT LIABILITIES

Group and Company

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Current	–	1,399	1,399
Non-current	983	983	983
	983	2,382	2,382

During the Relevant Periods, contract liabilities represented the obligations to transfer goods to customers for which the Group has received consideration. No revenue recognised related to contract liabilities which were carried forward.

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Accrued expenses
	RMB'000
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Acquisition of a subsidiary (note 33)	2,711
Gross deferred tax assets at 31 December 2018 and 1 January 2019	2,711
Deferred tax credited to profit or loss during the period (note 10)	270
Exchange differences	20
Gross deferred tax assets at 31 May 2019	3,001

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary
	RMB'000
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Acquisition of a subsidiary (note 33)	38,726
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	38,726
Deferred tax credited to profit or loss during the period (note 10)	(837)
Exchange differences	187
Gross deferred tax liabilities at 31 May 2019	38,076

30. SHARE CAPITAL/PAID-IN CAPITAL

Shares

	Numbers of shares	Nominal value of shares
		RMB'000
Ordinary shares upon conversion into a joint stock company		
As at 31 December 2018 and 1 January 2019	300,000,000	300,000
Issue of ordinary shares	943,396	943
As at 31 May 2019	300,943,396	300,943

Share capital

	Numbers of ordinary shares	Total
		RMB'000
Issued and fully paid as at 31 December 2017 and 1 January 2018	–	–
Issue of ordinary shares upon conversion into a joint stock (a)	300,000,000	300,000
As at 31 December 2018 and 1 January 2019	300,000,000	300,000
Issue of ordinary shares (b)	943,396	943
As at 31 May 2019	300,943,396	300,943

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, Huzhou Muxin Health Production Investment Partnership (Limited Partnership). Proceeds of RMB20,549,000 were received during the five months ended 31 May 2019, with approximately RMB943,000 and RMB19,606,000 credited to the Company's share capital and share premium, respectively.

Paid-in Capital

	Total
	RMB'000
As at 1 January 2017	31,333
Capital contribution by shareholders (c)	1,900
Capital contribution by shareholders (d)	1,567
As at 31 December 2017 and 1 January 2018	34,800
Capital contribution by shareholders (d)	2,964
Capital contribution by shareholders (e)	4,256
Conversion into a joint stock company (a)	(42,020)
As at 31 December 2018, 1 January 2019 and 31 May 2019	–

Notes:

(c) In May 2017, the Company entered into capital increase agreement with Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd., pursuant to which total capital of US$20,000,000 (equivalent to RMB133,843,000) was to be injected into the Company with approximately RMB1,900,000 and RMB131,943,000 credited to the Company's paid-in capital and other reserves, respectively. During the year ended 31 December 2017, 100% of the total capital was contributed by the shareholders.

(d) In November 2017, the Company entered into capital increase agreement with Qichu, Qifei, Qili, Qisheng, Qilai, Mingnuo, Qihe, Qinuo, Qixin, Blue Summit Management Limited ("Blue"), Golden, Mars, Mercury, Jupiter Holding Limited ("Jupiter") and Ms. Bangsong Ding, persuant to which total capital of RMB4,994,000 was to be injected into the Company with approximately RMB4,531,000 and RMB463,000 credited to the Company's paid-in capital and other reserves, respectively. During the year ended 31 December 2017, 35% of the total capital was contributed by the shareholders. During the year ended 31 December 2018, the remaining 65% of capital contribution was made by the shareholders.

(e) In April 2018, the Company entered into capital increase agreement with Jiaxing Dechang Investment Partnership (Limited Partnership) and Muheng Capital Partners (Hong Kong) Limited. According to the agreement, total capital of RMB200,000,000 was to be injected into the Company by Jiaxing Dechang Investment Partnership (Limited Partnership) with approximately RMB1,908,000 and RMB198,092,000 credited to the Company's paid-in capital and other reserves, respectively and total capital of US$39,000,000 (equivalent to RMB242,019,000) was to be injected into the Company by Muheng Capital Partners (Hong Kong) Limited with approximately RMB2,338,000 and RMB239,681,000 credited to the Company's paid-in capital and other reserves, respectively. During the year ended 31 December 2018, 100% of the total capital was contributed by the shareholders.

In May 2018, the Company entered into an agreement with Hangzhou Aihua Technology Consultation Limited ("Aihua"), which is controlled by Mr. Zhenjun Zi, the director of the Group. Pursuant to the agreement, Aihua merged into the Company with the paid-in capital of RMB10,000 credited to paid-in capital of the Company.

31. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in November 2018.

(b) Other reserves

Other reserves of the Group represent the share premium contributed by the shareholders of the Company before its conversion into a joint stock company in November 2018, and also share-based compensation reserve due to equity-settled share award.

(c) Fair value reserve

It represents the fair value of equity investments at fair value through other comprehensive income.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

Company

	Share premium	Other reserves	Fair value reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	–	179,778	1,883	(176,723)	4,938
Total comprehensive loss for the year	–	–	–	(160,096)	(160,096)
Capital contribution by shareholders	–	132,105	–	–	132,105
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(3,994)	–	(3,994)
Equity-settled share award expense	–	73,536	–	–	73,536
At 31 December 2017 and 1 January 2018	–	385,419	(2,111)	(336,819)	46,489
Total comprehensive loss for the year	–	–	–	(305,305)	(305,305)
Capital contribution by shareholders	–	438,074	–	–	438,074
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income, net of tax	–	–	2,111	(2,111)	–
Equity-settled share award expense	–	235,765	–	–	235,765
Conversion into a joint stock company	199,672	(920,768)	–	463,116	(257,980)
At 31 December 2018 and 1 January 2019	199,672	138,490	–	(181,119)	157,043
Total comprehensive loss for the year	–	–	–	(69,139)	(69,139)
Capital contribution by shareholders	19,606	–	–	–	19,606
Equity-settled share award expense	–	47,416	–	–	47,416
At 31 May 2019	219,278	185,906	–	(250,258)	154,926

32. SHARE AWARD

The Company adopted a share award scheme (the "Scheme") for certain personnel in order to recognise and reward the contribution of certain specialists and a former employee to the growth and development of the Group, and retain certain eligible employees for the continual operation and development of the Group through an award of the Company's shares. During the Relevant Periods, the Group granted equity interests of the Company under the Scheme through Qifei, Qili, Qisheng, Qilai, Mingnuo, Qihe, Qinuo, Qixin, Blue, Golden, Mars, Mercury, Jupiter, MZX Hong Kong Limited ("MZX") and Qichu to certain personnel.

On 27 November 2017, 1.70% of equity interest in the Company was granted to a selected employee for a consideration of RMB706,000.

On 27 November 2017, Qifei, Qili, Qisheng, Qilai, Mingnuo, Qihe, Qinuo, Qixin, Blue, Golden, Mars, Mercury and Jupiter, which are the share incentive entities of the Group, subscribed for approximately 0.40%, 0.20%, 0.10%, 0.20%, 0.40%, 0.40%, 0.10%, 0.05%,1.96%, 0.60%, 3.30%, 1.70% and 0.20% of equity interest in the Company, respectively, by way of entering into capital increase agreements. The purpose to establish the share incentive entities was to reserve equity interest for future employee incentive plans.

On 1 December 2017, equity interest in Golden of 100.00%, representing an effective equity interest of 0.60% in the Company, was granted to one selected employee with a consideration of RMB249,000.

On 20 December 2017, equity interest in Qifei of 100.00%, Qili of 100.00%, Qisheng of approximate 50.00%, Qilai of 100.00%, Mingnuo of 100.00%, Qihe of 100.00%, Qinuo of 100.00%, and Qixin of 100.00%, representing the respective effective equity interest of 0.40%, 0.20%, 0.05%, 0.20%, 0.40%, 0.40%, 0.10% and 0.05% in the Company, respectively, were granted to two, two, one, two, two, two, one and one selected employees with considerations of RMB166,000, RMB83,000, RMB21,000, RMB83,000, RMB166,000, RMB166,000, RMB42,000 and RMB21,000, respectively.

On 20 December 2017, equity interest in Qisheng of approximate 50.00%, representing an effective equity interest of 0.05% in the Company, was granted to one selected specialist with a consideration of RMB21,000. The shares granted were to reward the past contribution of the specialist made to the growth and development of the Group.

On 28 December 2017, equity interest in Blue of 100%, representing an effective equity interest of 1.96% in the Company, was granted to four selected employees with a consideration of RMB569,000.

On 28 December 2017, equity interest in Mars of approximate 24.00%, Mercury of approximate 71.00%, and Jupiter of 100.00%, representing the respective effective equity interest of 0.80%, 1.20% and 0.20% in the Company, was granted to one, two, two selected specialists with considerations of RMB347,000, RMB520,000 and RMB92,000, respectively. The shares granted were to reward the past contribution of the specialist made to the growth and development of the Group.

On 19 June 2018, equity interest in MZX of 100.00%, representing an effective equity interest of 0.30% in the Company, was granted to a selected employee with a consideration of RMB139,000.

On 20 July 2018, equity interest in Qichu of approximate 17.00%, representing an effective equity interest of 0.18% in the Company, was granted to nineteen selected employees with a consideration of RMB83,000.

On 11 October 2018, equity interest in Mars, representing an effective equity interest of 2.25% in the Company, was granted to one director with no consideration.

On 10 December 2018, equity interest in Mercury, representing an effective equity interest of 0.19% in the Company, was granted to one director with no consideration.

On 13 December 2018, equity interest in Mercury, representing an effective equity interest of 0.10% in the Company, was granted to one specialist with no consideration.

On 28 February 2019, equity interest in Qichu, representing an effective equity interest of 0.23% in the Company, was granted to one employee with a consideration of RMB98,000.

For the grants to the specialists on 20 December 2017, 28 December 2017 and 13 December 2018, there are no service periods or performance target requirements for the eligible specialists. For other grants to the employees, there is no performance target requirements for the eligible employees except that each of them remains as an employee of the Group during the vesting period. The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted and the subscription price paid by employees and specialists. The fair value of the shares granted is measured at the grant date using the income approach (Discounted Cash Flow ("DCF") method, in particular) and market approach (recent transaction method, in particular). Best estimates of key assumptions of the DCF method, such as the discount rate and projections of future performance, are required to be determined by management.

During the Relevant Periods and the five months ended 31 May 2018, share award expenses of RMB73,536,000, RMB235,765,000, RMB47,416,000 and RMB36,279,000, respectively, were charged to profit or loss, which included expenses for one former employee, specialists and one director, of RMB71,086,000, RMB140,628,000, nil and nil, respectively.

33. BUSINESS COMBINATION

On 23 May 2018, the Company entered into a share purchase agreement with Keystone Group and acquired 13,994,000 preferred D shares in Keystone at a consideration of US$2,500,000 (equivalent to RMB16,036,000). Upon this transaction, the Group acquired a 4.61% equity interest in Keystone. The Group elected to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income.

On 22 September 2018, Venus HK, a subsidiary of the Group, entered into an acquisition agreement to acquire the rest of the equity interests in Keystone at a consideration of US$72,360,000 (equivalent to RMB496,618,000).

The acquisition was completed on 26 December 2018 when the Group obtained control of the operating and financial activities of Keystone.

The acquisition was undertaken under the Group's strategy to further improve the Group's research and development business and expand the business for the Group's medical services.

The fair values of the identifiable assets and liabilities of Keystone as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Cash and cash equivalents		54,670
Pledged deposits		686
Prepayments, other receivables and other assets		8,074
Property, plant and equipment	13	7,309
Other intangible assets	15	168,375
Deferred tax assets	29	2,711
Other payables and accruals		(123,060)
Tax payable		(2,985)
Interest-bearing other borrowings		(30,972)
Lease liabilities		(5,285)
Deferred tax liabilities	29	(38,726)
Total identifiable net assets at fair value		40,797
Goodwill on acquisition		471,857
		512,654
Satisfied by:		
Cash consideration paid during the year ended 31 December 2018		247,217
Cash consideration paid during the five months ended 31 May 2019		6,443
Exchange realignment		(1,393)
Cash consideration payable as at 31 May 2019		260,387
		512,654

There were no trade receivables as at the date of acquisition.

The Group incurred transaction costs of RMB1,431,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The goodwill of RMB471,857,000 recognised above is due to the new markets entered into by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore does not meet the criteria for recognition as intangible assets under IAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the purchase agreement, contingent consideration is payable, which is dependent on the occurrence of milestone events, with respect to the Keystone Product, authorisation and clearance by the FDA to market and sell the Keystone Product in the USA. At the date of approval of these financial statements, no further significant changes to the consideration are expected. The total contingent consideration is guaranteed by Credit Suisse AG, Singapore Branch.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

Time for the occurrence of milestone events	June 2020

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid during the year ended 31 December 2018	(247,217)
Cash and bank balances acquired	54,670
Net outflow of cash and cash equivalents included in cash flows from investing activities during the year ended 31 December 2018	(192,547)
Transaction costs of the acquisition included in cash flows from operating activities during the year ended 31 December 2018	(1,431)
Cash consideration paid during the five months ended 31 May 2019	(6,443)
	(200,421)

Since the acquisition, Keystone Group has not contributed any revenue to the Group and has not caused any amount to the consolidated loss for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year ended 31 December 2018, the revenue of the Group and the loss of the Group for the year ended 31 December 2018 would have been RMB115,348,000 and RMB451,030,000, respectively.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest bearing bank and other loans	Interest payable	Lease liabilities	Amounts due from related parties
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	–	–	6,404	54
Changes from financing cash flows	30,000	(1,166)	(1,761)	–
Interest on bank loans	–	1,166	–	–
Interest portion of lease liabilities	–	–	344	–
New lease addition	–	–	1,100	–
Payment on behalf of related parties classified as operating cash flows	–	–	–	226
At 31 December 2017 and 1 January 2018	30,000	–	6,087	280
Changes from financing cash flows	19,028	(2,199)	(2,309)	–
Interest on bank loans	–	2,329	–	–
Interest portion of lease liabilities	–	–	895	–
New lease addition	–	–	11,356	–
Increase arising from acquisition of a subsidiary (note 33)	30,972	–	5,285	–
Payment on behalf of related parties classified as operating cash flows	–	–	–	(190)
At 31 December 2018 and 1 January 2019	80,000	130	21,314	90
Changes from financing cash flows	90,000	(1,882)	(2,884)	12,970
Interest on bank loans	–	3,178	–	–
Interest portion of lease liabilities	–	–	304	–
New lease addition	–	–	1,058	–
At 31 May 2019	170,000	1,426	19,792	13,060

35. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Purchases of items of property, plant and equipment	4,751	893	226

36. RELATED PARTY TRANSACTIONS

Name	Relationship with the Company
Mr. Zhenjun Zi	Director
Mr. Min Frank Zeng	Director
Mr. Michael Yi Wei Zhao	Director
Mr. Lim Hou-Sen (Lin Haosheng)	Director
Ms. Nisa Bernice Wing-Yu Leung	Director
Horizon	An entity controlled by Mr. Min Frank Zeng
Real Wealth	An entity controlled by Mr. Min Frank Zeng
Mars	An entity controlled by directors*
Mercury	An entity controlled by directors*
Tian Zhi Wei	An entity controlled by Mr. Michael Yi Wei Zhao
Broncus Shanghai	An entity of Mr. Zhenjun Zi is also a director
Broncus Hangzhou	An entity of Mr. Zhenjun Zi is also a director
Golden	An entity controlled by Mr. Michael Yi Wei Zhao
Adventure	An entity controlled by Mr. Zhenjun Zi
DNA 01	An entity controlled by Mr. Zhenjun Zi
Aihua	An entity controlled by Mr. Zhenjun Zi
Mingnuo	An entity controlled by directors**
Qifei	An entity controlled by directors**
Qinuo	An entity controlled by directors**
Qichu	An entity controlled by directors**
Qixin	An entity controlled by directors**
Qilai	An entity controlled by directors**
Qihe	An entity controlled by directors**
Qili	An entity controlled by directors**
Qisheng	An entity controlled by directors**
Colibri	An entity which owns the non-controlling interests of a subsidiary

* As of 27 November 2017, Mars and Mercury were controlled by Mr. Min Frank Zeng as the sole voting shareholder of each entity. On 9 November 2018, Mr. Min Frank Zeng transferred his voting share in each entity to Mr. Lim Hou-Sen (Lin Haosheng) at consideration of US$1 to optimize the corporate structure of the Company.

** As of 27 November 2017, the general partner of Mingnuo, Qifei, Qinuo, Qichu, Qixin,Qilai, Qihe, Qili, Qisheng, was Hangzhou Nuoxin Investment Management Limited, of which Mr. Min Frank Zeng was the sole shareholder. On 26 September 2018, Mr. Min Frank Zeng transferred his shareholding in Hangzhou Nuoxin Investment Management Limited to Mr. Zhenjun Zi at nil consideration to optimize the corporate structure of the Company.

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2018:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Purchases of services:				
Colibri	3,265	–	–	–
Loans to:				
Horizon	–	–	–	12,970
Broncus Shanghai	–	5,000	5,000	–
Broncus Hangzhou	–	10,000	–	–
Mr. Lim Hou-Sen (Lin Haosheng)	–	5,000	–	–
Tian Zhi Wei	20,120	3,000	3,000	–
	20,120	23,000	8,000	12,970
Payments on behalf of related parties:				
Horizon	381	–	–	–
Mars	–	1,059	–	–
Mercury	–	203	–	–
Mr. Lim Hou-Sen (Lin Haosheng)	–	137	–	–
Mr. Zhenjun Zi	226	14	14	–
Golden	–	4	4	–
DNA 01	–	1	1	–
Mingnuo	–	10	–	–
Qifei	–	10	–	–
Qinuo	–	10	–	–
Qichu	–	10	–	–
Qixin	–	10	–	–
Qilai	–	10	–	–
Qihe	–	10	–	–
Qili	–	10	–	–
Qisheng	–	10	–	–
	607	1,508	19	–
Merge*				

* During the year ended 31 December 2017, the Group acquired two subsidiaries, Venus Holding and InterValve, from Mr. Min Frank Zeng, with considerations of US$1 and US$1, respectively. During the year ended 31 December 2018, the Group acquired a subsidiary, Aihua, from Mr. Zhenjun Zi, with a consideration of RMB10,000.

(b) Outstanding balances with related parties:

Group

The Group had following outstanding balances with related parties:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Due from related parties*:			
Real Wealth	14	–	–
Golden	15	–	–
Adventure	21	–	–
DNA 01	4	–	–
Horizon	–	–	12,970
Mr. Zhenjun Zi	226	–	–
Mingnuo	–	10	10
Qifei	–	10	10
Qinuo	–	10	10
Qichu	–	10	10
Qixin	–	10	10
Qilai	–	10	10
Qihe	–	10	10
Qili	–	10	10
Qisheng	–	10	10
	280	90	13,060
Due to a related party**:			
Colibri	1,921	681	685

The balances with related parties are unsecured, interest-free and repayable on demand.

* The balances are non-trade in nature.

** The balances are trade in nature.

Company

The Company had the following outstanding balances with subsidiaries and related parties:

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Due from related parties**:			
Real Wealth	14	–	–
Golden	15	–	–
Adventure	21	–	–
DNA 01	4	–	–
Mr. Zhenjun Zi	226	–	–
Mingnuo	–	10	10
Qifei	–	10	10
Qinuo	–	10	10
Qichu	–	10	10
Qixin	–	10	10
Qilai	–	10	10
Qihe	–	10	10
Qili	–	10	10
Qisheng	–	10	10
	280	90	90

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Due from subsidiaries:			
Venus HK**	–	25,394	4,829
Keystone**	–	1,325	97
	–	26,719	4,926
Due to subsidiaries:			
Venus America*	52,431	96,466	106,692
Venibri**	3,766	11,084	11,180
	56,197	107,550	117,872

The balances with related parties and two directors are unsecured, interest-free and repayable on demand.

* The balances are trade in nature.

** The balances are non-trade in nature.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Salaries, bonuses, allowances and benefit in kind	1,736	3,219	745	34,578
Pension scheme contributions	64	66	19	32
Equity-settled share award expense	1,432	177,321	13,635	20,771
Total compensation paid to key management personnel	3,232	180,606	14,399	55,381

Further details of directors', supervisors' and the chief executive's remuneration are included in note 8 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

As at 31 December 2017

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
		Designated as such upon initial recognition	Equity instruments	
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	–	–	28,097	28,097
Financial assets at fair value through profit or loss	–	13,068	–	13,068
Trade receivables	17,870	–	–	17,870
Financial assets included in prepayments, other receivables and other assets	13,371	–	–	13,371
Due from related parties	280	–	–	280
Cash and cash equivalents	59,015	–	–	59,015
	90,536	13,068	28,097	131,701

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	2,940
Financial liabilities included in other payables and accruals	31,580
Due to a related party	1,921
Interest-bearing bank borrowings	30,000
	66,441

As at 31 December 2018

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income — Equity instruments	Total
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	–	29,484	29,484
Trade receivables	80,646	–	80,646
Financial assets included in prepayments, other receivables and other assets	2,162	–	2,162
Due from related parties	90	–	90
Pledged deposits	686	–	686
Cash and cash equivalents	164,914	–	164,914
	248,498	29,484	277,982

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	983
Financial liabilities included in other payables and accruals	338,006
Due to related parties	681
Interest-bearing bank borrowings	80,000
	419,670

As at 31 May 2019

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income — Equity instruments	Total
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	–	29,356	29,356
Due from related parties	13,060	–	13,060
Trade receivables	120,145	–	120,145
Financial assets included in prepayments, other receivables and other assets	4,264	–	4,264
Pledged deposits	718	–	718
Cash and cash equivalents	128,620	–	128,620
	266,807	29,356	296,163

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	1,520
Financial liabilities included in other payables and accruals	338,061
Due to a related party	685
Interest-bearing bank borrowings	170,000
	510,266

Company

As at 31 December 2017

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
	Financial assets at amortised cost	Designated as such upon initial recognition	Equity instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	–	–	28,097	28,097
Financial assets at fair value through profit or loss	–	13,068	–	13,068
Due from related parties	280	–	–	280
Trade receivables	17,631	–	–	17,631
Financial assets included in prepayments, other receivables and other assets	2,309	–	–	2,309
Cash and cash equivalents	49,377	–	–	49,377
	69,597	13,068	28,097	110,762

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	1,459
Financial liabilities included in other payables and accruals	18,857
Interest-bearing bank borrowings	30,000
Due to subsidiaries	56,197
	106,513

As at 31 December 2018

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	80,470
Financial assets included in prepayments, other receivables and other assets	1,634
Due from related parties	90
Due from subsidiaries	26,719
Cash and cash equivalents	71,278
	180,191

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	846
Financial liabilities included in other payables and accruals	42,568
Interest-bearing bank borrowings	80,000
Due to subsidiaries	107,550
	230,964

As at 31 May 2019

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	120,068
Financial assets included in prepayments, other receivables and other assets	3,955
Due from related parties	90
Due from subsidiaries	4,926
Cash and cash equivalents	68,999
	198,038

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	1,387
Financial liabilities included in other payables and accruals	56,416
Interest-bearing bank borrowings	170,000
Due to subsidiaries	117,872
	345,675

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values

All the carrying amounts of the Group's financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade receivables, interest-bearing bank borrowings, trade payables and financial liabilities included in other payables and accruals and amount due to a related party approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit ratings. Derivative financial instruments include forward currency contracts. As at 31 December 2017, the fair values of the forward currency contracts were measured using valuation techniques similar to forward pricing. The carrying amounts of the forward currency contracts are the same as their fair values.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include the equity allocation model to backsolve the total equity value. The fair value measurement of these financial instruments may involve unobservable inputs such as the time to exit event, risk-free rate, equity volatility and discount for lack of marketability ("DLOM"). The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

A summary of significant unobservable inputs used in the fair value measurements categorised with Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis at the end of each of the Relevant Periods is shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
Equity investments designated at fair value through other comprehensive income	Hybrid method	Time to exit event	31 December 2017: 3.36 years	1 year increase/(decrease) in time to an exit event would result in a (decrease)/increase in fair value by (RMB412,000)/ RMB471,000
			31 December 2018: 2.36 years	1 year increase/(decrease) in time to an exit event would result in a (decrease)/ increase in fair value by (RMB624,000)/RMB618,000
			31 May 2019: 1.94 years	1 year increase/(decrease) in time to an exit event would result in a (decrease)/ increase in fair value by (RMB490,000)/RMB642,000

Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
	Risk-free rate	31 December 2017: 2.02%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/ increase in fair value by (RMB183,000)/RMB242,000
		31 December 2018: 2.47%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/ increase in fair value by (RMB116,000)/RMB124,000
		31 May 2019: 1.96%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/ increase in fair value by (RMB96,000)/RMB97,000
	Equity volatility	31 December 2017: 25.59%	10% increase/(decrease) in the equity volatility would result in a (decrease)/ increase in fair value by (RMB856,000)/RMB1,039,000
		31 December 2018: 25.44%	10% increase/(decrease) in the equity volatility would result in a (decrease)/ increase in fair value by (RMB741,000)/RMB927,000
		31 May 2019: 25.44%	10% increase/(decrease) in the equity volatility would result in a (decrease)/ increase in fair value by (RMB642,000)/RMB814,000
	DLOM	31 December 2017: 6.00-16.00%	5% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by (RMB1,535,000)/ RMB1,542,000
		31 December 2018: 5.00-15.00%	5% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by (RMB1,592,000)/ RMB1,593,000
		31 May 2019: 5.00%-14.00%	5% increase/(decrease) in the DLOM would result in a (decrease)/increase in fair value by (RMB1,573,000)/ RMB1,532,000

A reconciliation of the fair value measurement of non-listed equity investments classified as equity instruments designated at fair value through other comprehensive income is as follows:

	RMB'000
At 1 January 2017	21,685
Purchases	10,406
Remeasurement recognised in other comprehensive income	(3,994)
As at 31 December 2017 and 1 January 2018	28,097
Remeasurement recognised in other comprehensive income	1,387
As at 31 December 2018 and 1 January 2019	29,484
Remeasurement recognised in other comprehensive income	(128)
As at 31 May 2019	29,356

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investments	–	–	28,097	28,097
Financial assets at fair value through profit or loss :				
Derivative financial instruments	–	13,068	–	13,068
	–	13,068	28,097	41,165

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investments	–	–	29,484	29,484

As at 31 May 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investments	–	–	29,356	29,356

The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position and by using foreign exchange swaps.

The Group has transactional currency exposures. These exposures mainly arise from investing and financing activities of the Company and purchasing activities of operating entities in currencies other than the units' functional currencies. The major financing activities which expose the Group to the above currency risk are in US$, for the acquisition of Keystone Group. As at the end of each of the Relevant Periods, the Group had cash at bank denominated in US$, equivalent to RMB44,843,000, RMB94,449,000 and RMB60,514,000 respectively, which was mainly held for purchase of raw material from foreign suppliers, purchase of assets and acquisition of a subsidiary, Keystone. The Group's trade payable balances at the end of each of the Relevant Periods have similar exposures. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to translation of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
31 December 2017			
If RMB weakens against US$	5	1,722	1,722
If RMB strengthens against US$	(5)	(1,722)	(1,722)
31 December 2018			
If RMB weakens against US$	5	(76)	(76)
If RMB strengthens against US$	(5)	76	76
31 May 2019			
If RMB weakens against US$	5	(56)	(56)
If RMB strengthens against US$	(5)	56	56

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, trade receivables, other receivables and other assets, and amounts due from related parties included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of each of the Relevant Periods, cash and cash equivalents were deposited in financial institutions in high quality without significant credit risk.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made for counterparties with an appropriate credit history and management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is generally from six to twelve months and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporated forward-looking information based on key economic variables such as the per capita disposable income of urban residents and central bank base rate. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due. Details are set out in note 18.

For other receivables and other assets, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Except that the Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for financial assets included in trade receivables, the Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument, as described below:

Stage 1 When financial assets included in prepayments, other receivables and other assets and amount due from related parties are initial recognised and without significant increase in credit risk after initially recognition, the Group recognises an allowance based on 12 months' ECLs.

Stage 2 When financial assets included in prepayments, other receivables and other assets and amount due from related parties have shown a significant increase in credit risk since initial recognition but have no objective evidence of impairment, the Group records an allowance for the lifetime ECLs.

Stage 3 When financial assets included in prepayments, other receivables and other assets and amount due from related parties considered credit-impaired, the Group records an allowance for the lifetime ECLs.

The Group shall measure the ECL of a financial instrument in a way that 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.

When measuring the ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducts an assessment of ECLs according to forward-looking information and uses assumptions which relate to the future macroeconomic conditions and the counterparty's creditworthiness (e.g., the likelihood of default by the counterparty and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure the ECL according to the requirements of accounting standards such as the criteria for judging significant increases in credit risk, the definition of credit-impaired financial assets, the forward-looking information, etc.

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each of the Relevant Periods. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk ratings, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of each of the Relevant Periods with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

Definition of credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the debtor;

– a breach of contract such as a default or past due event;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation;

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of the ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

Writes-off

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	As at 31 December 2017				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	360	2,580	–	–	2,940
Financial liabilities included in other payables and accruals	31,580	–	–	–	31,580
Due to a related party	1,921	–	–	–	1,921
Interest-bearing bank borrowings	–	20,220	10,056	–	30,276
	33,861	22,800	10,056	–	66,717

	As at 31 December 2018				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	584	399	–	–	983
Financial liabilities included in other payables and accruals	338,006	–	–	–	338,006
Due to a related party	681	–	–	–	681
Interest-bearing bank borrowings	–	20,894	61,854	–	82,748
	339,271	21,293	61,854	–	422,418

	As at 31 May 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	315	1,205	–	–	1,520
Financial liabilities included in other payables and accruals	338,061	–	–	–	338,061
Due to a related party	685	–	–	–	685
Interest-bearing bank borrowings	–	2,057	173,016	–	175,073
	339,061	3,262	173,016	–	515,339

Company

	As at 31 December 2017				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	74	1,385	–	–	1,459
Financial liabilities included in other payables and accruals	18,857	–	–	–	18,857
Interest-bearing bank borrowings	–	20,220	10,056	–	30,276
Due to subsidiaries	56,197	–	–	–	56,197
	75,128	21,605	10,056	–	106,789

	As at 31 December 2018				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	581	265	–	–	846
Financial liabilities included in other payables and accruals	42,568	–	–	–	42,568
Interest-bearing bank borrowings	–	20,894	61,854	–	82,748
Due to subsidiaries	107,550	–	–	–	107,550
	150,699	21,159	61,854	–	233,712

	As at 31 May 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	315	1,072	–	–	1,387
Financial liabilities included in other payables and accruals	56,416	–	–	–	56,416
Due to subsidiaries	117,872	–	–	–	117,872
Interest-bearing bank borrowings	–	2,057	173,016	–	175,073
	174,603	3,129	173,016	–	350,748

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of each of the Relevant Periods.

	As at 31 December		As at 31 May
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	30,000	80,000	170,000
Lease liabilities	6,087	21,314	19,792
Total debt	36,087	101,314	189,792
Total equity	81,198	470,374	399,477
Gearing ratio	44%	22%	48%

40. EVENT AFTER THE RELEVANT PERIODS

During June 2019, the rest proceeds of RMB287,700,000 as mentioned in note 30 (b) had been fully received with approximately RMB13,208,000 and RMB274,492,000, and they are credited to the Company's share capital and share premium, respectively.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 May 2019.

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Venus Medtech (Hangzhou) Inc.
Goldman Sachs (Asia) L.L.C.
China International Capital Corporation Hong Kong Securities Limited
Credit Suisse (Hong Kong) Limited
China Merchants Securities (HK) Co., Limited

Dear Sirs,

We report on the historical financial information of Keystone Heart Ltd. ("Keystone") and its subsidiaries (together, the "Keystone Group") set out on pages IB-4 to IB-44, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Keystone Group for each of the years ended 31 December 2017 and 2018, and the five months ended 31 May 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Keystone Group and the statements of the financial position of Keystone as at 31 December 2017 and 2018 and 31 May 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-44 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Venus Medtech (Hangzhou) Inc. (the "Company") dated 28 November 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of Keystone are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Keystone Group and Keystone as at 31 December 2017 and 2018 and 31 May 2019 and of the financial performance and cash flows of the Keystone Group for each of the Relevant Periods in accordance with and the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Keystone Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of Keystone are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by Keystone in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
28 November 2019

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Keystone Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young (Israel) Ltd. in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("USD") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		USD'000	USD'000	USD'000	USD'000
				(Unaudited)	
Other income	5	–	76	29	–
Selling and distribution expenses		(1,764)	(1,625)	(490)	(978)
Administrative expenses		(3,042)	(7,070)	(964)	(3,167)
Research and development costs		(13,693)	(12,277)	(3,700)	(4,749)
Other expenses		(86)	(760)	–	(25)
Finance costs	7	(676)	(945)	(530)	(8)
LOSS BEFORE TAX	6	(19,261)	(22,601)	(5,655)	(8,927)
Income tax expense	10	(37)	(144)	(6)	(106)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(19,298)	(22,745)	(5,661)	(9,033)
Loss attributable to:					
Owners of the parent		(19,298)	(22,745)	(5,661)	(9,033)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017	As at 31 December 2018	As at 31 May 2019
		USD'000	USD'000	USD'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,284	1,049	1,008
Deferred tax assets	14	40	395	435
Prepayments, other receivables and other assets	16	15	15	21
Total non-current assets		1,339	1,459	1,464
CURRENT ASSETS				
Inventories	15	–	–	275
Prepayments, other receivables and other assets	16	246	228	181
Pledged deposits	17	106	100	104
Cash and cash equivalents	17	1,145	7,279	5,893
Total current assets		1,497	7,607	6,453
CURRENT LIABILITIES				
Other payables and accruals	18	1,758	8,479	6,704
Due to a related party	26	–	193	14
Tax payable		82	436	339
Lease liabilities	19	229	224	194
Interest-bearing other borrowings	20	1,636	–	–
Warrants	21	753	–	–
Total current liabilities		4,458	9,332	7,251
NET CURRENT LIABILITIES		(2,961)	(1,725)	(798)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,622)	(266)	666
NON-CURRENT LIABILITIES				
Lease liabilities	19	754	546	511
Interest-bearing other borrowings	20	3,584	–	–
Total non-current liabilities		4,338	546	511
Net assets/(liabilities)		(5,960)	(812)	155
EQUITY				
Equity attributable to owners of the parent				
Share capital	22	–	–	–
Reserves	24	(5,960)	(812)	155
Total equity		(5,960)	(812)	155

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent			
	Share premium*	Capital reserve*	Accumulated losses*	Total
	USD'000	USD'000	USD'000	USD'000
	(note 22)	(note 22)		
At 1 January 2017	52,207	766	(45,082)	7,891
Issuance of shares, net	4,655	–	–	4,655
Realisation of options	60	(56)	–	4
Share-based payment	–	788	–	788
Expiration of options	133	(133)	–	–
Loss and total comprehensive loss for the year	–	–	(19,298)	(19,298)
At 31 December 2017	57,055	1,365	(64,380)	(5,960)
At 1 January 2018	57,055	1,365	(64,380)	(5,960)
Issuance of shares, net	6,968	–	–	6,968
Capital contribution from a shareholder	–	20,419	–	20,419
Cancelation of options	1,194	(1,194)	–	–
Share-based payment	–	195	–	195
Realisation of options	677	–	–	677
Cancellation of options (not yet vested)	–	(366)	–	(366)
Loss and total comprehensive loss for the year	–	–	(22,745)	(22,745)
At 31 December 2018	65,894	20,419	(87,125)	(812)
At 1 January 2019	65,894	20,419	(87,125)	(812)
Capital contribution from a shareholder	–	10,000	–	10,000
Loss and total comprehensive loss for the period	–	–	(9,033)	(9,033)
At 31 May 2019	65,894	30,419	(96,158)	155
At 1 January 2018	57,055	1,365	(64,380)	(5,960)
Issuance of shares, net (Unaudited)	6,968	–	–	6,968
Share-based payment (Unaudited)	–	89	–	89
Loss and total comprehensive loss for the period (Unaudited)	–	–	(5,661)	(5,661)
At 31 May 2018 (Unaudited)	64,023	1,454	(70,041)	(4,564)

* These reserve accounts comprise the consolidated deficits of USD5,960,000, deficits of USD812,000 and reserves of USD155,000, respectively, in the consolidated statements of financial position as at 31 December 2017 and 2018 and 31 May 2019.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		USD'000	USD'000	USD'000	USD'000
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(19,261)	(22,601)	(5,655)	(8,927)
Adjustments for:					
Depreciation of right-of-use assets	13	210	210	85	100
Interest portion of lease liabilities	7	57	50	24	8
Loan interest expense	7	619	895	506	–
Changes in fair value of warrants	6	65	(76)	(29)	–
Depreciation of property, plant and equipment	13	93	70	28	19
Loss from repayment of interest-bearing other borrowings in advance		–	740	–	–
Cancellation of options (not yet vested)		–	(366)	–	–
Share-based payment expense		788	195	89	–
		(17,429)	(20,883)	(4,952)	(8,800)
Increase in prepayments, other receivables and other assets		(146)	(262)	(56)	(141)
Increase in inventories		–	–	–	(275)
Decrease/(increase) in restricted cash and deposits		33	6	(4)	(4)
Increase/(decrease) in other payables and accruals		1,431	7,083	(592)	(1,910)
Cash used in operations		(16,111)	(14,056)	(5,604)	(11,130)
Income tax paid		(47)	(37)	(6)	(106)
Net cash flows used in operating activities		(16,158)	(14,093)	(5,610)	(11,236)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(115)	(30)	–	(23)
Net cash flows used in investing activities		(115)	(30)	–	(23)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		4,655	6,968	6,968	–
Capital contribution from a shareholder	22	–	20,419	–	10,000
Realisation of options of shares, net		4	–	–	–
New interest-bearing other borrowings		5,147	–	–	–
Payments for lease liabilities		(262)	(279)	(117)	(127)
Repayments of a long-term loan		(201)	(6,280)	(1,077)	–
Interest paid		(344)	(571)	–	–
Net cash flows from financing activities		8,999	20,257	5,774	9,873
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7,274)	6,134	164	(1,386)
Cash and cash equivalents at beginning of year/period	17	8,419	1,145	1,145	7,279
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	17	1,145	7,279	1,309	5,893

STATEMENTS OF FINANCIAL POSITION OF KEYSTONE

	Notes	As at 31 December 2017	As at 31 December 2018	As at 31 May 2019
		USD'000	USD'000	USD'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,050	879	858
Prepayments, other receivables and other assets	16	15	15	21
Total non-current assets		1,065	894	879
CURRENT ASSETS				
Inventories	15	–	–	275
Prepayments, other receivables and other assets	16	218	208	118
Due from a subsidiary	26	50	–	13
Pledged deposits	17	106	98	104
Cash and cash equivalents	17	618	5,071	5,123
Total current assets		992	5,377	5,633
CURRENT LIABILITIES				
Other payables and accruals	18	849	1,724	1,517
Due to a related party	26	–	193	14
Tax payable		–	300	300
Lease liabilities	19	170	165	170
Due to subsidiaries	26	–	2,922	184
Interest-bearing other borrowings	20	1,636	–	–
Warrants	21	753	–	–
Total current liabilities		3,408	5,304	2,185
NET CURRENT ASSETS/(LIABILITIES)		(2,416)	73	3,448
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,351)	967	4,327
NON-CURRENT LIABILITIES				
Lease liabilities	19	590	435	390
Interest-bearing other borrowings	20	3,584	–	–
Total non-current liabilities		4,174	435	390
Net assets/(liabilities)		(5,525)	532	3,937
EQUITY				
Share capital	22	–	–	–
Reserves	24	(5,525)	532	3,937
Total equity		(5,525)	532	3,937

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Keystone Heart Ltd. ("Keystone") was incorporated in Israel on 17 November 2004. The registered office address of Keystone is 15 Halamish Street, P.O. box-3170 Caesarea business park 3088900, Israel.

During the Relevant Periods, Keystone and its subsidiaries (together, the "Keystone Group") principally focused on the development of cerebral protection devices to reduce the risk of stroke, neurocognitive decline and dementia caused by brain damage associated with cardiovascular procedures.

As at the date of this report, Keystone had direct interests in its subsidiaries, all of which are incorporated outside Hong Kong and have substantially similar characteristics to private companies incorporated in Hong Kong, and the particulars of them are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to Keystone	Principal activities
SMT U.S. Inc. (Note (a)) . .	United States of America ("USA") 10 November 2011	–	100% (direct)	No business
Keystone Heart UK, Ltd. (Note (a))	United Kingdom ("UK") 15 September 2016	USD22,000	100% (direct)	Sale of medical devices
Keystone Heart US, Inc. (Note (a))	USA 15 June 2016	USD102,000	100% (direct)	Research and development

Note:

(a) No audited financial statements have been prepared for these entities since their dates of incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Keystone Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial liabilities at fair value through profit or loss which have been measured at fair value.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Keystone Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28.	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17.	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] No mandatory effective date yet determined but available for adoption

The Keystone Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Keystone Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Keystone Group's financial performance and financial position, except as described below.

Further information about the IFRS which are expected to be applicable to the Keystone Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Keystone Group expects to adopt the amendments prospectively from 1 January 2020.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Keystone. Control is achieved when the Keystone Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Keystone Group the current ability to direct the relevant activities of the investee).

When Keystone has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Keystone Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Keystone Group's voting rights and potential voting rights.

Fair value measurement

The Keystone Group measures its financial instruments at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Keystone Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Keystone Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Keystone Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Keystone Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Keystone Group;

  (ii) has significant influence over the Keystone Group; or

  (iii) is a member of the key management personnel of the Keystone Group or of a parent of the Keystone Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Keystone Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Keystone Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Keystone Group or an entity related to the Keystone Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Keystone Group or to the parent of the Keystone Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Keystone Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	15%
Office equipment	6%
Leasehold improvements	10%
Right-of-use assets - Office premises	14%
Right-of-use assets - Motor vehicles	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation.

Since 1 January 2016, the Keystone Group as a lessee has recognised at present value assets for the right of use received and liabilities for the payment obligations entered into for all leases in the statement of financial position. Lease liabilities include the following lease payments:

- fixed payments, less lease incentives offered by the lessor;
- variable payments linked to an index or interest rate;
- expected residual payments from residual value guarantees;
- the exercise price of call options when exercise is estimated to be sufficiently likely; and
- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate.

The discount rate used by the Keystone Group is 5%, which was derived from the yield of corporate borrowings and government bonds for a period of up to 7 years (the lease term). The reference interest rate was adjusted for interest rate differential to consider the different borrowing rates, risk and tenors in various countries.

Right-of-use assets are measured at cost, which comprises the following:

- lease liability;
- lease payments made at or prior to delivery, less lease incentives received;
- initial direct costs; and
- restoration obligations.

Right-of-use assets are subsequently measured at amortised cost. They are depreciated over the term of the lease using the straight-line method.

The Keystone Group has decided not to apply the new standard for leases to those leases whose term is less than twelve months from the date of initial application. In such cases, the leases are accounted for as per the previous standard, whereby the payments made associated with them are recognised as an expense, and no right-of-use asset and lease liability are to be recognised.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Keystone Group the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. Changes due to the exercise or non-exercise of such options are considered in determining the lease term only if they are sufficiently probable.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Keystone Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Keystone Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Keystone Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Keystone Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Keystone Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Keystone Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Keystone Group's financial assets at amortised cost includes deposits and other receivables included in prepayments, other receivables and other assets.

Impairment of financial assets

The Keystone Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Keystone Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Keystone Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Keystone Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Keystone Group considers a financial asset to be in default when internal or external information indicates that the Keystone Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Keystone Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs, except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Keystone Group applies the practical expedient of not adjusting the effect of a significant financing component, the Keystone Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Keystone Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Keystone Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Keystone Group's financial liabilities include other payables, an amount due to a related party, derivative financial instruments and interest-bearing other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans with warrants

The warrants granted in connection with interest-bearing other borrowings whose economic risk and characteristics are not closely related to those of the host contract (the liability component) as a whole are designated as financial liabilities at fair value through profit or loss on initial recognition.

The Keystone Group has designated warrants as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Subsequent to initial recognition, warrants are carried at fair value with changes in fair value recognised in profit or loss. Warrants are classified as current liabilities because the owner of warrants can demand Keystone to execute the warrants on demand.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, 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, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Keystone Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Keystone Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Keystone Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Share-based payments

Keystone operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Keystone Group's operations. Employees (including directors) and non-employees of the Keystone Group receive remuneration and rewards in the form of share-based payments, whereby employees and non-employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and non-employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial tree model, further details of which are given in note 23 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Keystone Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Keystone Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Keystone Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Preference shares

Preference shares issued by the Keystone Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Keystone Group; and preference shares issued are non-derivative instruments that will be settled in the Keystone Group's own equity instruments, but includes no contractual obligation for the Keystone Group to deliver a variable number of its own equity instruments. The Keystone Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference share issuance are deducted from equity.

Foreign currencies

The Historical Financial Information is presented in USD, which is Keystone's functional currency. Each entity in the Keystone Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Keystone Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Keystone Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Keystone Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the USD. As at the end of each of the Relevant Periods, the assets and liabilities of Keystone and certain overseas subsidiaries, which use currencies other than the USD as their functional currencies are translated into USD at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into USD at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into USD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into USD at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Keystone Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is described below.

Fair value of financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss have used the market approach (i.e. recent transaction) to determine the underlying backsolve method to determine the value of the warrants as of the dates of issuance aid at the end of each of the Relevant Periods. This valuation requires the Keystone Group to make estimates about time to risk free rate and equity volatility, and hence they are subject to uncertainty. The fair value of the financial liabilities at fair value through profit or loss at the end of each of the Relevant Periods was USD753,000, nil and nil. Further details are included in notes 21 and 28 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Keystone Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Non-current assets

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Israel	1,050	879	858
USA	234	170	150
Total	1,284	1,049	1,008

The non-current asset information above is based on the locations of the assets and excludes lease deposits and deferred tax assets.

5. OTHER INCOME

An analysis of other income is as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Other income				
Changes in fair value of warrants	–	76	29	–

6. LOSS BEFORE TAX

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

	Notes	Year ended 31 December		Five months ended 31 May	
		2017	2018	2018	2019
		USD'000	USD'000	USD'000	USD'000
				(Unaudited)	
Research and development costs*		13,693	12,277	3,700	4,749
Depreciation of property, plant and equipment	13	93	70	28	19
Depreciation of right-of-use assets	13	210	210	85	100
Auditor's remuneration		27	40	26	–
Changes in fair value of warrants		65	(76)	(29)	–
Interest portion of lease liabilities	7	57	50	24	8
Loan interest expense	7	619	895	506	–
Loss from repayment of interest-bearing other borrowings in advance		–	740	–	–
Foreign exchange differences, net		22	19	16	17
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 8)):					
Wages and salaries		4,374	8,705	1,560	2,623
Equity-settled share award expense		788	195	89	–
Cancellation of options (not yet vested)		–	(366)	–	–
		5,162	8,534	1,649	2,623

* The research and development costs include USD2,706,000, USD4,004,000, USD1,922,000 and USD1,272,000 relating to employee benefit expense and depreciation for the years ended 31 December 2017 and 2018 and the five months ended 31 May 2019 and 2018, respectively, which are also included in the respective total amounts disclosed above for each type of expenses.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Interest portion of lease liabilities	57	50	24	8
Interest on interest-bearing other borrowings	619	895	506	–
	676	945	530	8

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and the five months ended 31 May 2018, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Other emoluments:				
Salaries, bonuses, allowances and benefit in kind	417	1,406	223	4,774
Equity-settled share award expense	347	126	52	–
	764	1,532	275	4,774

Executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	USD'000	USD'000	USD'000	USD'000
Year ended 31 December 2017				
Executive directors:				
Burgess Vince[2]	60	–	64	124
David Bonita[2]	–	–	–	–
Nissim Darvish[2]	–	–	–	–
	60	–	64	124
Chief executive:				
Mr. Christopher Lee Richardson	357	–	283	640
	417	–	347	764

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	USD'000	USD'000	USD'000	USD'000
Year ended 31 December 2018				
Executive directors:				
Mr. Haiyue Ma[1]	–	–	–	–
Mr. Min Frank Zeng[1]	–	–	–	–
Burgess Vince[2]	338	–	14	352
Bing Yang[3]	–	–	–	–
David Bonita[2]	–	–	–	–
Nissim Darvish[2]	–	–	–	–
	338	–	14	352
Chief executive:				
Mr. Christopher Lee Richardson	1,068	–	112	1,180
	1,406	–	126	1,532

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	USD'000	USD'000	USD'000	USD'000
Five months ended 31 May 2019				
Executive directors:				
Mr. Haiyue Ma[1]	–	–	–	–
Mr. Min Frank Zeng[1]	–	–	–	–
	–	–	–	–
Chief executive:				
Mr. Christopher Lee Richardson	4,774	–	–	4,774
	4,774	–	–	4,774

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total remuneration
	USD'000	USD'000	USD'000	USD'000
Five months ended 31 May 2018 (Unaudited)				
Executive directors:				
Burgess Vince[2]	25	–	5	30
David Bonita[2]	–	–	–	–
Bing Yang[3]	–	–	–	–
Nissim Darvish[2]	–	–	–	–
	25	–	5	30
Chief executive:				
Mr. Christopher Lee Richardson	198	–	47	245
	223	–	52	275

(1) Mr. Min Frank Zeng and Mr. Haiyue Ma were appointed as executive directors with effect from 26 December 2018.

(2) Burgess Vince, David Bonita and Nissim Darvish resigned as executive directors with effect from 26 December 2018.

(3) Bing Yang was appointed as an executive director on 11 February 2018 and resigned as an executive director effect from 26 December 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2018 included the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining four, four, four and four highest paid employees who are neither a director nor chief executive of the Keystone Group during the Relevant Periods and the five months ended 31 May 2018, respectively, are as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Salaries, bonuses, allowances and benefits in kind	1,226	1,673	579	1,604
Pension scheme contributions	–	21	–	9
Equity-settled share award expense	88	31	15	–
	1,314	1,725	594	1,613

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees			
	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
			(Unaudited)	
Nil to HK$2,000,000	–	–	4	–
HK$2,000,001 to HK$4,000,000	4	4	–	4
	4	4	4	4

During the Relevant Periods and the five months ended 31 May 2018, shares were granted to non-director and non-chief executive highest paid employees in respect of their services provided to the Keystone Group, further details of which are included in the disclosures in note 23 to the Historical Financial Information. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the five months ended 31 May 2018 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at the rate of 24% on the taxable income arising in Israel during the year ended 31 December 2017, and was levied at 23% on the taxable income arising in Israel during the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019.

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of up to 35% on the taxable income arising in the USA during the year ended 31 December 2017 and was levied at the rate of 21% on the taxable income arising in the USA during the year ended 31 December 2018 and the five months ended 31 May 2018 and 2019.

UK

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% on the taxable income arising in the UK during the Relevant Periods and the five months ended 31 May 2018.

The income tax expense of the Keystone Group during the Relevant Periods and the five months ended 31 May 2018 is analysed as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Deferred tax (note 14)	–	(355)	–	(40)
Current – Israel				
Charge for the year/period	–	300	–	39
Current – USA				
Charge for the year/period	27	191	3	102
Current – UK				
Charge for the year/period	10	8	3	5
Total tax charge for the year/period	37	144	6	106

A reconciliation of the tax expense applicable to loss before tax at the statutory rate in Israel to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Loss before tax	(19,261)	(22,601)	(5,655)	(8,927)
Tax at the statutory tax rate	(4,852)	(5,650)	(1,357)	(2,034)
Temporary differences and tax losses not recognised	4,889	5,794	1,363	2,140
Tax charge at the Keystone Group's effective tax rate	37	144	6	106

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		As at 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Tax losses	56,515	79,815	65,043	84,146
Deductible temporary differences	5,198	4,109	1,800	2,996
	61,713	83,924	66,843	87,142

The Keystone Group had tax losses arising in Israel of USD56,515,000, USD79,815,000, USD65,043,000 and USD84,146,000 as at end of each of Relevant Periods and 31 May 2018, respectively, that have no limitation for offsetting against future taxable profits.

11. DIVIDEND

No dividend has been paid or declared by Keystone during the Relevant Periods and the five months ended 31 May 2018.

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

No loss per share information is presented as its inclusion is not considered meaningful for the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

Keystone Group

				Right-of-use assets		
	Office equipment	Machinery	Leasehold improvements	Office premises	Motor vehicles	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2017						
At 1 January 2017:						
Cost	338	166	274	–	–	778
Accumulated depreciation	(257)	(93)	(95)	–	–	(445)
Net carrying amount	81	73	179	–	–	333
At 1 January 2017, net of accumulated depreciation	81	73	179	–	–	333
Additions	50	54	11	1,057	82	1,254
Depreciation provided during the year (note 6)	(44)	(21)	(28)	(183)	(27)	(303)
At 31 December 2017, net of accumulated depreciation	87	106	162	874	55	1,284
At 31 December 2017:						
Cost	388	220	285	1,057	82	2,032
Accumulated depreciation	(301)	(114)	(123)	(183)	(27)	(748)
Net carrying amount	87	106	162	874	55	1,284

				Right-of-use assets		
	Office equipment	Machinery	Leasehold improvements	Office premises	Motor vehicles	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2018						
At 1 January 2018:						
Cost	388	220	285	1,057	82	2,032
Accumulated depreciation	(301)	(114)	(123)	(183)	(27)	(748)
Net carrying amount	87	106	162	874	55	1,284
At 1 January 2018, net of accumulated depreciation	87	106	162	874	55	1,284
Additions	7	14	9	–	15	45
Depreciation provided during the year (note 6)	(13)	(28)	(29)	(189)	(21)	(280)
At 31 December 2018, net of accumulated depreciation	81	92	142	685	49	1,049
At 31 December 2018:						
Cost	395	234	294	1,057	97	2,077
Accumulated depreciation	(314)	(142)	(152)	(372)	(48)	(1,028)
Net carrying amount	81	92	142	685	49	1,049

				Right-of-use assets		
	Office equipment	Machinery	Leasehold improvements	Office premises	Motor vehicles	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
31 May 2019						
At 1 January 2019:						
Cost	395	234	294	1,057	97	2,077
Accumulated depreciation	(314)	(142)	(152)	(372)	(48)	(1,028)
Net carrying amount	81	92	142	685	49	1,049
At 1 January 2019, net of accumulated depreciation	81	92	142	685	49	1,049
Additions	13	6	4	20	35	78
Depreciation provided during the period (note 6)	(5)	(6)	(8)	(83)	(17)	(119)
At 31 May 2019, net of accumulated depreciation	89	92	138	622	67	1,008
At 31 May 2019:						
Cost	408	240	298	1,077	132	2,155
Accumulated depreciation	(319)	(148)	(160)	(455)	(65)	(1,147)
Net carrying amount	89	92	138	622	67	1,008

Certain of the Keystone Group's property, plant and equipment with a net carrying amount of USD355,000 were pledged to secure interest-bearing other borrowings granted to the Keystone Group (note 20) as at 31 December 2017.

Keystone

				Right-of-use assets		
	Office equipment	Machinery	Leasehold improvements	Office premises	Motor vehicles	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2017						
At 1 January 2017:						
Cost	331	150	274	–	–	755
Accumulated depreciation	(257)	(93)	(95)	–	–	(445)
Net carrying amount	74	57	179	–	–	310
At 1 January 2017, net of accumulated depreciation	74	57	179	–	–	310
Additions	50	54	11	783	82	980
Depreciation provided during the year (note 6)	(43)	(19)	(28)	(123)	(27)	(240)
At 31 December 2017, net of accumulated depreciation	81	92	162	660	55	1,050
At 31 December 2017:						
Cost	381	204	285	783	82	1,735
Accumulated depreciation	(300)	(112)	(123)	(123)	(27)	(685)
Net carrying amount	81	92	162	660	55	1,050

				Right-of-use assets		
	Office equipment	Machinery	Leasehold improvements	Office premises	Motor vehicles	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
31 December 2018						
At 1 January 2018:						
Cost	381	204	285	783	82	1,735
Accumulated depreciation	(300)	(112)	(123)	(123)	(27)	(685)
Net carrying amount	81	92	162	660	55	1,050
At 1 January 2018, net of accumulated depreciation	81	92	162	660	55	1,050
Additions	7	14	9	–	15	45
Depreciation provided during the year (note 6)	(9)	(28)	(29)	(129)	(21)	(216)
At 31 December 2018, net of accumulated depreciation	79	78	142	531	49	879
At 31 December 2018:						
Cost	388	218	294	783	97	1,780
Accumulated depreciation	(309)	(140)	(152)	(252)	(48)	(901)
Net carrying amount	79	78	142	531	49	879

				Right-of-use assets		
	Office equipment	Machinery	Leasehold improvements	Office premises	Motor vehicles	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
31 May 2019						
At 1 January 2019:						
Cost	388	218	294	783	97	1,780
Accumulated depreciation	(309)	(140)	(152)	(252)	(48)	(901)
Net carrying amount	79	78	142	531	49	879
At 1 January 2019, net of accumulated depreciation	79	78	142	531	49	879
Additions	7	6	4	20	35	72
Depreciation provided during the period (note 6)	(4)	(6)	(8)	(58)	(17)	(93)
At 31 May 2019, net of accumulated depreciation	82	78	138	493	67	858
At 31 May 2019:						
Cost	395	224	298	803	132	1,852
Accumulated depreciation	(313)	(146)	(160)	(310)	(65)	(994)
Net carrying amount	82	78	138	493	67	858

Certain of Keystone's property, plant and equipment with a net carrying amount of USD335,000 were pledged to secure interest-bearing other borrowings granted to the Keystone Group (note 20) as at 31 December 2017.

14. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Accrued expense
	USD'000
At 1 January 2017,	40
Deferred tax credited to profit or loss during the year (note 10)	–
Gross deferred tax assets at 31 December 2017 and 1 January 2018	40
Deferred tax credited to profit or loss during the year (note 10)	355
Gross deferred tax assets at 31 December 2018 and 1 January 2019	395
Deferred tax credited to profit or loss during the period (note 10)	40
Gross deferred tax assets at 31 May 2019	435

15. INVENTORIES

Keystone Group and Keystone

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Raw materials	–	–	275

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Keystone Group

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Non-current:			
Lease deposits	15	15	21
Current:			
Prepayments	207	178	127
Prepaid expenses	18	–	15
Other receivables	21	50	39
	246	228	181

None of the above assets is either past due or impaired. The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

The Keystone Group has applied the general approach to provide for ECLs for non-trade other receivables under IFRS 9. For certain receivables for which the counterparty failed to make demanded repayment, the Keystone Group has made 100% provision ("default receivables"). Expect for the above balances, the Keystone Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. During the Relevant Periods, except for the default receivables, the Keystone Group estimated that the expected loss rate for other receivables is minimal.

Certain of the Keystone Group's prepayments, other receivables and other assets with a carrying amount of USD218,000 were pledged to secure interest-bearing other borrowings granted to the Keystone Group (note 20) as at 31 December 2017.

Keystone

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Non-current:			
Lease deposits	15	15	21
Current:			
Prepayments	207	178	76
Other receivables	11	30	42
	218	208	118

None of the above assets is either past due or impaired. The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

Keystone has applied the general approach to provide for ECLs for non-trade other receivables under IFRS 9. Keystone considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. During the Relevant Periods, except for the default receivables, Keystone estimated that the expected loss rate for other receivables is minimal.

All of Keystone's prepayments, other receivables and other assets with a carrying amount of USD218,000 were pledged to secure interest-bearing other borrowings granted to the Keystone Group (note 20) as at 31 December 2017.

17. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND DEPOSITS

Keystone Group

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Total cash and bank balances, including pledged deposits	1,251	7,379	5,997
Less:			
Pledged deposits*	106	100	104
	1,145	7,279	5,893
Denominated in:			
USD	921	7,070	5,485
Great Britain Pound ("GBP")	4	50	39
European dollars ("EUR")	75	101	271
New shekel ("NIS")	251	158	202
Total cash and bank balances, including pledged deposits	1,251	7,379	5,997

* To secure the Keystone Group's office rental payment, guarantees were provided totalling USD106,000, USD100,000 and USD104,000 as of 31 December 2017 and 2018 and 31 May 2019, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

All of the Keystone Group's pledged deposits and cash and cash equivalents with carrying amounts of USD106,000 and USD1,145,000, respectively, were pledged to secure interest-bearing other borrowings granted to the Keystone Group (note 20) as at 31 December 2017.

Keystone

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Total cash and bank balances, including pledged deposits	724	5,169	5,227
Less:			
Pledged deposits*	106	98	104
	618	5,071	5,123
Denominated in:			
USD	473	5,011	5,025
NIS	251	158	202
Total cash and bank balances, including pledged deposits	724	5,169	5,227

* To secure Keystone's rent office, guarantees were provided totalling USD106,000, USD98,000 and USD104,000 as of 31 December 2017 and 2018 and 31 May 2019, respectively.

All of Keystone's pledged deposits and cash and cash equivalents with carrying amounts of USD106,000 and USD618,000, respectively, were pledged to secure interest-bearing other borrowings granted to the Keystone Group (note 20) as at 31 December 2017.

18. OTHER PAYABLES AND ACCRUALS

Keystone Group

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Institution payables	115	311	245
Payroll payables	271	4,910	4,055
Accrued expenses	20	1,533	1,375
Others	1,352	1,725	1,029
	1,758	8,479	6,704

Other payables are non-interest-bearing and repayable on demand.

Keystone

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Payroll payables	192	1,192	1,028
Accrued expenses	12	124	310
Others	645	408	179
	849	1,724	1,517

Other payables are non-interest-bearing and repayable on demand.

19. LEASE LIABILITIES

Keystone Group

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Non-current:			
Lease liabilities	754	546	511
Current:			
Lease liabilities	229	224	194
	983	770	705

Keystone

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Non-current:			
Lease liabilities	590	435	390
Current:			
Lease liabilities	170	165	170
	760	600	560

20. INTEREST-BEARING OTHER BORROWINGS

Keystone Group and Keystone

	Effective interest rate	Maturity	As at 31 December 2017
	(%)		USD'000
Current			
Current portion of long term other loans – secured	20.4	2018	1,636
Non-current			
Other loans – secured	20.4	2020	3,584
			5,220
Analysed into:			
Other borrowings repayable			
Within one year			1,636
In the second year			–
In the third to fifth years, inclusive			3,584
			5,220

Notes:

The loans are secured by:

(i) pledges over the Keystone Group's property, plant and equipment, which had an aggregate carrying value of USD355,000 as at 31 December 2017 (note 13);

(ii) pledges over certain of the Keystone Group's prepayments, other receivables and other assets, which had an aggregate carrying value of USD218,000 as at 31 December 2017 (note 16);

(iii) pledges over the Keystone Group's pledged deposits, which had an aggregate carrying value of USD106,000 as at 31 December 2017 (note 17);

(iv) pledges over the Keystone Group's cash and cash equivalents, which had an aggregate carrying value of USD1,145,000 as at 31 December 2017 (note 17); and

(v) all the shares of Keystone Heart US, Inc., owned by Keystone as at 31 December 2017.

21. WARRANTS

Keystone Group and Keystone

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Warrants	753	–	–

In connection with the agreement of the interest-bearing other borrowings, the Keystone Group granted the lenders warrants to purchase the Keystone Group's preferred share. The lenders may exercise the warrants for the Keystone Group's preferred C shares, or shares that will be issued in the next round. The warrants are measured as financial liabilities at fair value through profit or loss. Changes in the fair value of warrants amounting to loss of USD65,000, gain of USD76,000, nil and gain of USD29,000 were included in profit or loss during the Relevant Periods and the five months ended 31 May 2018.

At 26 December 2018, the warrants were exercised for 6,481,480 shares without any consideration.

22. SHARE CAPITAL

	Ordinary shares*		Preferred A shares*		Preferred B shares*		Preferred C shares*		Preferred D shares*		Total amount
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
		USD'000		USD'000		USD'000		USD'000		USD'000	USD'000
Authorised:											
As of 1 January 2017	309,908,694	–	51,326,506	–	68,345,800	–	124,300,000	–	–	–	–
As of 31 December 2017	316,908,694	–	51,326,506	–	68,345,800	–	131,300,000	–	–	–	–
As of 31 December 2018	541,548,000	–	51,326,506	–	68,345,800	–	149,900,000	–	201,500,000	–	–
As of 31 May 2019	1,012,620,306	–	–	–	–	–	–	–	–	–	–
Issued:											
As of 1 January 2017	8,025,491	–	38,322,277	–	68,345,728	–	95,387,303	–	–	–	–
As of 31 December 2017	8,465,491	–	38,322,277	–	68,345,728	–	124,288,171	–	–	–	–
As of 31 December 2018	8,465,491	–	38,322,277	–	68,345,728	–	124,288,171	–	53,178,963	–	–
As of 31 May 2019	299,082,110	–	–	–	–	–	–	–	–	–	–

The movements in the Keystone Group's authorised share capital during the Relevant Periods are as follows:

	Ordinary shares*		Preferred A shares*		Preferred B shares*		Preferred C shares*		Preferred D shares*		Total amount
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
		USD'000		USD'000		USD'000		USD'000		USD'000	USD'000
Authorised:											
As at 1 January 2017	309,908,694	–	51,326,506	–	68,345,800	–	124,300,000	–	–	–	–
Newly authorised on 9 April 2017	7,000,000	–	–	–	–	–	7,000,000	–	–	–	–
As at 31 December 2017 and 1 January 2018	316,908,694	–	51,326,506	–	68,345,800	–	131,300,000	–	–	–	–
Newly authorised on 8 January 2018	224,639,306	–	–	–	–	–	18,600,000	–	201,500,000	–	–
As at 31 December 2018 and 1 January 2019	541,548,000	–	51,326,506	–	68,345,800	–	149,900,000	–	201,500,000	–	–
Converted on 22 January 2019	471,072,306	–	(51,326,506)	–	(68,345,800)	–	(149,900,000)	–	(201,500,000)	–	–
As at 31 May 2019	1,012,620,306	–	–	–	–	–	–	–	–	–	–

* The shares are issued with no nominal value.

Main terms of preference shares:

(1) Distribution

In the events of (i) the consummation of any dissolution, liquidation or winding-up of the Keystone, including cases pursuant to any bankruptcy, insolvency or reorganisation proceeding under any bankruptcy or insolvency or similar law, whether voluntary or involuntary, or whether there is any receivership, and (ii) a distribution of dividends, then the dividends, assets or proceeds available for distribution to the shareholders (the "Distributable Proceeds") shall be distributed among the shareholders according to the following order of preference:

First, the holders of preferred shares shall be entitled to receive, from the Distributable Proceeds, prior and in preference to any other securities of Keystone and pari passu between them, for each preferred share held by them of an amount equal to (a) the applicable Original Issue Price of such shares plus (b) eight percent (8%) of the applicable Original Issue Price of such share per year, non-compounding and calculated with respect to each preferred share from the actual date of issuance thereof until the date of distribution of such Distributable Proceeds, less (c) the amount of the Distributable Proceeds previously paid in preference on such shares, in USD (the "Preferred Preference Amount"). In the event that the Distributable Proceeds shall be insufficient for the distribution of the Preferred Preference Amount in full to all of the holders of preferred shares, the Distributable Proceeds shall be distributed among the holders of each series of preferred shares on a pro rata basis in proportion to the A/B/C/D Liquidation Pro Rata Ratio. The "A/B/C/D Liquidation Pro Rata Ratio" means the percentages representing: (i) each of the preference amounts the holders of each series of preferred shares would have received had the Distributable Proceeds been sufficient for the distribution of the Preferred Preference Amount in full, with respect to each series of preferred shares, to (ii) the aggregate Preferred Preference Amount as the case may be.

Second, after payment in full of the Preferred Preference Amount, the remaining Distributable Proceeds, if any, shall be distributed pro-rata among all the holders of ordinary shares and preferred shares, pari passu and based on their respective holdings of outstanding shares of the Keystone, and a converted basis.

(2) Conversion

Each preferred share shall be convertible, at the option of the holder of such share at any time and from time to time after the date of issuance of such share, into such number of fully paid and non-assessable ordinary shares of Keystone as determined by dividing the applicable Original Issue Price for such share by the Conversion Price (as defined below) at the time in effect for such share. The initial conversion price per preferred share shall be the applicable Original Issue Price for such share (the "Conversion Price"); provided, however, that (i) the Conversion Price of the Preferred A shares shall be the applicable Series A Conversion Price, as may be further adjusted in accordance with the terms of these articles; and (ii) the Conversion Price of the Preferred B shares shall be the applicable Series B Conversion Price, as may be further adjusted in accordance with the terms of these articles; and (iii) the Conversion Price for each preferred share shall be subject to adjustment in accordance with any recapitalisation event and pursuant to the anti-dilution provisions set forth herein.

The movements in the Keystone Group's issued share capital during the Relevant Periods are as follows:

	Ordinary shares*		Preferred A shares*		Preferred B shares*		Preferred C shares*		Preferred D shares*		Total amount
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
		USD'000		USD'000		USD'000		USD'000		USD'000	USD'000
Issued:											
As at 1 January 2017	8,025,491	–	38,322,277	–	68,345,728	–	95,387,303	–	–	–	–
New issue on 30 December 2017	440,000	–	–	–	–	–	–	–	–	–	–
New issue on 24 January 2017	–	–	–	–	–	–	2,784,880	–	–	–	–
New issue on 28 February 2017	–	–	–	–	–	–	7,550,120	–	–	–	–
New issue on 22 May 2017	–	–	–	–	–	–	18,565,868	–	–	–	–
As at 31 December 2017 and 1 January 2018	8,465,491	–	38,322,277	–	68,345,728	–	124,288,171	–	–	–	–
New issue on 11 January 2018	–	–	–	–	–	–	–	–	53,178,963	–	–
Warrants exercised	–	–	–	–	–	–	6,481,480	–	–	–	–
As at 31 December 2018 and 1 January 2019	8,465,491	–	38,322,277	–	68,345,728	–	130,769,651	–	53,178,963	–	–
New issued and conversion on 22 January 2019	290,616,619	–	(38,322,277)	–	(68,345,728)	–	(130,769,651)	–	(53,178,963)	–	–
As at 31 May 2019	299,082,110	–	–	–	–	–	–	–	–	–	–

In December 2017, one of the offerees exercised 440,000 options to 440,000 ordinary shares at a consideration of USD4,000.

During 2017, the Keystone Group issued 28,900,868 additional Series Preferred C Shares with no nominal value in a consideration of USD4,655,000 to the existing and new investors.

On 11 January 2018, the Keystone Group and certain of its shareholders entered into a Share Purchase Agreement (the "SPA"). According to the SPA, the Keystone Group issued 53,178,963 Series D Preferred Shares with no nominal value at a consideration of USD6,968,000.

At 26 December 2018, according to the warrants agreement, the warrants were exercised for 6,481,480 shares without any consideration.

23. SHARE OPTION SCHEME

During the year ended 31 December 2017, Keystone's Board of Directors approved to grant 14,362,691 non-tradable options to certain of Keystone's directors, consultants and employees under the Global Option Plan. The cost of the benefit embodied in the options granted, based on their fair value as at the grant date, is estimated to be USD495,000. This amount will be charged to profit or loss over the term of the vesting period.

In December 2017, 440,000 options were exercised for 440,000 ordinary shares at a consideration of USD4,000.

During the year ended 31 December 2017, share award expenses of USD568,000 were charged to profit or loss.

In December 2016, the Keystone Group granted a licensor, SWAT Medical AB, 7,206,307 warrants to purchase Keystone's ordinary shares. The cost of the benefit embodied in the warrants granted based on their fair value was estimated at an amount of USD220,000.

On 26 December 2018, all unvested share options and warrants granted to SWAT Medical AB were cancelled by Keystone's Board of Directors.

Options issued to employees and non-employees are as follows:

	2017		2018	
	Number of option	Weighted average exercise price	Number of option	Weighted average exercise price
		USD/share		USD/share
Outstanding at beginning of year	38,372,082	0.071	44,596,052	0.068
Granted	10,854,738	0.064	–	–
Forfeited	(4,190,768)	0.080	–	–
Exercising	(440,000)	0.135	–	–
Cancelled	–	–	(44,596,052)	–
Outstanding at end of year	44,596,052	0.068	–	–

There were no share options granted during the year ended 31 December 2018 and the five months ended 31 May 2019 and no share options outstanding as at 31 December 2018 and 31 May 2019.

The weighted average share price at the date of exercise for share options exercised was USD0.135 per share for the year ended 31 December 2017.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2017 are as follows:

31 December 2017

Number of option	Exercise price*	Exercise period
	USD	
1,261,891	0.135	13/03/2013-31/07/2022
3,602,621	0.082	20/10/2014-20/10/2024
1,995,631	0.083	13/07/2015-13/07/2025
37,735,909	0.064	28/06/2016-28/06/2026

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Keystone's capital reserve.

The fair value of the share options granted during the year ended 31 December 2017 was USD753,000, of which the Keystone Group recognised a share option expense of USD788,000.

The fair value of equity-settled share options granted during the year ended 31 December 2017 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended 31 December 2017
Dividend yield (%)	0.00%
Expected volatility (%)	53.00%
Risk-free interest rate (%)	2.38%
Expected life of options (year)	7
Weighted average share price (USD per share)	0.064

The expected life of the options is based on the historical data over the past 7 years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 440,000 share options exercised during the year ended 31 December 2017 resulted in the issue of 440,000 ordinary shares of Keystone and new share capital of nil (before issue expenses), as further detailed in note 22 to the Historical Financial Information.

At the date of approval of this report, Keystone had no share options outstanding.

24. RESERVES

Keystone Group

The amounts of the Keystone Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page IB-7 of the Historical Financial Information.

Share premium

The share premium of the Keystone Group represents the share premium contributed by the shareholders of Keystone.

Capital reserve

The capital reserve of the Keystone Group represents share-based payment.

Keystone

	Share premium	Capital reserve	Accumulated losses	Total
	USD'000	USD'000	USD'000	USD'000
At 1 January 2017	52,207	766	(45,271)	7,702
Issuance of shares, net	4,655	–	–	4,655
Realisation of options	60	(56)	–	4
Share-based payment	–	788	–	788
Expiration of options	133	(133)	–	–
Loss for the year	–	–	(18,674)	(18,674)
At 31 December 2017 and 1 January 2018	57,055	1,365	(63,945)	(5,525)
Issuance of shares, net	6,968	–	–	6,968
Capital contribution from a shareholder	–	20,419	–	20,419
Cancellation of options	1,194	(1,194)	–	–
Cancellation of options (not yet vested)	–	(366)	–	(366)
Share-based payment	–	195	–	195
Realisation of options	677	–	–	677
Loss for the year	–	–	(21,836)	(21,836)
At 31 December 2018 and 1 January 2019	65,894	20,419	(85,781)	532
Capital contribution from a shareholder	–	10,000	–	10,000
Loss for the period	–	–	(6,595)	(6,595)
At 31 May 2019	65,894	30,419	(92,376)	3,937

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing other borrowings	Lease liabilities
	USD'000	USD'000
At 1 January 2017	–	–
Changes from financing cash flows:		
New interest-bearing other borrowings	5,147	–
Repayments of a long-term loan	(201)	–
Payment for lease liabilities	–	(262)
Interest portion of long-term loan	(344)	–
Non-cash changes:		
Deferred finance charges	618	–
Interest portion of lease liabilities	–	57
New lease addition	–	1,139
Foreign exchange movement	–	49
At 31 December 2017 and 1 January 2018	5,220	983
Changes from financing cash flows:		
Repayments of a long-term loan	(6,280)	–
Payment for lease liabilities	–	(279)
Interest portion of long-term loan	(571)	–
Non-cash changes:		
Deferred finance charges	891	–
Loss from repayment of interest-bearing other borrowings in advance	740	–
Interest portion of lease liabilities	–	50
New lease addition	–	15
Foreign exchange movement	–	1
At 31 December 2018 and 1 January 2019	–	770
Changes from financing cash flows:		
Payment for lease liabilities	–	(127)
Non-cash changes:		
Interest portion of lease liabilities	–	8
New lease addition	–	55
Foreign exchange movement	–	(1)
At 31 May 2019	–	705

26. RELATED PARTY TRANSACTIONS

Name	Relationship with Keystone
Venus Medtech (Hangzhou) Inc. ("Venus")*	Controlling shareholder
Keystone Heart US, Inc.	Subsidiary
Keystone Heart UK, Ltd.	Subsidiary

* Venus became the controlling shareholder of Keystone from 26 December 2018.

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Keystone Group had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2018:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Purchase on behalf of a related party:				
Venus	–	557	–	179
Operation support fund from a related party:				
Venus	–	4,000	–	–

(b) Outstanding balances with related parties:

Keystone Group

The Keystone Group had following outstanding balances with a related party:

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Due to a related party:			
Venus	–	193	14

The balances with a related party are unsecured, non-trade in nature, interest-free and repayable on demand.

Keystone

Keystone had following outstanding balances with related parties:

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Due from subsidiaries:			
Keystone Heart US, Inc.	50	–	–
Keystone Heart UK, Ltd.	–	–	13
	50	–	13
Due to a related party:			
Venus	–	193	14
Due to subsidiaries:			
Keystone Heart US, Inc.	–	2,893	184
Keystone Heart UK, Ltd.	–	29	–
	–	2,922	184

The balances with a related party and subsidiaries are unsecured, non-trade in nature, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Keystone Group:

	Year ended 31 December		Five months ended 31 May	
	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000
			(Unaudited)	
Salaries, bonuses, allowances and benefit in kind	1,425	2,156	581	6,072

Further details of directors' and the chief executive's remuneration are included in note 8 to the Historical Financial Information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2017 and 2018 and 31 May 2019 are as follows:

Keystone Group

As at 31 December 2017

Financial assets

	Financial assets at amortised cost
	USD'000
Financial assets included in prepayments, other receivables and other assets	36
Pledged deposits	106
Cash and cash equivalents	1,145
	1,287

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	USD'000	USD'000	USD'000
Financial liabilities included in other payables and accruals	–	1,487	1,487
Interest-bearing other borrowings	–	5,220	5,220
Warrants	753	–	753
	753	6,707	7,460

As at 31 December 2018

Financial assets

	Financial assets at amortised cost
	USD'000
Financial assets included in prepayments, other receivables and other assets	65
Pledged deposits	100
Cash and cash equivalents	7,279
	7,444

Financial liabilities

	Financial liabilities at amortised cost
	USD'000
Financial liabilities included in other payables and accruals	3,569
Due to a related party	193
	3,762

As at 31 May 2019

Financial assets

	Financial assets at amortised cost
	USD'000
Financial assets included in prepayments, other receivables and other assets	60
Pledged deposits	104
Cash and cash equivalents	5,893
	6,057

Financial liabilities

	Financial liabilities at amortised cost
	USD'000
Financial liabilities included in other payables and accruals	2,649
Due to a related party	14
	2,663

Keystone

As at 31 December 2017

Financial assets

	Financial assets at amortised cost
	USD'000
Financial assets included in prepayments, other receivables and other assets	26
Due from a subsidiary	50
Pledged deposits	106
Cash and cash equivalents	618
	800

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	USD'000	USD'000	USD'000
Financial liabilities included in other payables and accruals	–	657	657
Interest-bearing other borrowings	–	5,220	5,220
Warrants	753	–	753
	753	5,877	6,630

As at 31 December 2018

Financial assets

	Financial assets at amortised cost
	USD'000
Financial assets included in prepayments, other receivables and other assets	45
Pledged deposits	98
Cash and cash equivalents	5,071
	5,214

Financial liabilities

	Financial liabilities at amortised cost
	USD'000
Financial liabilities included in other payables and accruals	532
Due to a related party	193
Due to subsidiaries	2,922
	3,647

As at 31 May 2019

Financial assets

	Financial assets at amortised cost
	USD'000
Financial assets included in prepayments, other receivables and other assets	63
Due from a subsidiary	13
Pledged deposits	104
Cash and cash equivalents	5,123
	5,303

Financial liabilities

	Financial liabilities at amortised cost
	USD'000
Financial liabilities included in other payables and accruals	489
Due to a related party	14
Due to a subsidiary	184
	687

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values

All the carrying amounts of the Keystone Group's financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and amount due to a related party and interest-bearing other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Keystone Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance controller. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of Keystone periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

For Level 3 financial instruments, the Keystone Group adopts the valuation techniques to determine the fair value. Valuation techniques include the market comparison approach. The fair value measurement of these financial instruments may involve unobservable inputs such as the risk free rate and equity volatility. The Keystone Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Below is a summary of significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods are shown below:

	As at 31 December 2017
Risk-free rate	3.40%
Equity volatility	49.33%

	As at 31 December 2017
	USD'000
1% increase in risk-free rate	23
1% decrease in risk-free rate	(23)
10% increase in equity volatility	79
10% decrease in equity volatility	(87)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Keystone Group's financial instruments:

The Keystone Group did not have any financial assets measured at fair value as at 31 December 2017 and 2018 and 31 May 2019.

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	USD'000	USD'000	USD'000	USD'000
Financial liabilities at fair value through profit or loss:				
Warrants	–	–	753	753

The Keystone Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 31 May 2019.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Keystone Group's principal financial instruments comprise interest-bearing other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Keystone Group's operations. The Keystone Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The main risks arising from the Keystone Group's financial instruments are interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between USD and other currencies in which the Keystone Group conducts business may affect the Keystone Group's financial condition and results of operations. The Keystone Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position and by using foreign exchange swaps.

The Keystone Group has transactional currency exposures. These exposures mainly arise from operating activities of operating entities in currencies other than the units' functional currencies. As at the end of each of the Relevant Periods, the Keystone Group had cash at bank denominated in EUR and NIS, equivalent to USD326,000 as of 31 December 2017, USD259,000 as of 31 December 2018, USD473,000 as of 31 May 2019 which was mainly held for the payroll for local staff. At present, the Keystone Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Keystone Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Keystone Group's loss before tax (due to translation of monetary assets and liabilities), and the Keystone Group's equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	USD'000	USD'000
31 December 2017			
If USD weakens against NIS	5	(208)	30
If USD strengthens against NIS	(5)	208	(30)
If USD weakens against EUR	5	(51)	(1)
If USD strengthens against EUR	(5)	51	1
31 December 2018			
If USD weakens against NIS	5	(267)	54
If USD strengthens against NIS	(5)	267	(54)
If USD weakens against EUR	5	(39)	2
If USD strengthens against EUR	(5)	39	(2)
31 May 2019			
If USD weakens against NIS	5	(129)	44
If USD strengthens against NIS	(5)	129	(44)
If USD weakens against EUR	5	(29)	(2)
If USD strengthens against EUR	(5)	29	2

Liquidity risk

In the management of liquidity risk, the Keystone Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Keystone Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Keystone Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2017				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Warrants	753	–	–	–	753
Financial liabilities included in other payables and accruals	1,487	–	–	–	1,487
Interest-bearing other borrowings	–	588	1,763	4,505	6,856
	2,240	588	1,763	4,505	9,096

	As at 31 December 2018				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Due to a related party	193	–	–	–	193
Financial liabilities included in other payables and accruals	3,569	–	–	–	3,569
	3,762	–	–	–	3,762

	As at 31 May 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Due to a related party	14	–	–	–	14
Financial liabilities included in other payables and accruals	2,649	–	–	–	2,649
	2,663	–	–	–	2,663

Capital management

The primary objectives of the Keystone Group's capital management are to safeguard the Keystone Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Keystone Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Keystone Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Keystone Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of each of the Relevant Periods.

	As at 31 December		As at 31 May
	2017	2018	2019
	USD'000	USD'000	USD'000
Interest-bearing other borrowings	5,220	–	–
Warrants	753	–	–
Lease liabilities	983	770	705
Total debt	6,956	770	705
Total equity	(5,960)	(812)	155
Gearing ratio	NA	NA	455%

30. EVENT AFTER THE RELEVANT PERIODS

No other significant events that require additional disclosures or adjustments occurred after the Relevant Periods.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Keystone, the Keystone Group or any of its subsidiaries in respect of any period subsequent to 31 May 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix IA to this Prospectus, and is included herein for information purpose only.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if the Global Offering had taken place on 31 May 2019.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group to owners of the parent had the Global Offering been completed as of 31 May 2019 or as at any future dates.

It is prepared based on the consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 May 2019 as shown in the Accountants' Report in Appendix IA to this Prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix IA to this Prospectus.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 May 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 May 2019	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 May 2019	
	RMB'000	RMB'000	RMB'000	RMB	HK$
	Note 1	Note 2		Note 3	Note 4
Based on an Offer Price of HK$29.00 per Share	(268,528)	1,909,281	1,640,753	4.32	4.83
Based on an Offer Price of HK$33.00 per Share	(268,528)	2,182,115	1,913,587	5.04	5.63

Notes:

(1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 May 2019 was equal to the consolidated net assets attributable to owners of the parent as at 31 May 2019 of RMB390,684,000 after deducting other intangible assets of RMB187,355,000 and goodwill of RMB471,857,000 as at 31 May 2019 set out in the Accountants' Report in Appendix IA to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$29.00 or HK$33.00 per Share after deduction of the underwriting fees and other related expenses payable by our Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the amounts stated in Hong Kong dollars are converted into RMB at the rate of RMB1.00 to HK$1.1168. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 379,480,896 Shares are in issue assuming that the Global Offering has been completed on 31 May 2019.

(4) For the purpose of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share, the amounts stated in RMB are converted into Hong Kong dollars at the rate of RMB1.00 to HK$1.1168. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this Prospectus, in respect of the pro forma financial information of the Group.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Venus Medtech (Hangzhou) Inc.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Venus Medtech (Hangzhou) Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 May 2019, and related notes as set out on pages IIA-1 to IIA-2 of the Prospectus dated 28 November 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix IIA to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 May 2019 as if the transaction had taken place at 31 May 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 May 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (the "AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
28 November 2019

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As set out in the section "History, Development and Corporate Structure" to this Prospectus, on 26 December 2018, Venus Medtech (Hangzhou) Inc. (the "Company") and its subsidiaries (collectively the "Group") acquired Keystone Heart Ltd. ("Keystone") and its subsidiaries (together, the "Keystone Group") (the "Acquisition").

Set out below is the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Group and the Keystone Group (the "Enlarged Group") for the year ended 31 December 2018 (the "Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income") as if the Acquisition had taken place on 1 January 2018.

The Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income is prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2018 as set out in the accountants' report of the Group included in Appendix IA to this Prospectus; and (ii) the audited consolidated statement of profit or loss and other comprehensive income of the Keystone Group for the year ended 31 December 2018 as set out in the accountants' report of the Keystone Group included in Appendix IB to this Prospectus translated into RMB at the weighted average exchange rate for the year, after making pro forma adjustments as explained in the notes below.

The Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income has been prepared by the Directors, based on their estimations and assumptions, in accordance with Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circular* (the "AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial performance of the Enlarged Group for the year ended 31 December 2018 or any future period.

	The Group for the year ended 31 December 2018	The Keystone Group for the year ended 31 December 2018	Unaudited Pro Forma Adjustment	Unaudited Pro Forma Adjustment	Unaudited Pro Forma Enlarged Group for the year ended 31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 1	Note 2	Note 3	Note 4	
REVENUE	115,348	–			115,348
Cost of sales	(16,368)	–			(16,368)
Gross profit	98,980	–			98,980
Other income and gains	13,152	503			13,655
Selling and distribution expenses	(66,865)	(10,753)		(870)	(78,488)
Research and development costs	(104,774)	(81,242)	(8,544)	(2,887)	(197,447)
Administrative expenses	(223,864)	(46,785)		(10,226)	(280,875)
Other expenses	(11,351)	(5,029)			(16,380)
Impairment losses on financial assets, net	(1,674)	–			(1,674)
Finance costs	(3,224)	(6,253)			(9,477)
LOSS BEFORE TAX	(299,620)	(149,559)			(471,706)
Income tax expense	(898)	(953)	1,965		114
LOSS FOR THE YEAR	(300,518)	(150,512)			(471,592)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the foreign operations	7,248	(7,448)	(244)	(519)	(963)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:					
Financial assets at fair value through other comprehensive income:					
Changes in fair value	1,387	–			1,387
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	8,635	(7,448)			424
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(291,883)	(157,960)			(471,168)
Loss attributable to:					
Owners of the parent	(300,421)	(150,512)	(6,579)	(13,983)	(471,495)
Non-controlling interests	(97)	–			(97)
	(300,518)	(150,512)			(471,592)
Total comprehensive loss attributable to:					
Owners of the parent	(291,786)	(157,960)	(6,823)	(14,502)	(471,071)
Non-controlling interests	(97)	–			(97)
	(291,883)	(157,960)			(471,168)

Notes:

(1) The financial information of the Group is extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2018 as set out in the accountants' report of the Group included in Appendix IA to this Prospectus.

(2) The financial information of the Keystone Group is extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Keystone Group for the year ended 31 December 2018 as set out in the accountants' report of the Keystone Group included in Appendix IB to this Prospectus, after translation into RMB at the weighted average exchange rate for the year of US$1.00 to RMB6.6174.

(3) Upon completion of the Acquisition on 26 December 2018, Keystone Group is controlled by the Group and the identifiable assets and liabilities of the Keystone Group as at 26 December 2018 are accounted for using the acquisition method.

For the purpose of the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Acquisition is assumed to have been completed on 1 January 2018. For the purpose of the unaudited pro forma financial information, the Directors, based on valuation report dated 2 July 2019 prepared by an independent valuer, have assumed the fair value of the identifiable net assets of Keystone Group as of 1 January 2018 to be RMB168,375,000 and the consequential deferred tax liability amounting to RMB38,726,000 had been assumed to be provided at 1 January 2018.

The intangibles were assumed to be amortised over its useful lives which are 19 years. Assuming the acquisition had been completed on 1 January 2018, the pro forma adjustment represents the amortisation charge of RMB8,544,000 for the year ended 31 December 2018 net of the reversal of the deferred tax liability which amounted to RMB1,965,000. This pro forma adjustment is expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income.

(4) Pursuant to the Plan of Merger, the Group agreed to pay bonuses to certain management members of Keystone Group upon achievement of certain milestones at different periods. For the purpose of this unaudited pro forma financial information, it is presumed that the result of certain milestones are achieved and the pro forma adjustment represented relevant bonuses incurred for the year ended 31 December 2018. The actual amounts of bonuses to be paid are subject to final results of all the milestones and accordingly, the bonuses recognised in profit or loss in subsequent periods will likely result in different amounts than those stated in this unaudited pro forma financial information. This pro forma adjustment is expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income.

(5) No adjustments have been made to the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this Prospectus, in respect of the pro forma financial information of the Group.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Venus Medtech (Hangzhou) Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Venus Medtech (Hangzhou) Inc. (the "Company") and its subsidiaries (collectively the "Group"), and Keystone Heart Ltd. (the "Keystone) and its subsidiaries (collectively the "Keystone Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the pro forma consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018, and related notes (the "Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income") as set out on pages IIB-1 to IIB-3 of the Prospectus dated 28 November 2019, in connection with the acquisition of the Keystone Group (the "Transaction") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income are described in Section A of Appendix IIB to the Prospectus.

The Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial performance for the year ended 31 December 2018 as if the Transaction had been completed on 1 January 2018. As part of this process, information about the Group's financial performance has been extracted by the Directors from the Group's financial performance for the year ended 31 December 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 – *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The purpose of the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income included in the Prospectus is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
28 November 2019

PRC TAXATION

Taxation on Dividends

Individual Investors

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) (hereinafter referred to as "IIT Law") issued by the Fifth Session of the Standing Committee of the NPC on September 10, 1980, amended on August 31, 2018 and came into effect on January 1, 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法實施條例》) amended by the State Council on December 18, 2018 and came into effect on January 1, 2019, dividends paid by Chinese companies to individual investors shall generally be subject to withholding tax at a rate of 20%. Meanwhile, according to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, 50% of the dividend income shall be included into the taxable incomes. The individual income tax rate on the aforesaid income is imposed at the uniform rate of 20%. In practice, the withholding rate on non-resident individuals' dividends may be lower than 20% in certain circumstances, as described in "Risk Factors – We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our Shares by our investors are subject to PRC tax. Under the EIT Law of the PRC, our offshore subsidiaries may therefore be subject to PRC income tax on their worldwide taxable income."

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regarding Income Tax (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then the amount of such shall not exceed 5% of the total dividends payable by the PRC company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家税務總局關於<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第四議定書》) (SAT Announcement [2015] No. 12) effective on December 29, 2015 states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (hereinafter referred to as "EIT Law") amended and came into effect on December 29, 2018, and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) amended and came into effect on April 23, 2019, a non-resident enterprise is generally subject to a 10% EIT on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforesaid income tax must be withheld at source, with the payer of the income being the withholding agent. Such withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Notice of the SAT on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) issued by the SAT and effective on November 6, 2008, further clarified that a PRC resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-PRC resident enterprise H Shareholders which are derived out of profit generated after January 1, 2008. The Reply of the SAT on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家税務總局關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold EIT at a rate of 10% on dividends that it distributes to non-PRC resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regrading Income Tax (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家税務總局關於<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第四議定書》) effective on December 29, 2015 states that such provisions shall not apply to arrangements made for the primary purpose of gaining such tax benefit.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau SAR may be entitled to preferential tax rates on dividends received by such investors from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau SAR, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax computed based on the treaty rate.

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (《財政部、國家税務總局關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and SAT on March 20, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. According to the latest amendment to the IIT Law and its implementation rules, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on December 31, 2009, the MOF, SAT and CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Moratorium Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for shares of certain specified companies (as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70) over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation issued by the MOF, SAT and CSRC on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges such as the Hong Kong Stock Exchange. In practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to EIT at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

Taxation Policy of Shanghai—Hong Kong Stock Connect

On October 31, 2014, the MOF, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81) (hereinafter referred to as "Shanghai—Hong Kong Stock Connect Taxation Policy"). Pursuant to the "Shanghai—Hong Kong Stock Connect Taxation Policy," enterprise income tax ("EIT") will be levied according to law on transfer spread income (included in total income derived from investment by mainland enterprise incomes in stocks listed on the Hong Kong Stock Exchange through Shanghai—Hong Kong Stock Connect. Under the Notice of the MOF, SAT and the Hong Kong Stock Exchange on the Policies of the Individual Income Tax Concerning Continuing to Implement the Shanghai-Hong Kong Stock Connect (《財政部、稅務總局、證監會關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No. 78) came into effect on November 1, 2017, from November 17, 2017 to December 4, 2019, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai—Hong Kong Stock Connect shall be exempted from individual income tax. For dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai—Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as CSDCC) for provision by CSDCC to the H-share companies register of mainland individual investors, and the H-share companies shall withhold individual income tax at the rate of 20%.

EIT will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise incomes from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai—Hong Kong Stock Connect. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprise incomes, the H-share companies will not withhold dividend and bonus income tax for mainland enterprise incomes. The tax payable shall be declared and paid by the enterprises themselves.

Taxation Policy of Shenzhen—Hong Kong Stock Connect

On November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shenzhen and Hong Kong (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2016] No. 127), (hereinafter referred to as "Shenzhen-Hong Kong Stock Connect Taxation Policy"). Pursuant to the "Shenzhen—Hong Kong Stock Connect Taxation Policy," EIT will be levied according to law on price difference (included in total income) derived from investment by mainland enterprise incomes in stocks listed on the Hong Kong Stock Exchange through Shenzhen—Hong Kong Stock Connect. Personal income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shenzhen—Hong Kong Stock Connect from December 5, 2016 to December 4, 2019. For dividends and bonus income obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen—Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for provision by CSDCC to the H-share companies register of mainland individual investors, and personal income tax shall be withheld by CSDCC at the tax rate of 20%.

EIT will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise incomes from investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen—Hong Kong Stock Connect. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprise incomes, the H-share companies will not withhold dividend and bonus income tax for mainland enterprise incomes. The tax payable shall be declared and paid by the enterprises themselves.

PRC Stamp Duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花税暫行條例》) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花税暫行條例施行細則》) came into effect on October 1, 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

Estate Duty

The PRC currently has not imposed any estate duty.

MAJOR TAXATION OF THE COMPANY IN THE PRC

EIT

Under the EIT Law, the EIT rate in the PRC is 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises.

Value-added Tax

Pursuant to the Interim Regulations on Value-added Tax (《增值税暫行條例》) amended and came into effect on November 19, 2017, all organizations and individuals engaged in sales of goods, provision of processing, repairs and replacement services, or importation of goods within the territory of the PRC are subject to value-added tax ("VAT"). For taxpayers selling or importing goods, except as otherwise provided in the above regulations, the general tax rate shall be 17%.

Pursuant to the Notice of Comprehensive Roll-out of the Pilot Collection of Value Added Tax in lieu of Business Tax from Ministry of Finance and State Administration of Taxation (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) promulgated by MOF and SAT on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016, and all business tax payers engaged in sectors such as construction, real estate, finance or lifestyle services shall be included in the scope of the pilot program, where payment of VAT shall be made instead of business tax. Pursuant to the Measures for the Implementation of Pilot Reform for Transition from Business Tax to Value-added tax (《營業税改徵增值税試點實施辦法》) issued and came into effect at the same time with the aforementioned notices, the tax rates applied to taxpayers for selling services, intangible assets or real estates shall be 17%, 11%, 6% and zero, respectively.

Pursuant to Notice on Adjusting Value-added Tax Rates issued by the MOF and SAT (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32) promulgated on April 4, 2018 and came into effect on May 1, 2018, for taxpayer engaging in taxable sales or import of goods, the previously applicable VAT rates of 17% and 11% shall be adjusted to 16% and 10%, respectively.

FOREIGN EXCHANGE CONTROL OF THE PRC

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE under the PBOC is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice of the State Council on Further Reforming the Foreign Exchange Management System (《關於進一步改革外匯管理體制的通知》) (Guo Fa [1993] No. 89 (abolished)) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items and the unified exchange rate has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other major currencies in reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

On January 29, 1996, the State Council promulgated new Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Foreign Exchange Control Regulations") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (hereinafter referred to as the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by the PBOC on July 21, 2005, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for Renminbi transactions on the following business day.

Starting from January 4, 2016, the PBOC introduced over-the-counter transactions into the inter-bank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the market-oriented formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the inter-bank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD, and announce it at 9:15 a.m. on each business day.

On August 5, 2008, the State Council promulgated the revised Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of funds. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

Pursuant to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

The Decisions of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50) promulgated on October 23, 2014 has canceled the approval requirement of the SAFE and it branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54) issued by the SAFE on December 26, 2014, a domestic issuer shall, within 15 business days from completion of its initial public offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation. The proceeds from an overseas listing of a domestic issuer may be remitted to a domestic account or deposited overseas, and the use of the proceeds shall be consistent with the content of the Prospectus and other disclosure documents.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely adjust the above proportion in based on international balance of payments.

TAXATION IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arisen in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at a maximum rate of 16.5% and on non-registered businesses at a maximum rate of 15.0%. From the year of assessment 2018/19, a concessionary tax rate (i.e. half of the current tax rate) can apply to corporations or unincorporated businesses for the first HK$2 million of assessable profits subject to applicable conditions. Certain categories of taxpayers (such as financial institutions, insurance companies and securities dealers) are likely to be regarded as generating trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arisen in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of Hong Kong securities (including H Shares). The duty is currently charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5.00 is currently charged on each instrument of transfer of H Shares. Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be assessed, and the transferee shall be liable to pay such duty. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, separate rules, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to The PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as "Constitution") and the Legislation Law of the PRC (《中華人民共和國立法法》) (hereinafter referred to as "Legislation Law"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council is the highest administrative organs of the state, and enacts administrative regulations under the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

The ministries, commissions, PBOC, National Audit Office and institutions with administrative functions supervisory committee the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council.

People's congresses of larger cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

People's governments of provinces, autonomous regions and municipalities directly under the central government and larger cities may formulate rules according to laws, administrative regulations and relevant local regulations.

The Constitution, enacted by the NPC, is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulations which has been approved by the standing committees of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the central government which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities directly under the central government.

PRC JUDICIAL SYSTEM

Under the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) which was enacted on July 1, 1979 and last amended on October 26, 2018 and took effect on January 1, 2019, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and last amended on June 27, 2017 and became effective on July 1, 2017, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS OF PRC

The PRC Company Law (《中華人民共和國公司法》) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended and came into effect on October 26, 2018 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The amendment to the PRC Company Law in 2013 has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to "Special Regulations") were promulgated by the Standing Committee Meeting of the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in "Appendix V—Summary of the Articles of Association").

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in "Appendix VII—Documents Delivered to the Registrar of Companies and Available for Inspection."

Main provisions in PRC Company Law, Special Regulations and Mandatory Provisions are summarized as follows:

General

A joint-stock limited liability company (hereinafter referred to as "company") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

The company may invest in other enterprises. However, the Company shall not become a capital contributor that shall bear the joint liabilities for the debts of the enterprise it invests in, unless it is otherwise provided for by any law. A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of our company's assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For a company incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within thirty (30) days after the issued shares have been fully paid up, and shall fifteen (15) days before the meeting notify all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within thirty (30) days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Where after the incorporation of a company, a promoter fails to pay in full the subscription moneys in accordance with the provisions of the company's articles of association, he shall pay them in full; and the other promoters shall bear joint and several liability. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company' articles of association, the promoters making such contributions shall make up the difference; and the other promoters shall bear joint and several liability.

The promoters of a company shall bear the following liabilities:

Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;

Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and

Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value, except for the property that is not allowed to be used as capital contributions, as is provided for by laws or administrative regulations.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws. Non-current property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong Special Administrative Region, Macau Special Administrative Region, the Region of Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares which take the form of registered shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The shares shall be issued in compliance with the principles of fairness and impartiality. The shares of the same class must carry the same rights. Shares shall be issued on the same conditions and at the same price. All units and individuals shall pay the same price for each of the share they subscribe for. The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

Shares issued by a company with limited liability may be either registered shares or bearer shares. The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the benchmark date determined by the company for distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law (《中華人民共和國證券法》) (hereinafter referred to as "Securities Law") provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten (10) days and publish an announcement of the reduction in the newspaper within thirty (30) days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; The creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not repurchase its own shares other than for the purpose of:

(i) reducing the registered capital of the company; or

(ii) merging with another company holding shares of this company; or

(iii) granting the shares for employee share ownership plans or as share incentives; or

(iv) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting;

(v) applying the shares for the conversion of the corporate bonds issued by a listed company and convertible into shares;

(vi) maintaining the corporate value and protecting the shareholders' interests of a listed company as necessary.

Repurchase of its own shares by a company under the circumstances specified in Subparagraph (i), (ii) of the preceding paragraph shall be subject to resolution adopted by the shareholders' general meeting; repurchase of its own shares by a company under the circumstances specified in Subparagraph (iii), (v) or (vi) shall be subject to a resolution at a board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization of a general meeting.

Where a company repurchases the shares of the Company pursuant to subparagraph (i) of the first paragraph, such shares shall be canceled within 10 days from the date of repurchases; where the shares are repurchased pursuant to subparagraphs (ii), (iv), such shares shall be transferred or canceled within six months; and where the shares are repurchased pursuant to Subparagraphs (iii), (v), (vi), the aggregate number of the Company's shares held by a company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or canceled within three years.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Registered shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its roster of shareholders. No registration of modification to the roster of shareholders as stipulated by the preceding paragraph shall be made within the period of 30 days prior to the convening of a meeting of the shareholders' general meeting or within the period of 5 days prior to the date of record on which the company decides to distribute dividends.

Transfer of bearer shares shall become effective immediately after a shareholder delivers such share certificates to a transferee.

Shares held by the promoters of a company shall not be transferred within one year from the date the company is incorporated. Directors, supervisors and senior managers of a company shall declare to the company the numbers of the company's shares held by them and the changes of the shares they hold, and the number of the company's shares annually transferred by each of them during their term of office shall not exceed 25% of the total number of the company's shares held by them respectively; The company's shares held by the persons mentioned above shall not be transferred within six months after they leave office. The company's articles of association may stipulate other restrictive provisions on the transfer of the company's shares held by the directors, supervisors and senior managers of the company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of a company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if any directors or senior officers damages the shareholder's interests by violating law or administrative regulations or articles of association, the shareholders may lodge an action in the people's court;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other functions specified in the articles of association of the company.

A shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) when the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) when the losses of the company which are not made up reach one-third of the company's total paid up share capital;

(iii) upon a request by shareholder(s) that individually or collectively holding 10% or more of the shares;

(iv) when deemed necessary by the board of directors;

(v) when the supervisory committee proposes convening it; or

(vi) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice-chairman. If the vice-chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety (90) days consecutively may unilaterally convene and preside over such meeting.

Notice of the shareholders' general meeting shall be given to all shareholders twenty (20) days before the meeting. Notice of the extraordinary shareholders' general meeting shall be given to all shareholders fifteen (15) days before the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received twenty (20) days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of the company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten (10) days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman of the board of directors. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in "Appendix V—Summary of Articles of Association") contain further elaborations of such duties.

Directors shall be liable for the resolutions adopted by the board of directors. Where a resolution of the board violates laws, administrative regulations, or the company's articles of association, and thus causes serious losses to the company, the directors participating in the adoption of such a resolution shall be liable for compensation to the company. However, where a director is proved to have expressed his objection to such a resolution when it was put to the vote and his objection was recorded in the minutes of the meeting, he may be exempted from such liability.

Supervisory Committee

A joint stock limited company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the PRC Company Law are as follows:

(i) to examine the company's financials;

(ii) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings, to convene and preside over shareholders' meetings;

(v) to propose any motions to shareholders' general meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. Expenses incurred by the supervisory committee to exercise their power shall be borne by the company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. According to the PRC Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors, and pursuant to the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》) (Zheng Jian Hai Han [1995] No. 1) promulgated by the CSRC on April 3, 1995, resolutions of the supervisory committee require the approval of more than two-thirds of all supervisors.

The supervisory committee shall have one chairman and may have one vice-chairman. Both shall be elected by more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meeting of the supervisory committee; where the chairman of the supervisory committee cannot perform the functions or fails to do so, the vice-chairman shall convene and preside over the meeting of the supervisory committee; and where the vice-chairman cannot perform the functions or fails to do so, a supervisor jointly elected by half or more of the supervisors shall convene and preside over the meeting of the supervisory committee.

Managers and Other Senior Management

"Senior management" refers to the manager, vice manager, person in charge of finance, and the secretary of the board of directors as well as any other person as stipulated in the articles of association.

A company shall have a manager who shall be appointed or removed by the board of directors.

The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and person in charge of finance and appoint or dismiss other senior management (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in "Appendix V—Summary of Articles of Association."

Duties of Directors, Supervisors and Senior Officers

None of the following persons shall serve as a director, supervisor, or senior management of a company:

(i) a person who has no or limited capacity for civil conduct;

(ii) a person who was sentenced to criminal punishment for embezzlement, bribery, seizure of property or misappropriation of property or for sabotage of the socialist market economic order, where less than five years have elapsed after the expiration of the period of execution; or a person who was deprived of his political rights for the commission of a crime, where less than five years have elapsed after the expiration of the period of execution;

(iii) a person who, being a director or the head or manager of a company or enterprise that went into bankruptcy and liquidation, was personally liable for the bankruptcy of the said company or enterprise, where less than three years have elapsed from the date liquidation of the company or enterprise is completed;

(iv) a person who, being the legal representative of a company or an enterprise, the business license of which was revoked for violation of law and which was ordered to close down, was personally liable for the above, where less than three years have elapsed from the date the business license of the company or enterprise is revoked; and

(v) a person who fails to liquidate a relatively large amount of personal debts when they are due.

A director, supervisor and senior management of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under their own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting for their own benefit commissions from other parties dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to our company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior management of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, or senior management is requested by the shareholders' general meeting, such director, supervisor, or other senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management shall furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve and discretionary common reserve, the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

Appointment or dismissal of auditors in charge of the auditing business of a company shall be subject to decision by the shareholders' general meeting or the meeting of the board of directors in accordance with the provisions of the company's articles of association. Where the shareholders' general meeting or meeting of the board of directors of a company votes on the dismissal of an accounting firm, it shall allow the accountants to state their opinions. A company shall provide authentic and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accountants it appoints, and shall not refuse to do so, or conceal the facts or make false reports about them. The period of appointment of the accountants starts from the date when the first annual shareholders meeting ends to the date when the next annual shareholders meeting ends.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting.

Distribution of Profits

The PRC Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. According to the Special Regulations, the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. According to the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within fifteen (15) days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days (10) after its establishment, and issue a public notice in the newspapers within sixty (60) days. A creditor shall lodge his claim with the liquidation committee within thirty (30) days after receiving notification or within forty five (45) days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any tax overdue;

(v) to settle the company's claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and social insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V—Summary of Articles of Association").

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten (10) days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty (30) days. The creditors may, within thirty (30) thirty days as of the receipt of the notice or within forty five (45) days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten (10) days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty (30) days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities firms, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee of the State Council and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law took effect on July 1, 1999 and was last amended on August 31, 2014. This is the first securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities firms and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares oversea. Article 239 of the Securities Law provides that specific regulation in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still governed by the rules and regulations promulgated by the State Council and the CSRC.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within fifteen months after approval is obtained from the CSRC.

Suspension and Termination of Listing

All provisions on the suspension and termination of listing were deleted from the PRC Company Law. The following revisions were made in the Securities Law:

Where a listed company is in any of the following circumstances, the stock exchange shall decide to suspend the listing of its stocks:

(i) Where the total amount of capital stock or share distribution of the company changes and thus, fails to meet the requirements of listing;

(ii) Where the company fails to publicize its financial status according to the relevant provisions or has any false record in its financial statements, which may mislead the investors;

(iii) Where the company has in dissolution or has been declared insolvent;

(iv) Where the company has been operating at a loss for the latest 3 consecutive year; or

(v) Under any other circumstance as prescribed in the listing rules of the stock exchange.

According to the Securities Law, under the above (i) circumstances, and the company fails again to meet the requirements of listing within the period as prescribed by the stock exchange; and under the above (ii) circumstances, and the company refuses to make any correction; as well as under the above (iv) circumstances, and the company fails to gain profits in the year thereafter; the stock exchange shall decide to terminate the listing of its stocks.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (hereinafter referred to as "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and the latest version was amended on September 1, 2017 and came into effect on January 1, 2018. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and us; holders of the H Shares and the Directors, Supervisors or officers; or holders of the Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, Directors, Supervisors, officers of us, shall be subject to the arbitration. Disputes in respect of who is the shareholder and those in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for Enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereinafter referred to as "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Provisions for Overseas Investment Management (《境外投資管理辦法》) (MOFCOM Order No. 3) promulgated by the MOFCOM and took effect on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) (Hui Fa [2009] No. 30) issued by the SAFE and took effect on August 1, 2009, upon obtaining approval from the MOFCOM to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the Management Measures on Overseas Investment of Enterprise (《企業境外投資管理辦法》) (NDRC Order No. 11) promulgated by the NDRC and took effect on March 1, 2018, the investing activities of PRC enterprises such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or lodge filing with NDRC in accordance with the relevant conditions of the overseas investment projects.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF COMPANY LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such preemptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau SAR and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares held by them in that company, and the shares they held in that company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set out other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than twenty (20) days before the meeting, whereas notice of an extraordinary general meeting must be given not less than fifteen (15) days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least thirty (30) days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least forty five (45) days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least twenty (20) days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty one (21) days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least twenty (20) days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, (i) an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and (ii) a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V—Summary of Articles of Association."

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

We have incorporated provisions to protect the rights of class shares into the Articles of Association in a similar way as required by the laws of Hong Kong in accordance with the Hong Kong Listing Rules and Mandatory Provisions. The Articles of Association define the holders of overseas listed shares and domestic shares as shareholders of different classes of shares. The special procedure for voting by class shareholders is not applicable in the following circumstances: (1) after approval by a special resolution in shareholders' general meeting, the Company issue domestic shares and overseas listed foreign shares separately or at the same time at an interval of 12 months, and the proposed number of domestic shares and overseas listed foreign shares to be issued respectively will not exceed 20% of the outstanding issued shares of such class; (2) the plans to issue domestic shares and overseas listed foreign shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council; and (3) after the Company has issued H shares in an overseas region, and after approval has been granted by the State Council or the securities regulatory authority of the State Council, the shareholders of the Company offer the unlisted shares held by them for listing and dealing in overseas regions.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceedings may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions further provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and director's interests in the subject matters to be discussed and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Committee

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than twenty one (21) days before such meeting.

According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the CAS, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the article of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years.

The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Pursuant to the PRC Company Law (《中華人民共和國公司法》), which was amended by the Standing Committee of the NPC and came into effect on October 26, 2018, merger, division, dissolution or changes to the form of a joint stock limited liability company shall be approved by shareholders representing over two-thirds of voting rights at the general meeting.

Special Withdrawal

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau SAR and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages.

The Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder, when needed.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty (30) days (extendable to sixty (60) days in certain circumstances) in a year.

As required by the Mandatory Provisions, share transfers shall not be registered within thirty (30) days before the date of convening a general meeting or within five (5) days before the base date of distribution of dividends.

This appendix sets out the summary of the principal provisions of the Articles of Association and their subsequent amendments which will be effective on the date of the Listing of H Shares on the Hong Kong Stock Exchange. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association, hence it does not contain all information that may be important to potential investors. As stated in the section "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII of this Prospectus, the full Chinese text of the Articles of Association is available for inspection.

SHARES

Shares and Registered Capital

The shares of the Company shall take the form of stock.

The Company shall have ordinary shares at all times. The Company may set other types of shares, such as preference shares, subject to needs, upon approval by the approving authorities that are authorized by the State Counsel.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the equal rights.

Upon approval by the securities regulatory authority of the State Council or other relevant regulatory authorities, the Company may issue its shares to both domestic and foreign investors. Subject to approval of the Company's plans to issue overseas-listed foreign shares and domestic shares by the securities regulatory authorities of the State Council, the Board of the Company may make arrangement to implement such plans for the issue of such shares. The Company may separately implement its plan for issuing overseas-listed foreign shares and domestic shares pursuant to the above provision within 15 months from the date of approval of the securities regulatory authorities of the State Council. If the Company separately issues overseas-listed foreign shares and domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time. Where special circumstances make it impossible for full subscription at one time, the shares may be issued in several stages, subject to approval of the securities supervisory and regulatory authority of the State Counsel.

Increase or Decrease of Share Capital

Pursuant to relevant requirements of laws, regulations and the Articles of Association and subject to the approval by way of special resolution by the general meeting, the Company may, based on its business and development needs, increase the capital in the following manners:

(I) issue new shares to non-specified investors for subscription;

(II) issue new shares to existing shareholders;

(III) issue bonus shares to existing shareholders;

(IV) convert reserve into share capital;

(V) other manners permitted and approved under laws and administrative regulations and by regulatory authorities.

The increase of capital by issuing new shares shall be subject to approval as specified in the Articles of Association and follow the procedures specified by the relevant laws and regulations of the PRC.

The Company may reduce its registered capital. The reduction of registered capital shall be made in accordance with the Company Law and other relevant provisions as well as procedures stipulated in the Articles of Association. The Company shall prepare a balance sheet and a list of property inventory for reduction of registered capital.

The Company shall notify its creditors within ten (10) days from the date of the resolution on reduction of registered capital and shall publish an announcement in a newspaper within thirty (30) days from such resolution. The creditors shall, within thirty (30) days of receiving the written notice, or within forty-five (45) days of the date of the public announcement for those who have not received the written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding security for repayment.

The reduced registered capital of the Company may not be less than the statutory minimum.

Repurchase of Shares

The Company may, in the following circumstances, repurchase its outstanding shares by the procedure provided for in laws, regulations and the Articles of Association, after approval by the competent state authorities:

(I) canceling shares in order to reduce the capital of the Company;

(II) merging with other companies holding shares of the Company;

(III) using shares for employee share ownership plan or share incentives;

(IV) using shares for converting corporate bonds which are convertible into share issued by the Company;

(V) safeguarding corporate value and shareholders' interest as the Company deems necessary;

(VI) shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, requiring the Company to buy their shares;

(VII) other circumstances permitted by laws and administrative regulations.

Where the Company repurchases its own shares for reasons set out in clauses (I) to (V) above, such purchases shall be subject to approval at the general meeting.

Where the Company repurchases its shares in accordance with the above requirements, in case (I) circumstances, the shares shall be canceled within ten (10) days from the day of the repurchase; in case (II) or (VI) circumstances, the shares shall be transferred or canceled within six months; and in case (III), (IV) and (V) circumstances, the maximum number of the shares held by the Company shall not exceed 10% of its total issued shares and the shares repurchased shall be transferred or canceled within three years.

The Company may repurchase its shares in any of the following ways with approval from the relevant competent authorities:

(I) making a general offer to repurchase shares from all shareholders in proportion to their shareholdings;

(II) repurchasing shares through open transactions in the stock exchange;

(III) repurchasing shares based on an off-market agreement;

(IV) other approaches permitted and approved by laws, administrative regulations and regulatory authorities.

When repurchasing shares based on an off-market agreement, the Company shall obtain prior approval at the general meeting. Where prior approval has been obtained from the shareholders in a shareholders' meeting in the same manner, the Company may release or modify the contract entered into in the aforesaid manner or waive any rights granted under such contract.

After repurchasing its own shares in accordance with the law, the Company shall cancel or transfer such portion of shares, and apply to the original registration authorities for the registration of changes in registered capital and make relevant announcements within the period as provided for in the laws and regulations. The aggregate par value of the shares canceled shall be reduced from the amount of the Company's registered capital.

Share Transfer

Save as otherwise provided in laws and regulations, the Hong Kong Listing Rules and the Articles of Association, shares of the Company may be transferred freely and shall be free of any lien.

The Company shall not accept its shares as a pledge.

Financial assistance for purchasing Shares of the Company

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to purchasers or prospective purchasers of shares of the Company. The said purchasers of shares of the Company shall include persons who directly or indirectly assume obligations as a result of purchasing shares of the Company.

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to the above obligors in order to reduce or release them from their obligations.

The above restrictions shall not apply for the following circumstances:

(I) where the Company provides the relevant financial assistance genuinely for the benefit of the Company and the main purpose of the financial assistance is not to purchase the shares of the Company, or the financial assistance is an incidental part of some overall plan of the Company;

(II) lawful distribution of the Company's property in the form of dividends;

(III) distribution of dividends in the form of shares;

(IV) reduction of registered capital, buyback of shares, adjustment of the equity structure, etc. in accordance with the Articles of Association;

(V) provision of a loan by the Company within its scope of business for ordinary business (provided that the same does not lead to a reduction in the net assets of the Company or that even if the same constitutes a reduction, the financial assistance is paid out of the Company's distributable profit);

(VI) the provision of money by the Company for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Company or that even if the same constitutes a reduction, the financial assistance is paid out of the Company's distributable profit).

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Shareholders

The Company's shareholders are persons that lawfully hold shares of the Company and whose names are listed on the register of shareholders. Shareholders shall enjoy rights and bear obligations according to the class and number of shares held by them. Holders of shares of the same class shall enjoy equal rights and bear equal obligations.

Holders of ordinary shares of the Company are entitled to:

(I) to collect dividends and other distributions in other forms in proportion to the number of shares held by them;

(II) to request, convene, preside over, attend or appoint a proxy to attend general meetings in accordance with the laws and to exercise voting rights according to their respective shareholding;

(III) to oversee the business activities of the Company, and to make recommendations or inquiries;

(IV) to transfer, gift or pledge shares held by them in accordance with laws, regulations and Articles of Association;

(V) to obtain relevant information in accordance with laws, regulations and the Articles of Association, which shall include:

1. obtaining a copy of the Articles of Association after paying a reasonable charge;

2. being entitled to examine and, after payment of costs, make a copy of:

   (1) all parts of the register of shareholders;

   (2) personal data of Directors, Supervisors and senior management of the Company, including:

      (a) present and former names and aliases;

      (b) principal address (residence);

      (c) nationality;

      (d) full-time and all other part-time occupations and positions;

      (e) documents of identity and their numbers.

   (3) shareholding in the Company;

   (4) special resolutions of general meetings;

   (5) reports containing details of the aggregate par value, quantity, and highest and lowest prices of each class of shares repurchased by the Company since the last accounting year as well as all the expenses paid by the Company therefor;

   (6) counterfoil of debentures, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee, financial and accounting reports and minutes of general meetings of the Company (only available for reference by shareholders);

   (7) the latest audited financial statements, reports of the Board and the Supervisory Committee, auditor's report and the Supervisory Committee's report of the Company;

   (8) a copy of the latest annual report/annual return filed with the administrative management department for industry and commerce or other competent authorities of the PRC.

   Save for item (2), the Company shall make available other documents referred above at its address in Hong Kong for inspection by the public and the shareholders free of charge pursuant to the requirements of the Hong Kong Listing Rules.

(VI) in the event of the termination and liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;

(VII) when the procedural requirements for repurchase of shares by the Company under the Articles of Association and relevant laws and regulations are met, Shareholders who disagree with the resolutions on the merger or division of the Company which are passed by the general meeting may require the Company to acquire their shares;

(VIII) shareholders individually or jointly holding more than 3% of shares of the Company are entitled to propose additional resolution in writing to the Board ten days before the general meeting;

(IX) other rights conferred by laws, regulations and the Articles of Association.

If any person holding an interest in the shares either directly or indirectly exercises their rights without disclosing their interests to the Company, the Company shall not thus compromise the rights of such person by freezing their rights or in any other manner.

The holders of ordinary shares of the Company shall be subject to the following obligations:

(I) to comply with the laws, regulations and the Articles of Association;

(II) to pay the share capital with respect to the shares subscribed for and the method of subscription;

(III) save as stipulated by laws and regulations, no share refund is allowed;

(IV) not to abuse their rights as shareholders to jeopardize the Company's or other shareholder's interest. Any shareholder of the Company who causes any loss to the Company or to other shareholders by abusing the shareholder's rights shall be liable for compensation in accordance with the law. Any shareholder of the Company who evades debt by abusing the independence of the corporate legal entity and the limited liability of shareholders and causes serious prejudice to the interests of any creditor of the Company shall bear joint liability of the debts of the Company;

(V) other obligations the shareholders shall bear as required by laws, regulations and the Articles of Association.

Unless otherwise specified, shareholders are not liable for making any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

General Rules of Shareholders' General Meeting

The Shareholder's general meeting is the supreme organ of authority of the Company and shall exercise the following functions in accordance with the law:

(I) to determine the operating policies and investment plans of the Company;

(II) to elect and replace Directors, and to determine the remuneration of such Directors;

(III) to elect and remove non-employee representatives Supervisors, and to determine the remuneration of such Supervisors;

(IV) to consider and approve reports of the Board;

(V) to consider and approve reports of the Supervisory Committee;

(VI) to consider and approve the proposed annual financial budgets and final accounts of the Company;

(VII) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(VIII) to decide on any increase or reduction of registered capital or share capital of the Company;

(IX) to decide on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;

(X) to decide on the issue of corporate bonds, any class of shares, warrants and other securities, and listing;

(XI) to decide on the appointment, dismissal of or not to re-appoint accounting firms of the Company;

(XII) to amend the Articles of Association;

(XIII) to consider proposals from shareholders individually or jointly representing 3% or more of voting rights in the Company;

(XIV) to consider and approve repurchase of shares of the Company;

(XV) to consider and approve matters relating to the purchases, disposals of material assets, or provisions of investments or guarantees, which are more than 30% of the latest audited total assets of the Company, within one year;

(XVI) other matters required to be decided at a general meeting pursuant to laws and regulations, listing rules of the stock exchange of the place in which the shares of the Company are listed and the Articles of Association.

Without prior approval from a general meeting, the Company shall not enter into a contract with a person other than a Director, Supervisors or senior management whereby the management of all or a material part of the business of the Company is delegated to such person.

General meetings shall include annual general meetings and extraordinary general meetings. Annual meetings shall be convened once a year and shall be held within six months from the end of the preceding financial year.

The Board shall convene an extraordinary general meeting within two months upon the occurrence of any of the following circumstances:

(I) when the number of Directors is less than the number as stipulated in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(II) when the uncovered loss of the Company that have not been made up reach one-third of the total share capital;

(III) when shareholders who individually or collectively hold more than 10% of total number of the Company's shares entitled to vote make a written request to convene an extraordinary general meeting;

(IV) whenever the Board considers necessary or Supervisory Committee proposes to convene a general meeting;

(V) when more than two independent non-executive Directors propose to convene a general meeting;

(VI) such other circumstances as specified by laws, regulations, listing rules of the stock exchange where the Company is listed or the Articles of Association.

Convening of General Meeting

A general meeting shall be convened by the Board and shall be presided over and chaired by the chairman in accordance with the Company Law and the Articles of Association. In the event that the chairman is unable to attend the meeting for any reason, the vice-chairman shall convene the meeting and preside over the meeting; in the event that both the chairman and the vice-chairman are unable to attend the meeting, the Board may designate a Director to convene and preside over the meeting on its behalf.

Shareholders who request an extraordinary general meeting or a general meeting of a class of shareholders shall comply with the following procedures:

(I) shareholders who individually or jointly hold 10% or more of the shares carrying the right to vote in the meeting can request the Board to convene an extraordinary general meeting or a class meeting by signing one or several copies of written request(s) in the same form and content, and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as specified in the request as soon as possible. The shareholdings referred to above shall be calculated as at the date of request made.

(II) If the Board decides to convene an extraordinary shareholders' general meeting or a class meeting, a notice to convene such meeting shall be issued within five (5) days after the resolution to convene an extraordinary shareholders' general meeting is adopted by the Board. Any changes to the original proposal in the notice require the consent of the relevant shareholders.

(III) If the Board decides not to convene an extraordinary shareholders' general meeting or a class meeting, or does not reply within ten (10) days upon receipt of such request, shareholders who individually or jointly hold 10% or more of the shares of the Company have the right to propose to the Supervisory Committee to convene such meeting by way of written request(s).

(IV) If the Supervisory Committee decides to convene an extraordinary general meeting or a class meeting, a notice to convene such meeting shall be issued within five (5) days upon receipt of such request. Any changes to the original proposal in the notice require the consent of relevant shareholders. If the Supervisory Committee does not issue the notice of the meeting within thirty (30) days from the receipt of the aforementioned written request, it will be considered as a refusal to convene and preside over the shareholders' general meeting, and shareholders individually or jointly holding 10% or more of the shares of the Company for ninety (90) consecutive days or more have the right to convene over the meeting on their own within four months after the Board's receipt of such request. The procedures to convene shall, to the extent possible, be identical to the procedures the Board convenes the general meetings.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors.

Proposals at General Meeting

As a general meeting is convened, the Board, the Supervisory Committee and any shareholders individually or jointly holding 3% or more of the Company's shares with voting rights in aggregate may propose any new written resolution to the Company. The Company shall include matters that fall within the scope of power of the shareholders' general meeting in the agenda of such meeting.

Such shareholders who individually or jointly hold 3% or more of the Company's shares with voting rights in aggregate may submit an interim proposal in writing to the convener at least ten (10) days prior to the general meeting date. The convener shall then send a supplemental notice to the shareholders to announce the interim proposal, within two (2) days upon receipt of such proposal.

Other than the above circumstances, the convener shall not make any change in the notice of the general meeting to the existing proposals or add any new proposal after the issue of the notice.

The Company shall, based on the written replies received twenty (20) days before the general meeting date, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amounts to not less than half of the Company's total voting shares, the Company may hold the general meeting; if not, the Company shall within five (5) days notify the shareholders by way of public announcement of matters to be considered at and the place and date of the meeting.

No extraordinary meeting shall resolve matters not stipulated on its notice.

Resolutions at General Meeting

Resolutions of a general meeting are classified into ordinary resolutions and special resolutions. Ordinary resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding more than half of the voting rights. Special resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

The following matters shall be passed as ordinary resolutions in a general meeting:

(I) determining the Company's operational policy and investment plans;

(II) electing and changing the Directors deciding the matters relating to compensations of Directors;

(III) electing and changing the Supervisors assumed by non-representatives of the employees and deciding the matters relating to compensations of Supervisors;

(IV) approving reports of the Board and the Supervisory Committee;

(V) approving the annual financial budget proposal and final account of the Company;

(VI) approving company profit distribution plans and loss recovery plans;

(VII) deciding on the appointment, dismissal of and not re-appointing the accounting firm of the Company;

(VIII) company annual report;

(IX) matters other than those required to be passed as special resolutions pursuant to laws, regulations, listing rules of the stock exchange of the place in which the shares of the Company are listed and the Articles of Association.

The following matters shall be passed as special resolutions in a general meeting:

(I) increase or reduction in the registered capital or share capital of the Company;

(II) issuance and listing of bonds, any class of shares, warrants and other securities of the Company or other securities;

(III) merger, division, dissolution, liquidation or change of corporate form of the Company;

(IV) amendments to the Articles of Association;

(V) to consider and approve the repurchase of the shares of the Company;

(VI) to consider and approve matters relating to the purchases, disposals of material assets, or provisions of investments or guarantees, which are more than 30% of the latest audited total assets of the Company, within one year;

(VII) other matters specified by laws, regulations, listing rules of the stock exchange of the place in which the shares of the Company are listed, the Articles of Association and matters decided by way of ordinary resolutions by the general meeting that are considered to be significant to the Company and shall be passed as special resolutions in a general meeting.

SPECIAL PROCEDURES FOR VOTING BY CLASS SHAREHOLDERS

Shareholders of different classes of shares are class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws, regulations and provisions of the Articles of Association.

If the Company proposes to change or nullify the rights of a certain class of shareholders, such proposal shall be passed by a special resolution at a general meeting and be passed at the meeting convened according to the requirements of the Articles of Association for the affected class of shareholders.

No matter what is otherwise stipulated in the Articles of Association, the shareholders of unlisted foreign shares and shareholders of domestic shares are as the same class. Any variation or abrogation (as the case may be) of any rights of shareholders of unlisted foreign shares shall be deemed as variation or abrogation of any rights of shareholders of the domestic shares, and vice versa.

The rights of a certain class of shareholders shall be deemed to have been changed or nullified in the following circumstances:

(I) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(II) to convert part or whole of the shares of that class into another class, convert part or whole of the shares of another class into that class, or grant such conversion rights;

(III) to nullify or reduce the rights of that class of shares to receive payable dividends or cumulative dividends;

(IV) to reduce or nullify the privileged rights of that class of shares to acquire dividends or to obtain distribution of assets during liquidation of the Company;

(V) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of that class of shares or the rights of such class of shares to obtain securities issued by the Company;

(VI) to nullify or reduce the rights of that class of shares to receive amounts payable by the Company in a particular currency;

(VII) to create a new class of shares which enjoys the same or more voting rights, distribution rights or other privileges as compared with that class of shares;

(VIII) to restrict the transfer and ownership of that class of shares, or increase the restrictions;

(IX) to grant the share subscription options or share conversion options of or another class of shares;

(X) to increase the rights or privileges of another class of shares;

(XI) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of shareholders during the restructuring;

(XII) to revise or nullify the provisions in the Article of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at shareholders' class meetings in respect of matters referred to in items (II) to (VIII) and (XI) to (XII) above in the Articles, but interested shareholders shall not be entitled to vote at such shareholders' class meetings.

A resolution of the meeting for a certain class of shareholders shall be adopted by above two-thirds of the voting shares represented by shareholders of that class present at the meeting in accordance with provision in the Articles of Association.

The special voting procedures for class shareholders shall not apply to the following circumstances:

(I) the Company independently, upon the approval by way of special resolution by general meeting, issues domestic shares and/or overseas listed foreign shares every twelve months, provided that the amount of each of the domestic shares and overseas listed foreign shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class;

(II) the Company's plan on issuing domestic shares and overseas listed foreign shares at time of its incorporation, which is completed within fifteen (15) months upon the date of approval from the securities regulatory authorities of the State Council;

(III) Upon the approval by the securities supervisory and regulatory authority under the State Council, the holders of domestic shares of the Company transfer the unlisted shares they hold to foreign investors and to list and trade them in overseas stock exchanges.

DIRECTORS AND BOARD

Directors

Directors shall be elected or appointed by general meeting, for a term of three years. A Director may be re-elected and reappointed upon expiry of his or her term of office.

A Director is not required to hold any Share of the Company.

Where re-election is not carried out promptly after a Director's term of office expires, or if the resignation of a Director during his term of office causes the number of Board members to fall below the statutory quorum, the existing Director shall continue to perform the duties owed by a Director subject to the laws, administrative regulations, departmental rules and the Article of Association before a new Director is elected to take up the office.

Remunerations and Compensation for Loss of Office

The Company shall enter into written contracts with Directors and Supervisors in relation to their remunerations, subject to prior approval at a general meeting. The aforesaid remunerations shall include:

(1) Remunerations as Directors, Supervisors or senior management of the Company;

(2) Remunerations as Directors, Supervisors or senior management of the subsidiaries of the Company;

(3) Remunerations for providing other services for the Company and its subsidiaries;

(4) Compensations for such Directors or Supervisors for losing their positions or for retirement.

Save as specified in aforesaid contracts, the Directors and Supervisors shall not file a lawsuit against the Company for the aforesaid matters.

The Company shall specify in the contracts entered into with the Directors or Supervisors in relation to remunerations that if the Company is acquired, Directors and Supervisors of the Company, with prior approval by the general meeting, are entitled to compensations or other monies for losing their positions or for retirement. The acquisition of the Company in the preceding paragraph refers to any of the following circumstances:

(1) Tender offer of any person to all shareholders;

(2) Tender offer of any person with the aim of becoming a controlling shareholder (as defined in the Articles of Association).

Any monies received by the relevant Directors or Supervisors in violation of the preceding provision shall belong to those who sell their shares in response to the aforesaid tender offer, and the said Directors or Supervisors shall bear the expenses for distributing the said monies in proportion, which expenses shall not be deducted from the said monies.

Borrowing Power

Subject to compliance with applicable laws and administrative regulations of the PRC and Hong Kong Listing Rules, the Company has the power to raise and borrow money, which includes, without limitation, the issue of debentures and the charging or mortgaging of part or whole of the Company's properties. The Articles of Association (a) do not contain any specific provision in respect of the manner in which borrowing powers may be exercised by the Directors (other than provisions which give the Directors the power to formulate proposals for the issue of bonds by the Company); and (b) provisions which provide that the issue of bonds must be approved by the shareholders' general meeting by way of a special resolution.

Loans to Directors, Supervisors and Senior Management

The Company may not provide loans or loan guarantees directly or indirectly to Directors, Supervisors or senior management of the Company or its parent company, and the Company may not provide loans or loan guarantees to a related person of such individuals either.

The preceding provision will not apply to the following circumstances:

(1) the Company provides loans to its subsidiaries or provides loan guarantees to its subsidiaries;

(2) the Company provides loans, loan guarantees or other payment to Directors, Supervisors or senior management of the Company for them to pay fees incurred for the purposes of the Company or for fulfilling their duties, in accordance with the service contracts approved by the general meeting;

(3) if the scope of normal business of the Company includes provision of loans or loan guarantees, the Company may provide loans or loan guarantees to relevant Directors, Supervisors, senior management and their related persons, but provision of loans or loan guarantees shall be subject to normal business conditions.

If the Company provides loans in violation of the preceding provisions, the recipient of the loans shall return the same immediately regardless of the loan conditions.

Any loan guarantee provided by the Company in violation of the requirements of the Articles of Association shall not be mandatorily enforced against the Company, unless under the following circumstances:

(1) the loan provider unknowingly provides loans to related persons of Directors, Supervisors and senior management of the Company or its parent company;

(2) the collateral provided by the Company is sold lawfully by the loan provider to the buyer in good faith.

Disclosure of interests in contracts with the company

Where a Director, Supervisor, senior management of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement, or proposed contract, transaction or arrangement, with the Company (other than the contract of service of such Director, Supervisor or senior management concluded with the Company), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, regardless of whether such matter is under normal circumstances subject to the approval of the Board.

Unless the interested Director, Supervisor, senior management discloses his interests to the Board in accordance with our Articles of Association and such matter is approved by the Board at a meeting in which the interested Director, Supervisor, senior management is not counted in the quorum and refrains from voting, the contract, transaction or arrangement is voidable at the request of the Company except as against a bona fide party acting without notice of the breach of duty by the interested Director, Supervisor, senior management.

A Director, Supervisor, senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which one of his related persons is interested.

If a Director, Supervisor, senior management of the Company, before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company, gives to the Board of Directors and Board of Supervisors a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contracts, transactions or arrangements and such contracts, transactions or arrangements are subsequently made by the Company, such notice shall be deemed to have made disclosures for the purpose of the above paragraphs to the extent of such disclosure in such notice.

Board

The Company shall set up a Board of Directors. The Board shall be composed of seven Directors. The Board shall have one chairman and one deputy chairman.

The Board shall be accountable to the general meeting and perform the following duties and powers:

(I) to convene the general meeting and report its performance at the general meetings;

(II) to implement resolutions adopted at the general meetings;

(III) to make decisions on the Company's business plans and investment plans;

(IV) to formulate the Company's annual financial budgets and annual final accounting plans;

(V) to formulate the Company's profit distribution plans and loss recovery plans;

(VI) to formulate the proposals on the increase or reduction of the Company's registered capital and the proposals on the issuance of corporate bonds and other securities;

(VII) to prepare the plans for merger, division, dissolution, liquidation or other changes in corporate form of the Company;

(VIII) to determine the establishment of internal management departments;

(IX) to appoint or dismiss the general manager; and to appoint or dismiss the deputy general manager, secretary to the Board, the responsible financial officer and other staff that shall be appointed or dismissed by the Board as nominated by the general manager and to determine their remunerations;

(X) to formulate the basic management system of the Company;

(XI) to formulate the proposals for any amendment to the Articles of Association;

(XII) to formulate plans of repurchase of the Company's share;

(XIII) other authority granted by the laws, regulations, departmental rules and the listing rules of the stock exchange where the Shares of the Company are listed, the Articles of Association or the general meeting.

Resolutions by the Board on the matters referred to in the preceding paragraph shall, be passed by the affirmative vote of more than one half of all of the Directors with the exception of resolutions on the matters referred to in items (VI), (VII), (XI) and (XII), which shall require the affirmative vote of at least two-thirds of all of the Directors for adoption.

The chairman of the Board shall perform the following duties and powers:

(I) to preside over the general meetings, and to convene and preside over Board meetings;

(II) to inspect the implementation of the resolutions of the Board;

(III) to sign the securities issued by the Company;

(IV) other duties and powers granted by the Board.

If the chairman of the Board is unable to perform his or her duties and powers for any reasons, the chairman may designate the vice-chairman to perform his duties and powers on his behalf.

The Board meetings are divided into regular Board meetings and extraordinary Board meetings.

Board meetings shall be convened at least four times a year, and it shall be convened and presided over by the chairman. Notices of regular Board meetings shall be sent to all Directors, Supervisors and the general manager fourteen (14) days prior to the convening date of the relevant meeting. Notices of extraordinary Board meetings shall be sent to all Directors, Supervisors and the general manager five days prior to the convening date of the relevant meeting.

The chairman of the Board shall convene and preside over an extraordinary Board meeting within ten (10) days from the date of receipt of one of the following requests:

(I) when proposed by shareholders representing more than one tenth of the total number of shares carrying voting rights of the Company;

(II) request of one-third or more of the Directors;

(III) request of the Supervisory Committee;

(IV) request of over half of the independent non-executive Directors; and

(V) when chairman of the Board deems necessary.

A Board meeting shall not be convened unless more than half of the Directors (including Directors appointed to attend on his or her behalf) are present. Each Director shall have one vote at the Board meeting. Resolutions of the Board must be passed by a majority vote of all Directors.

When the number of dissenting votes is equal to affirmative votes, the chairman may cast another vote.

Directors shall attend the meeting of the Board in person. If for any reason the Directors are unable to attend, they may authorize other Directors in written to attend the Board meeting and vote on their behalf. The name of proxy, the relevant matters, scope of authorization and valid duration shall be stated in the power of attorney, which shall be signed by the appointer or a chop shall be affixed. The representatives of the Directors attending the meeting shall exercise their authorities within the scope as authorized. Any Director absents from the meeting of the Board who fails to appoint a representative is deemed to have waived their voting rights at such meeting.

The Board shall maintain minutes to record its decisions on the matters it has considered. Directors present at the meeting and the minute-taker shall sign on the minutes.

Secretary to the Board

The Company shall have a Secretary to the Board. The Secretary to the Board shall be a senior management officer of the Company.

The Secretary to the Board shall be held by a natural person with necessary professional knowledge and experience, who shall be appointed by the Board. The primary duties of the Secretary to the Board are:

(I) to keep the Company's organizational documents and records intact;

(II) to ensure that the Company timely prepares and submits the reports and documents required by the competent authority;

(III) to ensure the proper maintenance of the Company's register of members, and to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;

(IV) to coorindate and organize matters of information disclosure of the Company;

(V) other responsibilities required by the Articles of Association or authorized by the Board.

A Director or senior management of the Company may concurrently serve as the secretary to the Board. No accountant of the accounting firm engaged by the Company shall concurrently serve as the secretary to the Board.

Where a Director concurrently serves as the secretary to the Board and a certain act should be done by Directors and the secretary to the Board respectively, he/she shall not do the act in his/her double capacities.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisors

The members of the Supervisory Board shall be composed of two non-employee representative Supervisors and one employee representative Supervisors. The non-employee representative Supervisors shall be elected or dismissed by the general meeting. Employee representative Supervisors shall be elected or dismissed by employees of the Company.

The Directors, general manager, person in charge of finance and other senior management shall not be Supervisors concurrently.

Supervisory Committee

Supervisory Committee shall be composed of three persons. Supervisory Committee shall have one chairman, which shall be elected or dismissed by two-thirds or more of the Supervisors. The chairman of Supervisory Committee convenes and presides over meeting of Supervisory Committee; when the chairman of the Supervisory Committee is unable or fails to perform his or her duties, a Supervisors appointed by half or more of all Supervisors shall convene and preside over the meetings of the Supervisory Committee.

The Supervisory Committee shall be accountable to the general meeting and perform the following duties and powers:

(I) to check the financial condition of the Company;

(II) to monitor whether the Directors, general manager and other senior management act in contravention to the laws, regulations or the Articles of Association;

(III) to demand rectification from the Directors, general manager and other senior management when their acts are detrimental to the interests of the Company;

(IV) to check financial reports, operation reports and profit distribution proposals submitted by the Board to the shareholders' general meeting, and to engage, on behalf of the Company, certified accountants and auditors to review such reports if any problems are identified;

(V) to propose to convene the extraordinary general meeting;

(VI) to represent the Company in negotiating with or in bringing action against Directors;

(VII) to perform other duties as required by the laws, regulations and the Articles of Association.

Supervisors have the right to attend the Board meetings.

Supervisors Committee meetings shall be convened at least twice every year, and it shall be convened by the chairman of Supervisors Committee. Supervisors Committee can suggest to convene the extraordinary Supervisors Committee meetings.

Notices of the regular Supervisors Committee meetings shall be given at least fourteen (14) days prior to the convening of the Supervisors Committee meeting. Extraordinary Supervisors Committee meetings may be given at least five (5) days prior to the convening of the Supervisors Committee meeting.

Resolutions of Supervisors Committee

Each Supervisors shall have one vote. The resolution made by the Supervisors Committee shall be passed by two-thirds or more of the members of the Supervisors.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

The Company shall have one general manager, several deputy general managers and one responsible financial officer, all of whom are appointed or dismisses by the Board.

The general manager shall be accountable to the Board and perform the following duties and powers:

(I) to lead the management of production and operation of the Company, and to organize and implement the resolutions of the Board;

(II) to organize and implement the annual operation plan and investment proposal of the Company;

(III) to propose the establishment proposal of the internal management departments of the Company;

(IV) to formulate the basic management system of the Company;

(V) to formulate the basic rules of the Company;

(VI) to propose the Board to appoint or dismiss deputy general manager, responsible financial officer of the Company;

(VII) to appoint or dismiss the management in charge other than appointment or dismissal by the Board;

(VIII) other duties and powers granted by the Articles of Association and the general meeting.

General manager has the right to attend the Board meetings as non-voting observers and the general manager who is not a Director has no voting right.

Qualifications and Duties of the Directors, Supervisors and other Senior Management of the Company

In the conditions as set out below, the following persons shall not serve as Directors, Supervisors, general manager or other senior management of the Company:

(I) persons without civil capacity or with limited civil capacity;

(II) persons who have committed corruption, bribery, embezzlement, misappropriation of property or disruption of the order of social economy and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years have elapsed since the date of restoring their political rights;

(III) persons who were former Directors, factory managers or managers of a company or enterprise which was declared bankrupt and was liquidated as a result of improper management and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the Company or enterprise;

(IV) persons who were legal representatives of a company or enterprise which had its business license revoked and had been ordered to shut down due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation;

(V) persons who have a substantial amount of debts due and outstanding;

(VI) persons who were investigated by judicial offices and the lawsuit is not settled yet;

(VII) persons who cannot serve as corporate leaders according to laws and regulations;

(VIII) non-natural person;

(IX) persons who have been convicted by the competent authority for violation of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;

(X) persons currently subject to restriction from entering into the securities market by securities supervisory and regulatory authorities of the State Council;

(XI) circumstances as required by laws and regulations, listing rules of the stock exchange of the place in which the stocks of the Company are listed or the relevant laws and regulations of a place where the Company's stock are listed.

The validity of the conduct of Directors, general manager or other senior management who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointment, election or qualification.

Besides the obligations as stipulated in the laws, regulations or the listing rules of the stock exchanges where the stocks of the Company are listed, the Directors, Supervisors and senior management of the Company shall perform the following obligations on each shareholder when exercising the powers conferred on them by the Company:

(I) not to allow the Company to operate beyond the scope stated in the business license;

(II) to act, *bona fide*, in the best interests of the Company;

(III) not to deprive in any way the properties of the Company, including but not limited to opportunities advantageous to the Company;

(IV) not to deprive the personal interests of shareholders, including but not limited to the right to distributions and the right to vote; however, company restructuring proposed to the general meeting for approval in accordance with the Articles of Association is excluded.

The Directors, Supervisors and senior management of the Company shall perform their duties in accordance with the principle of honesty and shall not put themselves in a position where their duties and their interests may conflict. These principles include but not limited to the following:

(I) to act, *bona fide*, in the best interests of the Company;

(II) to exercise powers within the scope of their powers;

(III) to exercise their discretion vested in them and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws, regulations or with the consent of shareholders' general meeting, not to delegate others to exercise their discretion;

(IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(V) not to enter into any contract, transaction or arrangement with the Company unless otherwise provided by the Articles of Association or with the consent of shareholders' general meeting;

(VI) not to use the Company's property for their own benefit without the consent of shareholders' general meeting;

(VII) not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;

(VIII) not to accept commissions in connection with the transactions of the Company without the consent of shareholders' general meeting;

(IX) to abide by the Articles of Association, perform their official duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;

(X) not to compete with the Company in any way unless with the consent of shareholders' general meeting;

(XI) not to misappropriate the Company's funds, not to open accounts in their own names or other names for the deposit of the assets or funds of the Company, not to provide guarantees to a shareholder of the Company or other individual(s) with the assets of the Company;

(XII) unless otherwise permitted by shareholders' general meeting, to keep confidential the information acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if the disclosure is:

(i) by order of the laws;

(ii) in the interests of the public;

(iii) in the interest of the relevant Director, Supervisors or senior management.

Proceeds from violating this Article of the persons mentioned in this Article shall belong to the Company; losses caused to the Company by such persons shall be indemnified by the same.

Directors, Supervisors or senior management of the Company shall not direct the following persons or bodies (hereinafter referred to as the "Relevant Person") to do anything to which the Directors, Supervisors or senior management are not permitted:

(I) the spouse or minor children of the Directors, Supervisors or senior management of the Company;

(II) the trustee of the Directors, Supervisors or senior management of the Company or of the persons stated in (I) above;

(III) the partners of the Directors, Supervisors or senior management of the Company or of the persons stated in (I) and (II) above;

(IV) the Company(ies) solely controlled in fact by the Directors, Supervisors and senior management or the Company(ies) jointly controlled in fact by the persons mentioned in (I), (II) and (III) above or other Directors, Supervisors and senior management of the Company; and

(V) the Directors, Supervisors and senior management of the Company(ies) so controlled as referred to in (IV) above.

FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

Financial and Accounting Systems

The Company shall establish its financial and accounting systems in accordance with the laws, regulations and the requirements of the PRC accounting standards established by the competent financial authorities of the State Council.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. Any material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be explained in the notes to the financial statements. Distribution of profits after tax of the relevant financial year shall be based on the lower of the profits after tax shown in the two financial statements mentioned above.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the place outside the PRC where shares of the Company are listed.

The Company shall publish two financial reports each accounting year, i.e. an interim financial report to be published within sixty (60) days after the end of the first six months of the accounting year and the annual financial report to be published within one hundred and twenty (120) days after the end of the accounting year.

The Company shall not keep accounts other than those required by laws.

Profit Distribution

During the distribution of its after-tax profit for the current year, the Company shall withdraw 10% after-tax profit as statutory common reserve fund, and the Company may not withdraw statutory common reserve fund if the cumulative amount has exceeded 50% of the Company's registered capital.

Where the statutory common reserve fund of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawing of the statutory common reserve fund in accordance with the above provisions.

After the withdrawing the statutory common reserve fund from the after-tax profit by the Company, the discretionary reserve may be withdrawn from the after-tax profit with the approval from the general meeting.

The profit after makeup of the loss and withdrawing of the reserves shall be available for distribution by the shareholders and shall be distributed by the Company based on the shareholding proportions of the shareholders pursuant to a resolution of the Company's general meeting.

If the general meeting distributes profits to shareholders before the Company recovers losses and withdraws statutory common reserve fund, in violation of relevant provisions, shareholders must return to our Company the profits so distributed.

The shares of our Company held by our Company shall not be subject to profit distribution. Capital reserve fund includes the following items:

(I) premium proceeds from the shares issued over their par value;

(II) any other income required to be included in the capital reserve fund by the competent finance department of the State Council.

The common reserve funds of the Company shall be applied for making up for losses, expanding the Company's production and operation or capitalization. However, the capital reserve fund shall not be applied for making up losses of the Company.

The Company makes dividends distributions in the form of cash or shares.

The Company shall appoint receiving agents on behalf of the holders of overseas-listed foreign invested shares to receive, on behalf of the relevant shareholders, the dividends declared and other receivables.

The collection agents appointed by our Company shall meet the requirements in local laws or in relevant stock exchange regulations in the place of listing.

The receiving agents appointed for holders of overseas-listed foreign-invested shares listed in the Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Accounting Firm

The Company shall appoint an independent accounting firm that is qualified under the relevant national regulations to audit the Company's annual financial reports and to review other financial reports of the Company.

The accounting firm appointed by the Company shall hold office commencing from the end of the annual general meeting of the Company and expiring upon the end of the next annual general meeting.

The accounting firm appointed by the Company to perform an annual audit shall have the following rights:

(I) to review the financial statements, records and vouchers of the Company, and to require the Directors, general manager or other senior management of the Company to supply relevant information and explanations;

(II) to require the Company to take all reasonable measures to obtain from its subsidiaries such information and explanations as are necessary for the discharge of the duties of accounting firm;

(III) to attend shareholders' general meetings and to receive all notices of meetings or other information to which any shareholders are entitled, and to speak at any shareholders' general meeting in relation to matters concerning its role as the accounting firm of the Company.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, Shareholders at a shareholders' general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but without prejudice to the right of the firm to claim for damages in respect of such removal.

The remuneration of the accounting firm or the way in which the firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of the accounting firm appointed by the Board shall be determined by the Board.

Prior notice shall be given to the accounting firm if the shareholders' general meeting decides to remove or not to renew the appointment. The accounting firm shall be entitled to make representations at the relevant shareholders' general meeting. If an accounting firm resigns from its position, it shall make representations to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing a written resignation notice at the legal address of the Company. Resignation of the accounting firm shall become effective on the date of such deposit or on such later date stipulated in such notice. Such notice shall contain the following statements:

(I) a statement to the effect that there are no circumstances in connection with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(II) a statement of any other circumstances requiring an explanation.

Where the above notice is deposited, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under Clause (2) aforesaid, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign shares at the address registered in the register of shareholders.

If the notice of resignation of an accounting firm contains a statement in respect of any circumstances requiring an explanation, it may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances in connection with its resignation.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved and liquidated according to the laws upon the occurrence of the following events:

(I) the general meeting has resolved to dissolve the Company;

(II) merger or division of the Company entails dissolution;

(III) the Company is legally declared insolvent due to its failure to repay due debts;

(IV) the business license is revoked or it is ordered to close down or be dissolved in accordance with the law for violation of laws and administrative regulations by the Company;

(V) when serious difficulties occur to our Company's operation and management and significant losses will be incurred to the shareholders by its continuance, and such difficulties cannot be solved by other means, the shareholders holding more than 10% of the total voting rights of all the shareholders may request the people's court to dissolve our Company.

If the Company is dissolved pursuant to (I), (IV) and (V) above, it shall establish a liquidation committee, within fifteen (15) days after the dissolution circumstance arises. The liquidation committee shall be formed by members determined by the Directors or the general meeting.

If the Company is dissolved pursuant to (III) above, the People's Court shall order a liquidation committee which is established by the shareholders, relevant bodies and professionals pursuant to the requirements of the relevant laws to perform the liquidation.

If the Board decides to perform the liquidation, other than a liquidation due to the Company's declaration of bankruptcy, it shall state in the notice for convening the general meeting in this regard that a thorough inspection in respect of the Company's status has been made and that all the Company's debts can be settled by it within twelve months upon commencement of the liquidation.

The Board shall lose its powers immediately after the resolution for liquidation is passed at the Shareholders' meeting.

In compliance with the instructions of the general meeting, the liquidation committee shall report to the general meeting at least once annually the income and expenses of the committee, the business operations of the Company and the progress of the liquidation, and to make a final report to the general meeting when the liquidation is completed.

The liquidation committee shall notify all creditors within ten (10) days after its establishment and shall make a public announcement in a newspaper within sixty (60) days. The creditors shall declare their rights to the liquidation committee within thirty (30) days after receipt of the notice or within forty-five (45) days after announcement if the creditors have not received the notice.

The creditors shall explain matters relating to their rights and provide relevant supporting documents. The liquidation committee shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

The liquidation committee shall perform the following duties during the liquidation:

(I) to examine and take possession of the Company's assets and prepare a balance sheet and an inventory of assets;

(II) to inform creditors by notice or announcement;

(III) to deal with the outstanding affairs of the Company relating to liquidation;

(IV) to settle outstanding taxes as well as taxes arising in the course of liquidation;

(V) to settle claims and debts of the Company;

(VI) to dispose of the remaining assets of the Company after the settlement of debts;

(VII) to represent our Company in civil proceedings.

After the liquidation committee has examined and taken possession of the Company's assets and prepared a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan for approval of the shareholders' general meetings or relevant competent authorities.

The Company shall, according to the types of shares and in proportion to the shares held by the shareholders, distribute the properties of the Company remaining after successive payment of the liquidation expenses, employees' wages, social insurance expenses and statutory compensations, outstanding taxes, and the Company's debts.

During the liquidation period, the Company cannot carry out operating activities irrelevant to the liquidation.

The Company's property shall not be distributed to the shareholders before repayment according to the preceding provision.

For dissolution due to the Company's liquidation, after the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall apply to the People's Court to declare the Company bankrupt pursuant to law.

Following a ruling by the People's Court that the Company is bankrupt, the liquidation committee shall transfer to the People's Court all matters relating to the liquidation.

Upon completion of the Company's liquidation, the liquidation committee shall prepare a liquidation report and a statement of the receipts and payments and the financial accounts for the liquidation period which shall be submitted to the shareholders' general meeting or the People's Court for confirmation upon verification by a certified public accountant in the PRC.

The liquidation committee shall, within 30 days after the confirmation of the liquidation report by the shareholders' general meeting or the relevant competent authorities, submit the liquidation report to the authorities governing the administration of industry and commerce and apply for cancelation of registration of the Company, and publish an announcement relating to the termination of the Company.

AMENDMENTS TO THE ARTICLES

According to the requirements of laws, regulations, listing rules of the stock exchange of the place in which the shares of the Company are listed and the Articles of Association, the Company may amend the Company's Articles.

For any amendment to the Articles involving the Mandatory Provisions, no amendment shall come into effect until it is approved by the Company approval department authorized by the State Council and CSRC (if necessary). If such amendment involves registration of the Company, the involved change shall be registered pursuant to law.

SETTLEMENT OF DISPUTES

The Company follows the following rules for settlement of disputes:

(I) All disputes and claims arose between the Company's Directors or general manager or other senior management and the Company, between shareholders of overseas-listed foreign shares and the Company, between shareholders of overseas-listed foreign shares and the Company's Directors, Supervisors, general manager or other senior management, or between shareholders of overseas-listed foreign shares and shareholders of domestic shares arising from the Articles of Association, any rights or obligations conferred or imposed by the Companies Law and other relevant laws and regulations concerning the affairs of the Company shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the claim or dispute must be referred to arbitration as a whole, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is our Company or our Company's shareholders, Directors, Supervisors or senior management, comply with the decisions made in the arbitration.

Disputes in relation to the definition of shareholders and register of shareholders need not be resolved by arbitration.

(II) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral institution elected by the claimant.

If a claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(III) If any disputes or claims of rights as set out in (I) are referred to arbitration, the laws of the PRC, shall apply, unless otherwise provided in the laws and regulations.

(IV) The arbitration award of an arbitral institution shall be final and conclusive and binding on parties thereto.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation

Our Company was established as a limited liability company in the PRC on July 3, 2009 and was converted into a joint stock limited company on November 29, 2018 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company is RMB314,150,943.

Our Company has established a place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on November 23, 2018. Ms. Fok, one of our joint company secretaries, has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V—Summary of Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV—Summary of Principal Legal and Regulatory Provisions."

Changes in Share Capital

On July 3, 2009, our Company was incorporated with a registered capital of RMB5 million.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Prospectus:

On December 20, 2017, the registered capital of our Company was increased from RMB33.23 million to RMB37.76 million. The increased registered capital was contributed by the then existing shareholders and the Employee Entities.

On May 11, 2018, with additional capital contributions from Muheng Capital Partners (Hong Kong) Limited and Jiaxing Dechanghong Investment Partnership (Limited Partnership) (嘉興德昶弘投資合夥企業(有限合夥)), the registered capital of our Company was further increased from RMB37.76 million to RMB42.01 million. On the same day, our Board approved the merger of Hangzhou Aihua Technology Consultation Limited (杭州艾華技術諮詢有限公司) into our Company, of which the registered capital our Company was increased from RMB42.01 million to RMB42.02 million.

On November 29, 2018, our Company was converted into a joint stock limited company. Upon the conversion, the registered share capital of our Company was RMB300 million, which was divided into 300 million shares with a nominal value of RMB1.00 each.

On June 10, 2019, the registered share capital of our Company was further increased to RMB314.15 million, with additional capital contributions from five new shareholders.

For more details, see "History, Development and Corporate Structure—Establishment and Development of Our Company." Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this Prospectus.

Corporate Reorganization

Our Company has not gone through any corporate reorganization. For details of the history and development of our Company, see "History, Development and Corporate Structure."

Resolutions of our Shareholders

Pursuant to a general meeting held on July 8, 2019, among other things, our Shareholders resolved that:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and

(d) authorization of the Board to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Changes in Share Capital of our Subsidiaries

Our major subsidiaries and operating entities as of the Latest Practicable Date are set out in "History, Development and Corporate Structure—Our Major Subsidiaries and Operating Entities."

The following changes in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this Prospectus.

On September 20, 2018, Venus Medtech (Hong Kong) Limited was incorporated in Hong Kong as a wholly-owned subsidiary of our Company with share capital of HK$10,000.

On July 9, 2019, Qi'ai Medtech (Chengdu) Limited (啓愛醫療器械(成都)有限公司) was established in the PRC as a wholly-owned subsidiary of our Company with registered capital of RMB500,000.

On September 3, 2019, Venus Healthcare Limited was incorporated in Hong Kong as a wholly-owned subsidiary of our Company with share capital of HK$10,000.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

1. a capital increase agreement (增資協議) dated April 26, 2018, entered into among our Company, Mr. Zeng, Bangsong Ding (丁邦松), Meihua Zhao (趙美華), Real Wealth Management Ltd., Golden Heat Management Company Limited, Adventure 03 Limited, DNA 01 (Hong Kong) Limited, Shenzhen Dinova Ruihe Venture Investment L.P. (深圳市德諾瑞和創業投資合夥企業(有限合夥)), Zhejiang Dinova Ruiying Venture Investment L.P. (浙江德諾瑞盈創業投資合夥企業(有限合夥)), Ming Zhi Investments Limited, QM22 Limited, Suzhou Qiming Ronghe Venture Investment Fund (Limited Partnership) (蘇州啓明融合創業投資合夥企業(有限合夥)), SCC Venture IV-Bright (HK) Limited, Tibet Fenglong Xinglian Investment Center (Limited Partnership) (西藏豐隆興聯投資中心(有限合夥)), Beijing Genesis Capital Investment (Holding) Co., Ltd. (北京聯和運通投資有限公司), Blaze 02 Limited, Sloan New Products Investment Company Limited, Prime State Ventures Limited, Broad Street Investments Holding (Singapore) Pte. Ltd., MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd., Hangzhou Mingnuo Investment Partnership (Limited Partnership) (杭州明諾投資合夥企業(有限合夥)), Hangzhou Qifei Investment Partnership (Limited Partnership) (杭州啓非投資合夥企業(有限合夥)), Hangzhou Qihe Investment Partnership (Limited Partnership) (杭州啓和投資合夥企業(有限合夥)), Hangzhou Qilai Investment Partnership (Limited Partnership) (杭州啓來投資合夥企業(有限合夥)), Hangzhou Qili Investment Partnership (Limited Partnership) (杭州啓立投資合夥企業(有限合夥)), Hangzhou Qinuo Investment Partnership (Limited Partnership) (杭州啓諾投資合夥企業(有限合夥)), Hangzhou Qisheng Investment Partnership (Limited Partnership) (杭州啓勝投資合夥企業(有限合夥)), Hangzhou Qixin Investment Partnership (Limited Partnership) (杭州啓心投資合夥企業(有限合夥)), Hangzhou Qichu Investment Partnership (Limited Partnership) (杭州啓初投資合夥企業(有限合夥)), Mars Holding Limited, Mercury Holding Limited, Blue Summit Management Limited, Jupiter Holding Limited, Jiaxing Dechanghong Investment Partnership (Limited Partnership) (嘉興德昶弘投資合夥企業(有限合夥)) and Muheng Capital Partners (Hong Kong) Limited, pursuant to which (i) Jiaxing Dechanghong Investment Partnership (Limited Partnership) (嘉興德昶弘投資合夥企業(有限合夥)) agreed to subscribe for the increased registered capital of RMB1,908,492 at a consideration of RMB200,000,000; and (ii) Muheng Capital Partners (Hong Kong) Limited agreed to subscribe for the increased registered capital of RMB2,337,772 at a consideration of USD39,000,000;

2. an agreement and plan of merger dated September 22, 2018, entered into among Venus Medtech (Hong Kong) Limited, Madolin Ltd., Keystone Heart and Shareholder Representative Services LLC, pursuant to which the parties agreed that, among others, Madolin Ltd. would be merged with and into Keystone Heart;

3. a capital increase agreement (增資協議) dated May 15, 2019, entered into among our Company, Horizon Binjiang LLC, Mr. Zi, Meihua Zhao (趙美華), Golden Heat Management Company Limited, Adventure 03 Limited, DNA 01 (Hong Kong) Limited, Shenzhen Dinova Ruihe Venture Investment L.P. (深圳市德諾瑞和創業投資合夥企業(有限合夥)), Zhejiang Dinova Ruiying Venture Investment L.P. (浙江德諾瑞盈創業投資合夥企業(有限合夥)), Ming Zhi Investments (BVI) Limited, QM22 (BVI) Limited, Suzhou Qiming

Ronghe Venture Investment Fund (Limited Partnership) (蘇州啓明融合創業投資合夥企業(有限合夥)), SCC Venture IV-Bright (HK) Limited, Tibet Fenglong Xinglian Investment Center (Limited Partnership) (西藏豐隆興聯投資中心(有限合夥)), Beijing Genesis Capital Investment (Holding) Co., Ltd. (北京聯和運通投資有限公司), Blaze 02 Limited, Sloan New Products Investment Company Limited, Prime State Ventures Limited, Broad Street Investments Holding (Singapore) Pte. Ltd., MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd., Hangzhou Mingnuo Investment Partnership (Limited Partnership) (杭州明諾投資合夥企業(有限合夥)), Hangzhou Qifei Investment Partnership (Limited Partnership) (杭州啓非投資合夥企業(有限合夥)), Hangzhou Qihe Investment Partnership (Limited Partnership) (杭州啓和投資合夥企業(有限合夥)), Hangzhou Qilai Investment Partnership (Limited Partnership) (杭州啓來投資合夥企業(有限合夥)), Hangzhou Qili Investment Partnership (Limited Partnership) (杭州啓立投資合夥企業(有限合夥)), Hangzhou Qinuo Investment Partnership (Limited Partnership) (杭州啓諾投資合夥企業(有限合夥)), Hangzhou Qisheng Investment Partnership (Limited Partnership) (杭州啓勝投資合夥企業(有限合夥)), Hangzhou Qixin Investment Partnership (Limited Partnership) (杭州啓心投資合夥企業(有限合夥)), Hangzhou Qichu Investment Partnership (Limited Partnership) (杭州啓初投資合夥企業(有限合夥)), Mars Holding Limited, Mercury Holding Limited, Blue Summit Management Limited, Jupiter Holding Limited, Jiaxing Dechanghong Investment Partnership (Limited Partnership) (嘉興德昶弘投資合夥企業(有限合夥)), Muheng Capital Partners (Hong Kong) Limited, Ningbo Yuming Investment Management Partnership (Limited Partnership) (寧波予明投資管理合夥企業(有限合夥)), KYW Fitness & Wellness Management Limited, Shenzhen Futian Tongchuang Weiye Big Health Business Investment Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥)), Hangzhou Kouwen Shareholding Investment Partnership (Limited Partnership) (杭州叩問股權投資合夥企業(有限合夥)), Hangzhou Erlangshen Investment Partnership (Limited Partnership) (杭州二郎神投資合夥企業(有限合夥)), MZX Hong Kong Limited, Legend Architectural Design Co., Ltd, Poseidon Capital Partners Management Limited, Jiangsu Zhaoyin Modern Production Shareholding Investment Fund Phase I (Limited Partnership) (江蘇招銀現代產業股權投資基金一期(有限合夥)), Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業(有限合夥)), Taizhou Huitianjin Investment Partnership (Limited Partnership) (泰州市匯添金投資合夥企業(有限合夥)), Start New Limited and Huzhou Muxin Health Production Investment Partnership (Limited Partnership) (湖州沐心健康產業投資合夥企業(有限合夥)), pursuant to which (i) Jiangsu Zhaoyin Modern Production Shareholding Investment Fund Phase I (Limited Partnership) (江蘇招銀現代產業股權投資基金一期(有限合夥)) agreed to subscribe for the increased registered capital of RMB5,597,716 at a consideration of RMB121,950,000; (ii) Shenzhen Zhaoyin Gongying Shareholding Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業(有限合夥)) agreed to subscribe for the increased registered capital of RMB62,661 at a consideration of RMB1,350,000; (iii) Taizhou Huitianjin Investment Partnership (Limited Partnership) (泰州市匯添金投資合夥企業(有限合夥)) agreed to subscribe for the increased registered capital of RMB4,402,516 at a consideration of RMB95,900,000; (iv) Start New Limited agreed to subscribe for the increased registered capital of RMB3,144,654 at a consideration of USD10,000,000; and (v) Huzhou Muxin Health Production Investment Partnership (Limited Partnership) (湖州沐心健康產業投資合夥企業(有限合夥)) agreed to subscribe for the increased registered capital of RMB943,396 at a consideration of RMB20,550,000;

4. a cornerstone investment agreement dated November 26, 2019 among the Company, Gaoling Fund, L.P., YHG Investment, L.P., Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited, pursuant to which Gaoling Fund, L.P. and YHG Investment, L.P. agreed to subscribe for our H shares in the aggregate amount of USD50 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee);

5. a cornerstone investment agreement dated November 26, 2019 among the Company, GIC Private Limited, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited, pursuant to which GIC Private Limited agreed to subscribe for our H shares in the amount of USD30 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee);

6. a cornerstone investment agreement dated November 26, 2019 among the Company, Aspex Master Fund, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited, pursuant to which Aspex Master Fund agreed to subscribe for our H shares in the amount of USD20 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee);

7. a cornerstone investment agreement dated November 26, 2019 among the Company, Cephei QFII China Total Return Fund Ltd., Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, China Merchants Securities (HK) Co., Limited and Haitong International Securities Company Limited, pursuant to which Cephei QFII China Total Return Fund Ltd. agreed to subscribe for our H shares in the amount of USD20 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee);

8. a cornerstone investment agreement dated November 26, 2019 among the Company, China Alpha Fund Management Ltd, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited, pursuant to which China Alpha Fund Management Ltd agreed to subscribe for our H shares in the amount of USD10 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee); and

9. the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registration Number	Class	Valid Till	Owner	Place of Registration
1.	VENUSMEDTECH	1349376	10	16 March 2027	Venus Medtech (Hangzhou) Inc.	European Union
2.	VenusA-Valve	1397656	10	27 December 2027	Venus Medtech (Hangzhou) Inc.	European Union
3.	VenusP-Valve	017985927	10	16 November 2028	Venus Medtech (Hangzhou) Inc.	European Union
4.		1132501	10	3 July 2022	InterValve Medical Inc.	European Union
5.	KEYSTONE HEART	010672368	42	10 February 2022	Keystone Heart Ltd.	European Union
6.	TriGUARD3	017298365	10	4 October 2027	Keystone Heart Ltd.	European Union
7.	InterValve	1461475	10	26 February 2029	Venus Medtech (Hangzhou) Inc.	European Union
8.	VenusP-Valve	304279069	10	19 September 2027	Venus Medtech (Hangzhou) Inc.	Hong Kong
9.	VenusA-Valve	304279050	10	19 September 2027	Venus Medtech (Hangzhou) Inc.	Hong Kong
10.	启明医疗	304480524	10, 42	2 April 2028	Venus Medtech (Hangzhou) Inc.	Hong Kong
11.		304480515	10, 42	2 April 2028	Venus Medtech (Hangzhou) Inc.	Hong Kong
12.	VENUSMEDTECH	304480506	10, 42	2 April 2028	Venus Medtech (Hangzhou) Inc.	Hong Kong
13.		304740561	10, 42	19 November 2028	InterValve Medical Inc.	Hong Kong
14.	InterValve	304740552	10, 42	19 November 2028	InterValve Medical Inc.	Hong Kong
15.	TAV	304740543	10, 42	19 November 2028	InterValve Medical Inc.	Hong Kong
16.	TriGUARD3	304480966	10	2 April 2028	Keystone Heart Ltd.	Hong Kong
17.	VENUSMEDTECH	17533492	10	20 September 2026	Venus Medtech (Hangzhou) Inc.	PRC
18.	VenusP-Valve	18586003	10	20 January 2027	Venus Medtech (Hangzhou) Inc.	PRC
19.	VenusA-Valve	18586004	10	20 January 2027	Venus Medtech (Hangzhou) Inc.	PRC
20.	启明医疗	18586016	10	20 March 2028	Venus Medtech (Hangzhou) Inc.	PRC
21.	VENUSMEDTECH	23362751	42	20 March 2028	Venus Medtech (Hangzhou) Inc.	PRC
22.		26121470	10	20 August 2028	Venus Medtech (Hangzhou) Inc.	PRC
23.		23382700	42	20 March 2029	Venus Medtech (Hangzhou) Inc.	PRC

No.	Trademark	Registration Number	Class	Valid Till	Owner	Place of Registration
24.	启明医疗	23362525	42	6 May 2029	Venus Medtech (Hangzhou) Inc.	PRC
25.	TAV	23862613	10	13 June 2029	Venus Medtech (Hangzhou) Inc.	PRC
26.	KEYSTONE HEART	20595852	42	27 August 2027	Keystone Heart Ltd.	PRC
27.	TriGUARD 3	29487834	10	20 January 2029	Keystone Heart Ltd.	PRC
28.	VENUSMEDTECH	5304056	10	16 March 2027	Venus Medtech (Hangzhou) Inc.	United States
29.	VenusA-Valve	5592653	10	27 December 2027	Venus Medtech (Hangzhou) Inc.	United States
30.	VenusP-Valve	5784408	10	21 November 2028	Venus Medtech (Hangzhou) Inc.	United States
31.		4411868	10	3 July 2022	InterValve Medical Inc.	United States
32.	KEYSTONE HEART	4254863	42	4 December 2022	Keystone Heart Ltd.	United States
33.	KEYSTONE HEART	304832118	42	17 February 2029	Keystone Heart Ltd.	Hong Kong

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application Date	Intended Place of Registration
1.	VENUSMEDTECH	Venus Medtech (Hangzhou) Inc.	10	28 December 2016	Canada
2.	VenusP-Valve	Venus Medtech (Hangzhou) Inc.	10	25 September 2017	Canada
3.	VenusA-Valve	Venus Medtech (Hangzhou) Inc.	10	25 September 2017	Canada
4.	InterValve	InterValve Medical Inc.	10	10 December 2018	Canada
5.	KEYSTONE HEART	Keystone Heart Ltd.	10, 42	20 February 2019	Canada
6.	KEYSTONE HEART	Keystone Heart Ltd.	42	28 January 2019	Israel
7.	TAV	Venus Medtech (Hangzhou) Inc.	10	20 December 2018	PRC
8.	InterValve	InterValve Medical Inc.	42	10 December 2018	PRC
9.	InterValve	Venus Medtech (Hangzhou) Inc.	10	26 February 2019	United States
10.	TAV	InterValve Medical Inc.	10	15 January 2019	United States
11.	TriGUARD 3	Keystone Heart Ltd.	10	4 October 2017	United States

Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Name of Patent	Patent Number	Type	Valid Till	Owner	Granting Country or Organization
1.	Compression device for artificial valve replacing device	EP2886082	Invention	6 August 2033	Venus Medtech (Hangzhou) Inc.	Europe
2.	Compression Device for Artificial Valve Replacing Device (人工弁置換装置の圧縮装置)	JP5956076	Invention	6 August 2033	Venus Medtech (Hangzhou) Inc.	Japan
3.	Delivery device for delivery artificial cardiac valve replacement device (用於輸送人造瓣膜置換裝置的輸送裝置)	ZL201010150770.6	Invention	19 April 2030	Venus Medtech (Hangzhou) Inc.	PRC
4.	Safe artificial valve replacing device and safe stent (一種使用安全的人造瓣膜置換裝置及支架)	ZL201010150802.2	Invention	19 April 2030	Venus Medtech (Hangzhou) Inc.	PRC
5.	A bracket fixing head for loading an artificial valve replacement device (用於裝載人造瓣膜置換裝置的支架固定頭)	ZL201010150792.2	Invention	19 April 2030	Venus Medtech (Hangzhou) Inc.	PRC
6.	Conveniently-implantable artificial valve replacement device and scaffold (一種方便植入的人造瓣膜置換裝置及支架)	ZL201010150780.X	Invention	19 April 2030	Venus Medtech (Hangzhou) Inc.	PRC
7.	Artificial heart valves and valve stent (人工心臟瓣膜及瓣膜支架)	ZL201210116475.8	Invention	19 April 2032	Venus Medtech (Hangzhou) Inc.	PRC
8.	Compression device for artificial valve replacing device (人造瓣膜置換裝置的壓縮裝置)	ZL201210288463.3	Invention	14 August 2032	Venus Medtech (Hangzhou) Inc.	PRC
9.	Valve prosthesis and valve prosthesis device (一種假體瓣膜及假體瓣膜裝置)	ZL201210566977.0	Invention	24 December 2032	Venus Medtech (Hangzhou) Inc.	PRC

No.	Name of Patent	Patent Number	Type	Valid Till	Owner	Granting Country or Organization
10.	A sheath core and an interventional device conveying system comprising the sheath core (一種鞘芯及包含該鞘芯的介入器械輸送系統)	ZL201310085665.2	Invention	15 March 2033	Venus Medtech (Hangzhou) Inc.	PRC
11.	An interventional device delivery system and sheathcore (一種介入器械輸送系統及其鞘芯)	ZL201310085416.3	Invention	15 March 2033	Venus Medtech (Hangzhou) Inc.	PRC
12.	Pulmonary stent and pulmonary replacement valve having the pulmonary stent (肺動脈支架及具有該肺動脈支架的肺動脈瓣膜置換裝置)	ZL201310257705.7	Invention	25 June 2033	Venus Medtech (Hangzhou) Inc.	PRC
13.	A sheath-core for delivering an interventional device and a delivery system comprising the sheath-core (用於介入器械輸送的鞘芯及具有該鞘芯的輸送系統)	ZL201310397284.8	Invention	4 September 2033	Venus Medtech (Hangzhou) Inc.	PRC
14.	Valve stent used safely and valve replacement device having the same (使用安全的瓣膜支架以及具有該瓣膜支架的瓣膜置換裝置)	ZL201510136304.5	Invention	26 March 2035	Venus Medtech (Hangzhou) Inc.	PRC
15.	In-vitro biological valve calcification evaluation method and reducing calcium ingredient solution (體外生物瓣鈣化評價的方法及抗鈣化因數溶液)	ZL201510434781.X	Invention	22 July 2035	Venus Medtech (Hangzhou) Inc.	PRC
16.	Mitral Bileaflet Valve (二尖瓣雙葉瓣膜)	ZL201580073286.9	Invention	30 December 2035	Venus Medtech (Hangzhou) Inc.	PRC
17.	ANATOMY INDEPENDENT DEFLECTOR (解剖獨立偏轉器)	ZL201580013235.7	Invention	9 January 2035	Keystone Heart Ltd.	PRC
18.	A convenient delivery system for interventional heart valves (一種便於操控的介入心臟瓣膜的輸送系統)	CN201810509283.0	Invention	24 May 2038	Venus Medtech (Hangzhou) Inc.	PRC

No.	Name of Patent	Patent Number	Type	Valid Till	Owner	Granting Country or Organization
19.	Compression device for artificial valve replacing device (КОМПРЕССИОННОЕ УСТРОЙСТВО ДЛЯ УСТРОЙСТВА, ПРЕДСТАВЛЯЮЩЕГО СОБОЙ ЗАМЕЩАЮЩИЙ ИСКУССТВЕННЫЙ КЛАПАН)	RU2614497	Invention	6 August 2033	Venus Medtech (Hangzhou) Inc.	Russia
20.	Valve stent used safely and valve replacement device having the same	ZA2017/06879	Invention	14 May 2035	Venus Medtech (Hangzhou) Inc.	South Africa
21.	Compression Device for Artificial Valve Replacing Device	US10098735	Invention	11 October 2033	Venus Medtech (Hangzhou) Inc.	United States
22.	Mitral bileaflet valve	US9895220	Invention	13 January 2035	Venus Medtech (Hangzhou) Inc.	United States
23.	Mitral Bileaflet Valve	US9579195	Invention	3 April 2035	Venus Medtech (Hangzhou) Inc.	United States
24.	Heart Valve Assembly	US9782256	Invention	26 June 2035	Venus Medtech (Hangzhou) Inc.	United States
25.	Mitral Valve Assembly	US9872765	Invention	15 October 2035	Venus Medtech (Hangzhou) Inc.	United States
26.	Valvuloplasty Catheter	US9375555	Invention	15 June 2024	InterValve Medical Inc.	United States
27.	Valvuloplasty Catheter	US8486102	Invention	24 December 2024	InterValve Medical Inc.	United States
28.	Valvuloplasty devices and methods	US7618432	Invention	13 December 2026	InterValve Medical Inc.	United States
29.	Valvuloplasty Catheter	US7744620	Invention	18 May 2028	InterValve Medical Inc.	United States
30.	Valvuloplasty catheter and methods	US7951111	Invention	9 October 2029	InterValve Medical Inc.	United States
31.	Valvuloplasty catheter and methods	US9504807	Invention	9 October 2029	InterValve Medical Inc.	United States
32.	Valvuloplasty catheter and methods	US8900264	Invention	31 October 2030	InterValve Medical Inc.	United States
33.	Positionable Valvuloplasty Catheter	US10245419	Invention	16 September 2032	InterValve Medical Inc.	United States
34.	Positionable valvuloplasty catheter	US9242081	Invention	1 June 2032	InterValve Medical Inc.	United States
35.	Post Dilation Balloon With Marker Bands For Use With Stented Valves	US10220192	Invention	14 December 2035	InterValve Medical Inc.	United States

As of the Latest Practicable Date, our Group had applied for the grant of the following patents which we consider to be or may be material to our business:

No.	Name of Patent	Application Number	Type	Owner	Application Date/International Application Date	Intended Granting Country/ Organization
1.	Intravascular devices and delivery systems and uses thereof	AU2016209942	Invention	Keystone Heart Ltd.	20 January 2016	Australia
2.	Valve stent used safely and valve replacement device having the same (Stent de válvula usado de modo Seguro e dispositivo de substituição de válvula que tem o mesmo)	BR112017020287-5	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Brazil
3.	Mitral valve assembly (Conjunto de válvula mitral)	BR112018007239-7	Invention	Venus Medtech (Hangzhou) Inc.	1 October 2016	Brazil
4.	Intravascular devices and delivery systems and uses thereof (Dispositivos intravasculares e sistemas de entrega e usos do mesmos)	BR112017015542-7	Invention	Keystone Heart Ltd.	20 January 2016	Brazil
5.	Valve stent used safely and valve replacement device having the same	CA2985431	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Canada
6.	Heart valve assembly	CA2984246	Invention	Venus Medtech (Hangzhou) Inc.	25 April 2016	Canada
7.	Mitral valve assembly	CA3000424	Invention	Venus Medtech (Hangzhou) Inc.	1 October 2016	Canada
8.	Intravascular devices and delivery systems and uses thereof	CA2973812	Invention	Keystone Heart Ltd.	20 January 2016	Canada
9.	Use of safe valve scaffold and valve replacement device with valve scaffold	EP15885936.3	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Europe
10.	Mitral Bileaflet Valve	EP15878296.1	Invention	Venus Medtech (Hangzhou) Inc.	30 December 2015	Europe
11.	Heart Valve Assembly	EP16786966.8	Invention	Venus Medtech (Hangzhou) Inc.	25 April 2016	Europe
12.	Mitral valve assembly	EP16855959.9	Invention	Venus Medtech (Hangzhou) Inc.	1 October 2016	Europe

No.	Name of Patent	Application Number	Type	Owner	Application Date/International Application Date	Intended Granting Country/ Organization
13.	Anatomy independent deflector	EP15717961.5	Invention	Keystone Heart Ltd.	9 January 2015	Europe
14.	Intravascular devices and delivery systems and uses thereof	EP16739839.5	Invention	Keystone Heart Ltd.	20 January 2016	Europe
15.	A Device for Filtering Embolic Material In A Vascular System	EP17170949.6	Invention	Keystone Heart Ltd.	12 May 2017	Europe
16.	A Dome Shaped Filtering Device and Method of Manufacturing The Same	EP17199058.3	Invention	Keystone Heart Ltd.	27 October 2017	Europe
17.	Use of safe valve scaffold and valve replacement device with valve scaffold (使用安全的瓣膜支架以及具有該瓣膜支架的瓣膜置換裝置)	HK18103231.3	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Hong Kong
18.	Heart Valve Assembly (心臟瓣膜組件)	HK18109172.1	Invention	Venus Medtech (Hangzhou) Inc.	25 April 2016	Hong Kong
19.	Mitral valve assembly (二尖瓣瓣膜組件)	HK18109179.4	Invention	Venus Medtech (Hangzhou) Inc.	1 October 2016	Hong Kong
20.	Intravascular devices and delivery systems and uses thereof (血管內裝置和輸送系統統其用途)	HK17108375.9	Invention	Keystone Heart Ltd.	20 January 2016	Hong Kong
21.	Prosthesis valve and prosthesis valve apparatus	IN2004/KOLNP/2015	Invention	Venus Medtech (Hangzhou) Inc.	24 June 2015	India
22.	Compression device for artificial valve replacing device	IN286/MUMNP/2015	Invention	Venus Medtech (Hangzhou) Inc.	6 February 2015	India
23.	Use of safe valve and valve replacement device with valve scaffold	IN201727033394	Invention	Venus Medtech (Hangzhou) Inc.	20 September 2017	India
24.	Mitral valve assembly	IN201827013064	Invention	Venus Medtech (Hangzhou) Inc.	5 April 2018	India

No.	Name of Patent	Application Number	Type	Owner	Application Date/International Application Date	Intended Granting Country/ Organization
25.	Easy-to-control interventional instrument delivery device (一種便於控制的介入器械輸送裝置)	PCT/CN2018/111573	Invention	Venus Medtech (Hangzhou) Inc.	24 October 2018	International patent application under the PCT
26.	Interventional instrument delivery apparatus for convenient recovery and control (一種便於回收控制的介入器械輸送裝置)	PCT/CN2018/111565	Invention	Venus Medtech (Hangzhou) Inc.	24 October 2018	International patent application under the PCT
27.	Interventional device delivery apparatus facilitating retrieval, and interventional device delivery method (一種便於回收的介入器械輸送裝置以及介入器械輸送方法)	PCT/CN2018/111567	Invention	Venus Medtech (Hangzhou) Inc.	24 October 2018	International patent application under the PCT
28.	Easily controlled interventional instrument delivery device and interventional instrument delivery method (一種便於控制的介入器械輸送裝置以及介入器械輸送方法)	PCT/CN2018/111569	Invention	Venus Medtech (Hangzhou) Inc.	24 October 2018	International patent application under the PCT
29.	A bendable sheath and delivery system using bendable sheath (一種調彎鞘管以及採用該調彎鞘管的輸送系統)	PCT/CN2019/070146	Invention	Venus Medtech (Hangzhou) Inc.	2 January 2019	International patent application under the PCT
30.	A Device for Filtering Embolic Material In A Vascular System	PCT/EP2018/052953	Invention	Keystone Heart Ltd.	6 February 2018	International patent application under the PCT
31.	A Dome Shaped Filtering Device and Method of Manufacturing The Same	PCT/EP2018/079360	Invention	Keystone Heart Ltd.	26 October 2018	International patent application under the PCT
32.	Heart valve assembly (心臓弁アセンブリ)	JP2017-556724	Invention	Venus Medtech (Hangzhou) Inc.	25 April 2016	Japan

No.	Name of Patent	Application Number	Type	Owner	Application Date/International Application Date	Intended Granting Country/ Organization
33.	Valve stent used safely and valve replacement device having the same (使用が安全なバルブステント及びそれを具備するバルブ置換装置)	JP2018-500837	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Japan
34.	Mitral valve assembly (僧帽弁アセンブリ)	JP2018-518615	Invention	Venus Medtech (Hangzhou) Inc.	1 October 2016	Japan
35.	Anatomy independent deflector (生體構造非依存性偏向裝置)	JP2016-545785	Invention	Keystone Heart Ltd.	9 January 2015	Japan
36.	Intravascular devices and delivery systems and uses thereof (血管内装置および送達システムならびにその使用)	JP2017-555859	Invention	Keystone Heart Ltd.	20 January 2016	Japan
37.	A Device for Filtering Embolic Material In A Vascular System (血管系における塞栓物質をフィルタリングするための装置)	JP2018-566543	Invention	Keystone Heart Ltd.	6 February 2018	Japan
38.	A Dome Shaped Filtering Device and Method of Manufacturing The Same	JP2018-566544	Invention	Keystone Heart Ltd.	26 October 2018	Japan
39.	Use of safe valve scaffold and valve replacement device with valve scaffold (발명의 명칭 안전한 밸브 스텐트의 이용 및 밸브 스텐트를 구비하는 밸브 치환 장치)	KR10-2017-7027319	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Korea
40.	Mitral valve assembly (승모 판막 어셈블리)	KR10-2018-7010035	Invention	Venus Medtech (Hangzhou) Inc.	1 October 2016	Korea

No.	Name of Patent	Application Number	Type	Owner	Application Date/International Application Date	Intended Granting Country/ Organization
41.	Valve stent used safely and valve replacement device having the same (Stent de válvula utilizado con seguridad y dispositivo de reemplazo de válvula que tiene el mismo)	MX/a/2017/012363	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Mexico
42.	Heart valve assembly (心臟瓣膜組件)	CN201680021944.4	Invention	Venus Medtech (Hangzhou) Inc.	25 April 2016	PRC
43.	Mitral valve assembly (二尖瓣瓣膜組件)	CN201680059611.0	Invention	Venus Medtech (Hangzhou) Inc.	1 October 2016	PRC
44.	Interventional instrument delivery apparatus for convenient recovery and control (一種便於回收控制的介入器械輸送裝置)	CN201810940227.2	Invention	Venus Medtech (Hangzhou) Inc.	17 August 2018	PRC
45.	A delivery device for repositioning a heart valve (一種介入心臟瓣膜可重複定位的輸送裝置)	CN201810509256.3	Invention	Venus Medtech (Hangzhou) Inc.	24 May 2018	PRC
46.	A stable operationally interventional heart valve retrievable delivery system (一種操作穩定的介入心臟瓣膜可回收輸送系統)	CN201810507335.0	Invention	Venus Medtech (Hangzhou) Inc.	24 May 2018	PRC
47.	An adjustable curved delivery system for interventional heart valves (一種介入心臟瓣膜的可調彎輸送系統)	CN201810507308.3	Invention	Venus Medtech (Hangzhou) Inc.	24 May 2018	PRC
48.	A bendable sheath and delivery system using bendable sheath (一種調彎鞘管以及採用鞘管的鞘管的輸送系統)	CN201811643834.9	Invention	Venus Medtech (Hangzhou) Inc.	29 December 2018	PRC

No.	Name of Patent	Application Number	Type	Owner	Application Date/International Application Date	Intended Granting Country/ Organization
49.	Steerable interventional valve delivery system (可調彎介入瓣膜輸送系統)	CN201910217859.0	Invention	Venus Medtech (Hangzhou) Inc.	21 March 2019	PRC
50.	Balloon catheter, making method thereof and medical treatment device (一種球囊導管及其制備方法和醫療裝置)	CN201710307357.8	Invention	InterValve Medical Inc.	4 May 2017	PRC
51.	Balloon catheter for expanding aortic valve (一種用於擴張主動脈瓣的球囊導管)	CN201710307350.6	Invention	InterValve Medical Inc.	4 May 2017	PRC
52.	Intravascular devices and delivery systems and uses thereof (血管內裝置和輸送系統及其用途)	CN201680001354.5	Invention	Keystone Heart Ltd.	20 January 2016	PRC
53.	A Device for Filtering Embolic Material In A Vascular System (用於過濾血管系統中栓塞材料的裝置)	CN201880000296.3	Invention	Keystone Heart Ltd.	6 February 2018	PRC
54.	A Dome Shaped Filtering Device and Method of Manufacturing The Same (圓頂形過濾裝置及其製造方法)	CN201880002235.0	Invention	Keystone Heart Ltd.	26 October 2018	PRC
55.	Valve stent used safely and valve replacement device having the same (БЕЗОПАСНО ИСПОЛЬЗУЕМЫЙ СТЕНТ КЛАПАНА И УСТРОЙСТВО ДЛЯ ЗАМЕНЫ КЛАПАНА С ТАКИМ СТЕНТОМ)	RU2017137520	Invention	Venus Medtech (Hangzhou) Inc.	14 May 2015	Russia
56.	Valve stent used safely and valve replacement device having the same	US15/715961	Invention	Venus Medtech (Hangzhou) Inc.	26 September 2017	United States
57.	In-vitro biological valve calcification evaluation method and reducing calcium ingredient solution	US15/876908	Invention	Venus Medtech (Hangzhou) Inc.	22 January 2018	United States

No.	Name of Patent	Application Number	Type	Owner	Application Date/International Application Date	Intended Granting Country/ Organization
58.	HEART VALVE ASSEMBLY	US15/722212	Invention	Venus Medtech (Hangzhou) Inc.	2 October 2017	United States
59.	Anatomy independent deflector	US15/110764	Invention	Keystone Heart Ltd.	9 January 2015	United States
60.	Intravascular Devices And Delivery Systems And Uses Thereof	US15/543901	Invention	Keystone Heart Ltd.	20 January 2016	United States
61.	A Device for Filtering Embolic Material In A Vascular System	US15760203	Invention	Keystone Heart Ltd.	6 February 2018	United States
62.	A Dome Shaped Filtering Device and Method of Manufacturing The Same	US16/302068	Invention	Keystone Heart Ltd.	26 October 2018	United States

Copyright

As of the Latest Practicable Date, we had the following copyright which we consider to be or may be material to our business:

No.	Copyright Name	Copyright Number	Owner	Issue Date	Place of Registration
1.		2017F00455498	Venus Medtech (Hangzhou) Inc.	2 May 2017	PRC

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain name which we consider to be or may be material to our business:

No.	Domain Name	Owner	Registration Date	Expiration Date
1.	venusmedtech.com	Venus Medtech (Hangzhou) Inc.	22 December 2010	22 December 2020

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong 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 will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interests in our Company

Name	Position	Nature of Interest	Number and class of Shares held[(0)]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[(0)]	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering
Mr. Zi[(1)]	Executive Director	Beneficial owner	30,923,302 Domestic Shares	13.94%	7.87%
		Interest in controlled corporations	14,894,971 Domestic Shares	6.72%	3.79%
			11,057,251 Unlisted Foreign Shares	4.99%	2.82%
Mr. Zeng[(2)]	Executive Director	Interest in a controlled corporation	47,954,404 Unlisted Foreign Shares	21.63%	12.21%
Mr. Lim[(3)]	Executive Director	Interest in controlled corporations	10,774,758 H Shares	6.30%	2.74%
			3,289,408 Unlisted Foreign Shares	1.48%	0.84%
Ms. Leung[(4)]	Non-executive Director	Interest in controlled corporations	30,342,501 H Shares	17.75%	7.73%
			37,185,479 Unlisted Foreign Shares	16.77%	9.47%

Notes:

(0) As advised by our PRC Legal Advisor, holders of our Unlisted Foreign Shares will be treated as if they are in the same class as the holders of Domestic Shares upon completion of the Global Offering. The calculation is based on the total number of 221,754,079 Domestic Shares and Unlisted Foreign Shares in issue and 170,934,364 H Shares in issue immediately after completion of the Global Offering since 92,396,864 Unlisted Foreign Shares will be converted into H Shares, and assuming that the Over-allotment Option is not exercised.

(1) Mr. Zi beneficially owns 30,923,302 Domestic Shares of our Company. In addition to his direct shareholding, he is also deemed to be interested in 14,894,971 Domestic Shares, 11,057,251 Unlisted Foreign Shares of our Company through the below intermediaries he controlled under the SFO:

- Adventure 03 Limited, an investment holding company incorporated in Hong Kong, owns 9,000,636 Unlisted Foreign Shares in our Company. Dinova Healthcare Gamma Fund (USD) L.P. (as the sole shareholder of Adventure 03 Limited), Dinova Venture Partners GP III, L.P. (as the general partner of Dinova Health Gamma Fund (USD) L.P.) and Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.), Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited), are deemed to be interested in the interest owned by Adventure 03 Limited in our Company under the SFO.

- Zhejiang Dinova (浙江德諾瑞盈創業投資合夥企業(有限合夥)), a limited partnership and a venture capital fund holding various portfolios established in the PRC, owns 6,977,955 Domestic Shares of our Company. Zhejiang Dinova Capital Management L.P. (浙江德諾資本管理合夥企業(有限合夥)) (as the general partner of Zhejiang Dinova), Hangzhou Dinova Commercial Information Consulting Ltd. (杭州德諾商務信息諮詢有限公司) (as the general partner of Zhejiang Dinova Capital Management L.P.) and Mr. Zi (as a 40% shareholder of Hangzhou Dinova Commercial Information Consulting Ltd.) are deemed to be interested in the interest owned by Zhejiang Dinova in our Company under the SFO.

- DNA 01 (Hong Kong) Limited, an investment holding company incorporated in Hong Kong, owns 2,056,615 Unlisted Foreign Shares of our Company. Dinova Healthcare Delta Fund (USD) L.P. (as the sole shareholder of DNA 01 (Hong Kong) Limited), Dinova Venture Partners GP IV, L.P. (as the general partner of Dinova Health Delta Fund (USD) L.P.), Dinova Venture Capital Limited (as the general partner of Dinova Venture Partners GP IV, L.P.), Xin Nuo Tong Investment Limited (as a 40% shareholder of Dinova Venture Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by DNA 01 (Hong Kong) Limited under the SFO.

- Shenzhen Dinova Ruihe Venture Investment L.P. (深圳市德諾瑞和創業投資合夥企業(有限合夥)), a limited partnership established in the PRC and a venture capital fund holding various portfolios, owns 1,687,358 Domestic Shares of our Company. Shenzhen Dinova Investment L.P. (深圳市德諾投資合夥企業(有限合夥)) (as the general partner of Shenzhen Dinova Ruihe Venture Investment L.P.), Shenzhen Dinova Investment Consulting Ltd. (as the general partner of Shenzhen Dinova Investment L.P.) and Mr. Zi (as a 66.67% shareholder of Shenzhen Dinova Investment Consulting Ltd.) are deemed to be interested in the interest owned by Shenzhen Dinova Ruihe Venture Investment L.P..

- The PRC Employee Entities own an aggregate of 6,229,658 Domestic Shares of our Company. Hangzhou Nuoxin Investment Management Limited (杭州諾心投資管理有限公司) is the general partner of the PRC Employee Entities. Mr. Zi, as the sole shareholder of Hangzhou Nuoxin Investment Management Limited, is deemed to be interested in the interest owned by the PRC Employee Entities.

(2) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 47,954,404 Unlisted Foreign Shares of our Company. Mr. Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.

(3) Mr. Lim is deemed to be interested in 10,774,758 H Shares and 3,289,408 Unlisted Foreign Shares of our Company under the SFO through his interest in the Offshore Employee Entities.

(4) Ms. Leung is deemed to be interested in 30,342,501 H Shares and 37,185,479 Unlisted Foreign Shares of our Company through the below intermediaries she controlled under the SFO:

- Ming Zhi Investments (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 30,342,501 H Shares and 16,788,728 Unlisted Foreign Shares of our Company. For the purpose of the SFO, Ming Zhi Investments Limited (as the sole shareholder of Ming Zhi Investments (BVI) Limited), Qiming Venture Partners III, L.P. (as a 96.94% shareholder of Ming Zhi Investments Limited), Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III, L.P.), Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) and Ms. Leung (as a 33.33% shareholder of Qiming Corporate GP III, Ltd.) are deemed to be interested in the Shares held by Ming Zhi Investments (BVI) Limited.

- QM22 (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 20,396,751 Unlisted Foreign Shares of our Company. For the purpose of the SFO, QM22 Limited (as the sole shareholder of QM22 (BVI) Limited), Qiming Venture Partners III Annex Fund, L.P. (as the sole shareholder of QM22 Limited), Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III Annex Fund, L.P.), Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) and Ms. Leung (as a 33.33% shareholder of Qiming Corporate GP III, Ltd.) are deemed to be interested in the Shares held by QM22 (BVI) Limited.

2. Substantial Shareholders

For the information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see "Substantial Shareholders."

So far as our Directors are aware, the following persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company:

Member of our Company	Person with 10% or more interest	Capacity	Approximate percentage of the interest
Venibri Medtech Inc.	Colibri Heart Valve LLC	Beneficial owner	15.00%

3. Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Our Directors entered into service contracts with our Company in November 2019. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors entered into a contract with our Company in November 2019. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and "Appendix IA—Accountants' Report—The Group—II Notes to The Historical Financial Information—8. Directors', Supervisors' and Chief Executive's Remuneration," for the two financial years ended December 31, 2017 and 2018 and the five months ended May 31, 2019, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Employee Incentive Scheme

The following is a summary of the principal terms of the employee incentive scheme approved and adopted by our Board on March 10, 2017 (the "**Scheme**") and subsequently amended on June 28, 2019. The terms of the Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Scheme does not involve the grant of options by our Company to subscribe for H Shares after the Listing.

Objectives

The purpose of the Scheme is to build an incentive mechanism for the core employees of our Company and to enable them to benefit from the growth and development of our Company. The Scheme also serves the purpose of attracting and recruiting future senior management.

Major Events

In December 2017, our Company increased its registered capital by RMB4.53 million for the Scheme, representing 12% of the then total registered capital, at a consideration of RMB4.98 million. The registered capital was granted to selected participants through:

- direct transfer to designated entities of selected participants, amounting to RMB0.87 million of the registered capital; and

- allocation of a total of RMB3.66 million of the registered capital to the Employee Entities, through which selected participants become indirectly interested in the Company either by way of:

    - capital contribution to the PRC Employee Entities as limited partners pursuant to certain incentive share award agreements (the "**Award Agreements**"); or

    - share subscription into the Offshore Employee Entities as shareholders pursuant to certain share subscription agreements (the "**Share Subscription Agreements**").

In October 2018, Mars Holding Limited, one of the Offshore Employee Entities, sold part of its registered capital to two investors on behalf of one of the selected participants, reducing the registered capital under the Scheme by RMB0.95 million. For details, see "History, Development and Corporate Structure."

Immediately upon the completion of the Global Offering, the Employee Entities will hold 6,229,658 Domestic Shares and 14,064,166 H Shares, representing approximately 4.84% of the issued share capital of our Company, assuming the Over-allotment Option is not exercised.

Discretion with Our Senior Management

Designated members of our senior management retain full discretion over the following matters of the Scheme:

- the selection of participants in the Scheme, which currently include employees, consultants and senior management of our Company;
- the amount and price for the incentive award; and
- the allocation of Shares to selected participants directly and/or through the Employee Entities, as well as allocation of Shares among the Employee Entities.

Participation in the Scheme

The followings do not apply to selected participants holding Shares directly through their designated entities.

Voting Right

Pursuant to the partnership agreements of the PRC Employee Entities, selected participants became limited partners abstaining from management of the PRC Employee Entities. All management powers reside with the general partner, Hangzhou Nuoxin. Mr. Zi is the sole shareholder and designated representative of Hangzhou Nuoxin.

Pursuant to the Share Subscription Agreements, selected participants subscribed into non-voting ordinary shares of the Offshore Employee Entities. Each of the Offshore Employee Entities has one voting share, which is owned by Mr. Lim.

In effect, all selected participants do not have any voting rights in our Company while being beneficially interested in our Shares.

Restriction on Exit

Pursuant to both the Award Agreements and the Share Subscription Agreements, prior to the occurrence of certain specified events, including the Global Offering of our Company, selected participants are not entitled to exit the Scheme unless otherwise approved by our Board.

Restriction on Redemption Rights of Keystone Selected Participants

Post Keystone Acquisition, our Company granted some Shares to selected participants of Keystone, who had undertaken to not exercise their redemption right under the memorandum and articles of association of the relevant Offshore Employee Entity to require it to redeem all (or any part) of their interests in the relevant Offshore Employee Entity under the Scheme following the commencement of trading of our H Shares on the Hong Kong Stock Exchange for a lock-up period and in the manner specified in their respective Share Subscription Agreements.

6. Disclaimers

Saved as disclosed in this Prospectus:

(a) none of our Directors, Supervisors or any of the parties listed in "Qualification of Experts" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(ii) materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "Qualification of Experts" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of our subsidiaries.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd. will hold approximately 7.17% and 0.75% of the issued share capital of our Company immediately following the completion of the Global Offering respectively, assuming the Over-allotment Option is not exercised.

Broad Street Investments Holding (Singapore) Pte. Ltd. and MBD Bridge Street 2015 Investments (Singapore) Pte. Ltd., being associates of Goldman Sachs (Asia) L.L.C., is regarded as a member of the sponsor group of Goldman Sachs (Asia) L.L.C. as defined under the Listing Rules. Accordingly, Goldman Sachs (Asia) L.L.C. does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will be paid by our Company a fee of US$500,000 to act as the sponsor to our Company in connection with the Global Offering.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this Prospectus are as follows:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
Credit Suisse (Hong Kong) Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of regulated activities as defined under the SFO

Name	Qualification
China Merchants Securities (HK) Co., Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
King & Wood Mallesons	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Consents of Experts

Each of the experts referred to in "Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consents to the issue of this Prospectus with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests or rights (whether legally enforceable or not) or any of our members to subscribe for or to nominate persons to subscribe for our securities or any of our member.

Compliance Adviser

We have appointed Red Solar Capital Limited as our compliance adviser upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix III—Taxation and Foreign Exchange – Taxation in Hong Kong."

No Material Adverse Change

Save as disclosed in the "Summary—Recent Development and No Material Adverse Change" and "Financial Information—No Material Adverse Change" to this Prospectus, after all due diligence was performed as appropriate as the Directors believe, our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial position or prospects since May 31, 2019 and there has been no event that materially and adversely affected the data set out in the accountants' reports in Appendix IA and IB to this Prospectus since May 31, 2019.

Binding Effect

This Prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this Prospectus:

(a) within the two years preceding the date of this Prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures;

(k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(l) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Restrictions on Share Repurchases

For details, see "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association."

Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters of our Company are all of the 42 then shareholders of our Company as at November 26, 2018 before our conversion into a joint stock limited liability company. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **WHITE, YELLOW** and **GREEN** application forms;

(b) the written consents referred to in "Appendix VI—Statutory and General Information—Other Information—Consents of Experts"; and

(c) a copy of each of the material contracts referred to in "Appendix VI—Statutory and General Information—Further Information about our Business—Summary of Material Contracts."

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

1. the Articles of Association;

2. the accountants' report prepared by Ernst & Young on the historical financial information of our Group for each of the years ended December 31, 2017 and 2018, and the five months ended May 31, 2019, the text of which is set forth in Appendix IA to this Prospectus;

3. the accountants' report prepared by Ernst & Young on the historical financial information of Keystone for each of the years ended December 31, 2017 and 2018, and the five months ended May 31, 2019, the text of which is set forth in Appendix IB to this Prospectus;

4. the accountants' report prepared by Ernst & Young on the unaudited pro forma financial information of our Group as at May 31, 2019, the text of which is set forth in Appendix IIA to this Prospectus;

5. the accountants' report on the unaudited pro forma financial information of our Group and Keystone for the year ended December 31, 2018, the text of which is set forth in Appendix IIB to this Prospectus;

6. the material contracts in "Appendix VI—Statutory and General Information—Further Information about our Business—Summary of Material Contracts";

7. the written consents referred to in "Appendix VI—Statutory and General Information—Other Information—Consents of Experts";

8. the service contracts referred to in "Appendix VI—Statutory and General Information—Further Information about our Directors, Supervisors, Management and Substantial Shareholders—Service Contracts";

9. the legal opinions issued by King & Wood Mallesons, our PRC Legal Advisor, in respect of, among other things, the general matters and property interests of our Group under PRC law;

10. the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.; and

11. a copy of the following PRC laws, together with unofficial English translations:

    (i) the PRC Company Law;

    (ii) the PRC Securities Law;

    (iii) the Mandatory Provisions; and

    (iv) the Special Regulations.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