



杭州启明医疗器械股份有限公司
Venus Medtech (Hangzhou) Inc.

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

Stock Code: 2500



2020
INTERIM REPORT



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Corporate Information

(As of June 30, 2020)

Name in Chinese:	杭州啓明醫療器械股份有限公司
Name in English:	Venus Medtech (Hangzhou) Inc.
Legal representative:	Mr. Min Frank Zeng
Chairman:	Mr. Min Frank Zeng
Registered capital:	RMB404,468,943*
Headquarters in the PRC:	
Registered and office address	Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, PRC
Company website	http://www.venusmedtech.com/
E-mail	inquiry@venusmedtech.com
Principal place of business in Hong Kong:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Board of Directors:	
Executive Directors	Mr. Min Frank Zeng (<i>Chairman</i>), Mr. Zhenjun Zi, Mr. Lim Hou-Sen (Lin Haosheng)
Non-executive Director	Ms. Nisa Bernice Wing-Yu Leung (<i>Vice chairwoman</i>)
Independent non-executive Directors	Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau, Mr. Chi Wai Suen
Supervisors:	Ms. Yan Xiao, Mr. Wei Wang, Ms. Lingling Yang
Audit Committee:	Mr. Chi Wai Suen (<i>Chairman</i>), Mr. Wan Yee Joseph Lau, Mr. Ting Yuk Anthony Wu
Remuneration and Assessment Committee:	Mr. Ting Yuk Anthony Wu (<i>Chairman</i>), Mr. Wan Yee Joseph Lau, Mr. Chi Wai Suen
Nomination Committee:	Mr. Wan Yee Joseph Lau (<i>Chairman</i>), Mr. Chi Wai Suen, Mr. Ting Yuk Anthony Wu
Joint Company Secretaries:	Mr. Haiyue Ma, Ms. Po Yi Fok
Authorized Representatives:	Mr. Zhenjun Zi, Ms. Po Yi Fok
Auditor engaged by the Company:	Ernst & Young <i>Certified Public Accountants and Registered PIE Auditor</i>

* As of the date of this interim report, the registered capital of the Company is RMB422,968,943. For details, please refer to the section of "Management Discussion and Analysis in this interim report."

Financial Summary

	Six months ended June 30, 2020 (Unaudited) RMB'000	Six months ended June 30, 2019 (Unaudited) RMB'000	Period-to- period change
Revenue	102,049	107,423	(5%)
Gross Profit	85,087	88,447	(4%)
Loss before tax	(43,529)	(185,770)	(77%)
Loss for the period	(43,538)	(185,782)	(77%)
Loss attributable to owners of the parent	(43,524)	(185,762)	(77%)
Loss per share attributable to ordinary equity holders of the parent Basic and diluted (RMB)	(0.11)	(0.62)	(82%)



Management Discussion and Analysis

I. BUSINESS OVERVIEW

Overview

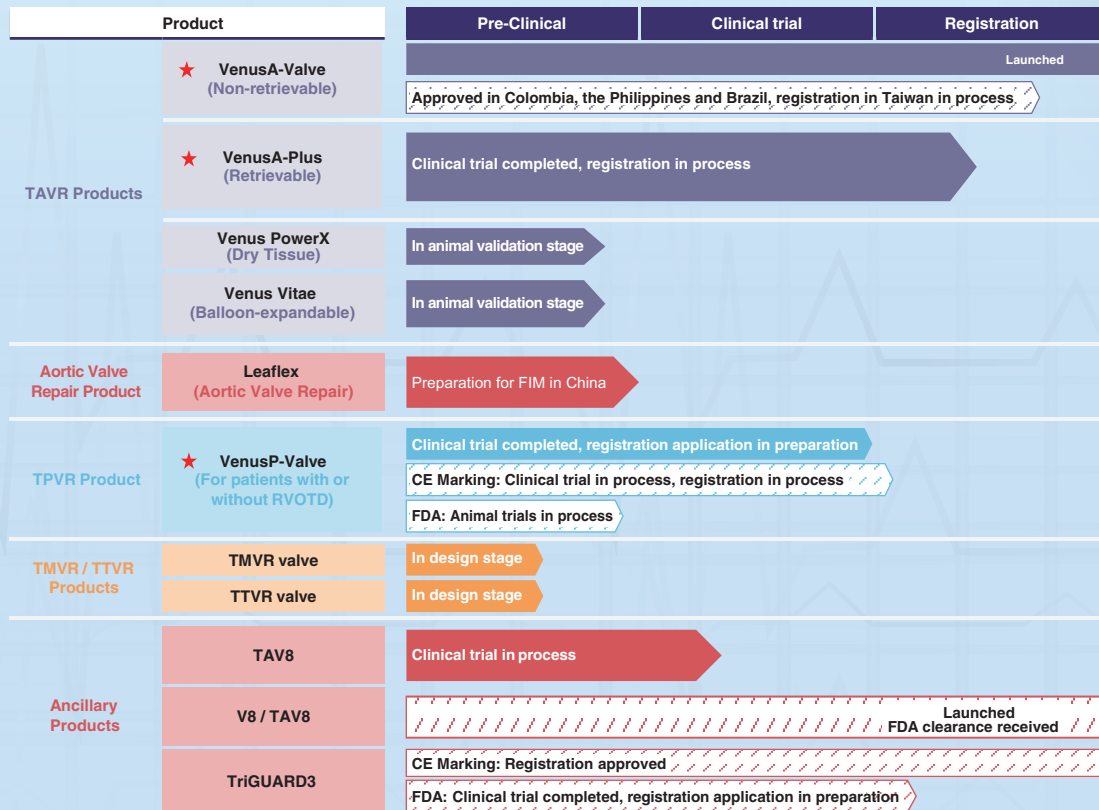
We operate in a large untapped and fast-growing transcatheter heart valve market in China and globally. Our products and product candidates are designed for transcatheter implantation to replace dysfunctional heart valves (i.e. TAVR, TPVR, TMVR and TTVR) mainly associated with aortic stenosis and pulmonic,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

Our Products and Product Pipeline

Our heart valve portfolio comprises of seven self-developed products and product candidates, including one marketed TAVR product (VenusA-Valve), one registration stage TAVR product (VenusA-Plus), two TAVR products in design stage (Venus PowerX and Venus Vitae), 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). We are also offering one aortic valve repair device in pre-clinical stage (Leaflex).

Management Discussion and Analysis

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



Notes:  China status  Global status  Core products

Retrievable function allows physicians to retrieve 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

Management Discussion and Analysis

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 the Philippines in the third quarter of 2019. We submitted the GMP application of the manufacturing system of VenusA-Valve in Brazil in August 2018 and on-site audit was postponed due to COVID-19. We also submitted the product registration of VenusA-Valve in Brazil in August 2019 and received the approval in April 2020. We are also applying for the product registration of VenusA-Valve in Taiwan.

For the six months ended June 30, 2020, our revenue generated from the sales of VenusA-Valve amounted to RMB101.6 million, representing a decrease of 4.9% compared to RMB106.8 million for the six months ended June 30, 2019.

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

As of June 30, 2020, more than ten TAVR products in the global market had received FDA approval or CE Marking, and the major competitors are Edwards Lifesciences and Medtronic. There are also eight known TAVR pipeline products globally.

As of June 30, 2020, in China, there were three TAVR products approved for marketing by the NMPA in China, including VenusA-Valve of our Company, J-Valve of Jiecheng and VitaFlow-Valve of MicroPort. There were several TAVR pipeline products in China at clinical trial stage.

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

VenusA-Plus – Our Core Product

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

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

Driven by the increasing number of patients with severe aortic stenosis and regurgitation, the number of TAVR procedures and the size of TAV market is expected to continue to grow. As of June 30, 2020, VenusA-Plus was one of the three TAVR product candidates with retrievable function at clinical trial stage in China. For details, see “VenusA-Valve – Our Core Product” above.

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

VenusP-Valve – Our Core Product

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



Management Discussion and Analysis

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

As of June 30, 2020, there were three FDA or CE approved TPVR products including Sapien and Sapien XT from Edwards Lifesciences and Melody from Medtronic, and there were five product candidates at the clinical trial stage. More than 85% of ToF patients in China that went through RVOT enlargement procedures are treated with the transvalvular patch method, and the diameter of their pulmonary valve ring is larger than 22mm, making VenusP-Valve the only viable option among the three competing products, according to Frost & Sullivan.

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

Venus PowerX Valve

We are in the process of designing our product, Venus PowerX Valve, TAVR device, which is used to treat severe aortic stenosis using a catheter-based approach and self-expanding valve. Our design-stage animal studies for Venus PowerX Valve are currently on-going, and we are in the process of refining our design based on the animal studies. This program will feature coronary access, retrievability, steerability and dry tissue technology. For the sales of Venus PowerX Valve in China, similar to the registration of VenusA-Valve, we will submit our clinical trial results to the NMPA for its approval.

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

Venus Vitae Valve

We are in the process of designing our product, Venus Vitae Valve, TAVR device, which is used to treat severe aortic stenosis using a catheter-based approach and balloon expandable valve. Our design-stage animal studies for Venus Vitae Valve are currently on-going, and we are in the process of refining our design based on the animal studies. The product will feature low profile, coronary access, steerability and innovative dehydrated tissue technology. For the sales of Venus Vitae Valve in China, similar to the registration of VenusA-Valve, we will submit our clinical trial results to the NMPA for its approval.

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

Venus Mitral Valve

We are in the process of designing our product, Venus Mitral Valve, for TMVR treatment of mitral regurgitation patients. Our design-stage animal studies for Venus Mitral Valve are currently on-going, and we are in the process of refining our design based on the animal studies. For the sales of Venus Mitral Valve in China, similar to the registration of VenusA-Valve, we will submit our clinical trial results to the NMPA for its approval. We have strengthened Venus Mitral Valve program with the signing of a license agreement with Opus Medical Therapies, LLC., allowing us access to leading edge technology in the space.

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

Venus Tricuspid Valve

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

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

Management Discussion and Analysis

V8 and TAV8

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

For the six months ended June 30, 2020, our revenue generated from the sales of V8 and TAV8 amounted to RMB0.4 million, representing a decrease of 42.9% compared to RMB0.7 million for the six months ended June 30, 2019.

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

CEP Device – TriGUARD3

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

WE MAY NOT BE ABLE TO ULTIMATELY MARKET TRIGUARD3 SUCCESSFULLY.

Aortic Valve Repair – Leaflex

Leaflex is a stand-alone catheter-based treatment of aortic stenosis. It modifies leaflet calcium to restore mobility to the affected valve, thereby improving flow and reducing transvalvular gradient. The procedure is simple to perform, non-implant based and requires only a short hospital stay. We will be importing the Leaflex product to the Chinese market and plan to conduct FIM in the fourth quarter of 2020.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET LEAFLEX SUCCESSFULLY.

Our Platform

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

R&D

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

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

Manufacturing

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

Commercialization

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

Management Discussion and Analysis

II. FINANCIAL REVIEW

Overview

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

Revenue

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

The Group's revenue for the six months ended June 30, 2020 was RMB102.0 million, representing a decrease of 5% compared to RMB107.4 million for the six months ended June 30, 2019. The decrease was primarily attributable to (i) a decrease in the average selling price of our medical devices, and (ii) an increase in the number of surgeries performed with our medical devices which was lower than the extent that we expected due to the impact of COVID-19. However, it is noted that such number of surgeries performed with our medical devices still recorded an increase compared to the six months ended June 30, 2019. For the six months ended June 30, 2020, revenue from sales of VenusA-Valve accounted for 99.6% of our total revenue, as compared to 99.4% for the six months ended June 30, 2019.

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

Revenue	Six months ended June 30, 2020 (Unaudited)		Six months ended June 30, 2019 (Unaudited)	
	RMB'000	Proportion	RMB'000	Proportion
VenusA-Valve	101,617	99.6%	106,757	99.4%
TAV8	432	0.4%	666	0.6%
Total	102,049	100%	107,423	100%

Cost of Sales

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

The Group's cost of sales for the six months ended June 30, 2020 was RMB17.0 million, representing a decrease of 10.5% compared to RMB19.0 million for the six months ended June 30, 2019. The decrease was primarily attributable to scale effect of production.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group decreased by 3.7% from RMB88.4 million for the six months ended June 30, 2019 to RMB85.1 million for the six months ended June 30, 2020. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group increased from 82.3% for the six months ended June 30, 2019 to 83.4% for the six months ended June 30, 2020, mainly due to a decrease in unit cost.

Other Income and Gains

The Group's other income and gains for the six months ended June 30, 2020 was RMB50.1 million, representing an increase of 1,689.3% compared to RMB2.8 million for the six months ended June 30, 2019, mainly due to foreign exchange gain and interest income from IPO proceeds.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended June 30, 2020 was RMB47.2 million, representing a decrease of 6.9% compared to RMB50.7 million for the six months ended June 30, 2019. The decrease was primarily attributable to the fact that less conferences were held in the first half of 2020 due to the impact of COVID-19.

R&D Costs

The Group's R&D costs for the six months ended June 30, 2020 was RMB67.6 million, representing a decrease of 35.4% compared to RMB104.7 million for the six months ended June 30, 2019. The decrease was primarily attributable to no employee stock ownership plan ("ESOP") expense in 2020.

Management Discussion and Analysis

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

	Six months ended June 30, 2020 (Unaudited) RMB'000	Six months ended June 30, 2019 (Unaudited) RMB'000
R&D Costs for Core Products		
Staff cost	3,782	9,818
Raw material cost	2,210	1,112
Third-party contracting cost	39	1,854
Intellectual property expenses	897	1,091
Clinical trial expenses	1,824	5,448
Others	5,149	4,360
R&D Costs for Other Product Candidates		
Staff cost	14,437	44,497
Raw material cost	4,621	4,959
Third-party contracting cost	1,046	1,000
Intellectual property expenses	3,828	3,223
Clinical trial expenses	17,438	14,111
Others	12,336	13,191

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2020 was RMB39.2 million, representing a decrease of 62.0% compared to RMB103.1 million for the six months ended June 30, 2019. The decrease was primarily attributable to no ESOP as well as listing expense in 2020.

Other Expenses

The Group's other expenses for the six months ended June 30, 2020 was RMB20.4 million, representing an increase of 175.7% compared to RMB7.4 million for the six months ended June 30, 2019. The increase was primarily attributable to more donation in 2020 compared with 2019.

Finance Costs

The Group's finance costs for the six months ended June 30, 2020 was RMB3.1 million, representing a decrease of 69.3% compared to RMB10.1 million for the six months ended June 30, 2019. The decrease was primarily attributable to the repayment of bank loan.

Impairment Losses on Financial Assets, Net

The Group's impairment losses on financial assets, net, for the six months ended June 30, 2020 was RMB0.9 million, representing a decrease of 18.2% compared to RMB1.1 million for the six months ended June 30, 2019. The decrease was primarily attributable to less balance of account receivables and less impairment losses accordingly.

Share of Loss of an Associate

The Group began to report share of loss of an associate from the first half of 2020 onwards because we purchased 7.7% equity interest in Opus Medical Therapies, LLC., a medical device company focused on developing TMVR and TTVR for patients undergoing mitral and tricuspid valve disease, in April 2020. The Group's share of loss of that associate for the six months ended June 30, 2020 was RMB0.3 million (for the six months ended June 30, 2019: nil).

Income Tax

The Group's income tax expense for the six months ended June 30, 2020 was RMB0.01 million, remained almost unchanged comparing with the income tax expense of RMB0.01 million for the six months ended June 30, 2019.

Non-IFRS Measures

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

Management Discussion and Analysis

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

	Six months ended June 30, 2020 (Unaudited) RMB'000	Six months ended June 30, 2019 (Unaudited) RMB'000
Loss for the period	(43,538)	(185,782)
Add:		
Share awards ⁽¹⁾	–	69,475
Listing expenses ⁽²⁾	–	15,761
Adjusted net loss for the period ⁽³⁾	(43,538)	(100,546)

Notes:

- (1) Share awards expenses are non-operational expenses arising from granting shares to selected executives, employees and R&D consultants, the amount of which may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities.
- (2) Listing expenses are one-off expenses in relation to the listing of the H Shares on the main board of the Stock Exchange and the offering of the H Shares in Hong Kong and the U.S..
- (3) We consider share awards and listing expenses as non-operational or one-off expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the share awards and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period to period.

The use of the non-IFRS measures ⁽³⁾ has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

Capital Management

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

Liquidity and Financial Resources

The Group's cash and cash equivalents as at June 30, 2020 were RMB1,969.5 million, representing a decrease of 18.4% compared to RMB2,413.3 million (audited) as at December 31, 2019. The decrease was primarily attributable to operating expenditures and investment incurred.

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

Borrowings and Gearing Ratio

The Group's total borrowings, including interest-bearing bank borrowings and other borrowings, as at June 30, 2020 were RMB1.0 million, representing a decrease of 99.2% compared to RMB120.0 million (audited) as at December 31, 2019. The decrease was primarily attributable to that we repaid most of them in the first half of 2020.

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as at June 30, 2020 was 0.9%, representing a decrease of 81.3% compared to 4.8% as at December 31, 2019.

Net Current Assets

The Group's net current assets, as at June 30, 2020 were RMB2,142.8 million, representing a decrease of 8.3% compared to net current assets of RMB2,336.0 million (audited) as at December 31, 2019.

Foreign Exchange Exposure

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

Management Discussion and Analysis

Pledge of Shares

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

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

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

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2020, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital Expenditure

For the six months ended June 30, 2020, the Group’s total capital expenditure amounted to approximately RMB140.2 million, which was used in (i) purchase of property, plant and equipment; (ii) payments related to acquisition of a subsidiary; (iii) purchase of other intangible assets; (iv) purchases of financial assets at fair value through profit or loss; (v) investment to an associate; (vi) prepayment for long-term assets; and (vii) lease payments made before the commencement date of lease.

Charge on Assets

As at June 30, 2020, there was no charge on assets of the Group.

Contingent Liabilities

As at June 30, 2020, we did not have any contingent liabilities.

Subsequent Events

The Company had the following material subsequent event from June 30, 2020 to the date of this interim report:

On September 3, 2020, the Company entered into a placing agreement with Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited (as the placing agents), pursuant to which the Company conditionally agreed to place 18,500,000 new H shares at the placing price of HK\$64.19 per placing share to no less than six professional, institutional and/or individual investors which are not connected persons of the Company (the "Placing"). The completion of the Placing took place on September 10, 2020 and an aggregate of 18,500,000 new H shares have been successfully allotted and issued by the Company at the placing price of HK\$64.19 per placing share on the same day. The aggregate gross proceeds from the Placing are approximately HK\$1,188 million and the aggregate net proceeds from the Placing are approximately HK\$1,173 million after deducting the expenses of the Placing. For details of the Placing, please refer to the Company's announcements dated September 3, 2020 and September 10, 2020, respectively.

Employees and Remuneration Policies

As of June 30, 2020, we had 462 employees in total.

Among the 462 employees, 409 of them are stationed in China, and 53 of them 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.



Management Discussion and Analysis

Future Investment Plans and Expected Funding

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

III. PROSPECTS

We will continue our mission to become a global leader in the development and 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

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

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

Management Discussion and Analysis

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

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

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

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

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



Management Discussion and Analysis

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

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

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

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

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

Corporate Governance and Other Information

I. INTERIM DIVIDEND

The Board of Directors did not recommend to declare any interim dividend for the six months ended June 30, 2020 to the Shareholders.

II. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2020, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/Supervisor/ Chief Executive	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Listed Share Capital of the Company <i>(Note 5)</i>	Approximate Percentage of Shareholding in the Relevant Class of Shares <i>(Note 5)</i>
Mr. Min Frank Zeng ("Mr. Zeng") <i>(Note 1)</i>	Unlisted Foreign Shares	Interest of controlled corporations	47,954,404/ Long position	11.86%	21.63%
Mr. Zhenjun Zi ("Mr. Zi") <i>(Note 2)</i>	Domestic Shares	Beneficial owner	30,923,302/ Long position	7.65%	13.94%
	Domestic Shares	Interest of controlled corporations	14,894,971/ Long position	3.68%	6.72%
	Unlisted Foreign Shares	Interest of controlled corporations	11,057,251/ Long position	2.73%	4.99%

Corporate Governance and Other Information

Name of Director/Supervisor/ Chief Executive	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Listed Share Capital of the Company (Note 5)	Approximate Percentage of Shareholding in the Relevant Class of Shares (Note 5)
Mr. Lim Hou-Sen (Lin Haosheng) (Note 3)	H Shares	Interest of controlled corporations	10,774,758/ Long position	2.66%	5.90%
	Unlisted Foreign Shares	Interest of controlled corporations	3,289,408/ Long position	0.81%	1.48%
Ms. Nisa Bernice Wing-Yu Leung ("Ms. Leung") (Note 4)	H Shares	Interest of controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest of controlled corporations	37,185,479/ Long position	9.19%	16.77%

Notes:

- (1) 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.
- (2) 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 and 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 the 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 Healthcare 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 the Company under the SFO.
 - 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)) ("Zhejiang Dinova"), a limited partnership and a venture capital fund holding various portfolios established in the PRC, owns 6,977,955 Domestic Shares of the 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 the Company under the SFO.

Corporate Governance and Other Information

- DNA 01 (Hong Kong) Limited, an investment holding company incorporated in Hong Kong, owns 2,056,615 Unlisted Foreign Shares of the 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 Healthcare 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)) (“Shenzhen Dinova”), a limited partnership established in the PRC and a venture capital fund holding various portfolios, owns 1,687,358 Domestic Shares of the 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), 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 under the SFO.
 - The PRC Employee Entities own an aggregate of 6,229,658 Domestic Shares of the 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 several PRC entities under the employee incentive scheme of the Company 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 the Company under the SFO through his interest in the Offshore Employee Entities (Mars Holding Limited, Blue Summit Management Limited, Mercury Holding Limited and Jupiter Holding Limited).
- (4) 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 the 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 Ziping Kuang, an Independent Third Party, and Mr. Gary Edward 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 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 the 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 Ziping Kuang, an Independent Third Party and Mr. Gary Edward 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.
- (5) The Company has two classes of Shares: H Shares as one class of Shares, Domestic Shares and Unlisted Foreign Shares together as another class. As at June 30, 2020, the total issued share capital of the Company was 404,468,943 Shares, which comprise 137,867,143 Unlisted Foreign Shares, 83,886,936 Domestic Shares and 182,714,864 H Shares.

Corporate Governance and Other Information

III. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

As of the end of the Reporting Period, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

IV. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As of June 30, 2020, to the knowledge of our Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors and chief executive of our Company as disclosed above) have interests or short positions in Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by our Company under Section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Share Capital of Our Company (Note 8)	Approximate Percentage of Shareholding in the Relevant Class of Shares (Note 8)
Horizon Binjiang LLC (Note 1)	Unlisted Foreign Shares	Beneficial owner	47,954,404/ Long position	11.86%	21.63%
Qiming Corporate GP III, Ltd. (Notes 2 and 3)	H Shares	Interest in controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest in controlled corporations	37,185,479/ Long position	9.19%	16.77%
Mr. Duane Ziping Kuang (Notes 2 and 3)	H Shares	Interest in controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest in controlled corporations	37,185,479/ Long position	9.19%	16.77%

Corporate Governance and Other Information

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Share Capital of Our Company (Note 8)	Approximate Percentage of Shareholding in the Relevant Class of Shares (Note 8)
Mr. Gary Edward Rieschel (Notes 2 and 3)	H Shares	Interest in controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest in controlled corporations	37,185,479/ Long position	9.19%	16.77%
Qiming GP III, L.P. (Notes 2 and 3)	H Shares	Interest in controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest in controlled corporations	37,185,479/ Long position	9.19%	16.77%
Qiming Venture Partners III, L.P. (Note 2)	H Shares	Interest in controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest in controlled corporations	16,788,728/ Long position	4.15%	7.57%
Ming Zhi Investments Limited (Note 2)	H Shares	Interest in controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest in controlled corporations	16,788,728/ Long position	4.15%	7.57%
Ming Zhi Investments (BVI) Limited (Note 2)	H Shares	Interest in controlled corporations	30,342,501/ Long position	7.50%	16.61%
	Unlisted Foreign Shares	Interest in controlled corporations	16,788,728/ Long position	4.15%	7.57%
The Goldman Sachs Group, Inc. (Note 3)	H Shares	Interest in controlled corporations	26,407,196/ Long position	6.53%	14.45%
			3,231,000/ Short position	0.80%	1.77%
	Unlisted Foreign Shares	Interest in controlled corporations	8,039,173/ Long position	1.99%	3.63%
Broad Street Principal Investments Superholdco, L.L.C. (Note 3)	H Shares	Interest in controlled corporations	20,893,939/ Long position	5.17%	11.44%
	Unlisted Foreign Shares	Interest in controlled corporations	7,278,710/ Long position	1.80%	3.28%
Broad Street Principal Investments, L.L.C. (Note 3)	H Shares	Interest in controlled corporations	20,893,939/ Long position	5.17%	11.44%
	Unlisted Foreign Shares	Interest in controlled corporations	7,278,710/ Long position	1.80%	3.28%

Corporate Governance and Other Information

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Share Capital of Our Company (Note 8)	Approximate Percentage of Shareholding in the Relevant Class of Shares (Note 8)
BSPI Intermediate Holdings, L.L.C. (Note 3)	H Shares	Interest in controlled corporations	20,893,939/ Long position	5.17%	11.44%
	Unlisted Foreign Shares	Interest in controlled corporations	7,278,710/ Long position	1.80%	3.28%
BSPI Holdings, L.L.C. (Note 3)	H Shares	Interest in controlled corporations	20,893,939/ Long position	5.17%	11.44%
	Unlisted Foreign Shares	Interest in controlled corporations	7,278,710/ Long position	1.80%	3.28%
Broad Street Investments Holding (Singapore) Pte. Ltd. (Note 3)	H Shares	Beneficial owner	20,893,939/ Long position	5.17%	11.44%
	Unlisted Foreign Shares	Beneficial owner	7,278,710/ Long position	1.80%	3.28%
Qiming Venture Partners III Annex Fund, L.P. (Note 4)	Unlisted Foreign Shares	Interest in controlled corporations	20,396,751/ Long position	5.04%	9.20%
QM22 Limited (Note 4)	Unlisted Foreign Shares	Interest in controlled corporations	20,396,751/ Long position	5.04%	9.20%
QM22 (BVI) Limited (Note 4)	Unlisted Foreign Shares	Beneficial owner	20,396,751/ Long position	5.04%	9.20%
Nan Peng Shen (Note 5)	Unlisted Foreign Shares	Interest in controlled corporations	18,522,200/ Long position	4.58%	8.35%
SNP China Enterprises Limited (Note 5)	Unlisted Foreign Shares	Interest in controlled corporations	18,522,200/ Long position	4.58%	8.35%
SC China Holding Limited (Note 5)	Unlisted Foreign Shares	Interest in controlled corporations	18,522,200/ Long position	4.58%	8.35%
SC China Venture IV Management, L.P. (Note 5)	Unlisted Foreign Shares	Interest in controlled corporations	18,522,200/ Long position	4.58%	8.35%
Sequoia Capital China Venture Fund IV, L.P. (Note 5)	Unlisted Foreign Shares	Interest in controlled corporations	18,522,200/ Long position	4.58%	8.35%
SCC Venture IV-Bright (HK) Limited (Note 5)	Unlisted Foreign Shares	Beneficial Owner	18,522,200/ Long position	4.58%	8.35%

Corporate Governance and Other Information

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Share Capital of Our Company (Note 8)	Approximate Percentage of Shareholding in the Relevant Class of Shares (Note 8)
Mr. Haifeng David Liu (Note 6)	H Shares	Interest in controlled corporations	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Interest in controlled corporations	3,934/ Long position	0.00%	0.00%
Mr. Julian Juul Wolhardt (Note 6)	H Shares	Interest in controlled corporations	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Interest in controlled corporations	3,934/ Long position	0.00%	0.00%
DCP, Ltd. (Note 6)	H Shares	Interest in controlled corporations	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Interest in controlled corporations	3,934/ Long position	0.00%	0.00%
DCP Partners Limited (Note 6)	H Shares	Interest in controlled corporations	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Interest in controlled corporations	3,934/ Long position	0.00%	0.00%
DCP General Partner, Ltd. (Note 6)	H Shares	Interest in controlled corporations	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Interest in controlled corporations	3,934/ Long position	0.00%	0.00%
DCP Capital Partners, L.P. (Note 6)	H Shares	Interest in controlled corporations	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Interest in controlled corporations	3,934/ Long position	0.00%	0.00%
Red Giant Limited (Note 6)	H Shares	Interest in controlled corporations	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Interest in controlled corporations	3,934/ Long position	0.00%	0.00%
Muheng Capital Partners (Hong Kong) Limited (Note 6)	H Shares	Beneficial owner	16,690,318/ Long position	4.13%	9.13%
	Unlisted Foreign Shares	Beneficial owner	3,934/ Long position	0.00%	0.00%

Corporate Governance and Other Information

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Share Capital of Our Company (Note 8)	Approximate Percentage of Shareholding in the Relevant Class of Shares (Note 8)
Jiaxing Demenghong Investment Partnership (Limited Partnership) (Note 7)	Domestic Shares	Interest in controlled corporations	13,628,724/ Long position	3.37%	6.15%
Jiaxing Dechanghong Investment Partnership (Limited Partnership) (Note 7)	Domestic Shares	Beneficial owner	13,628,724/ Long position	3.37%	6.15%
Gaoling Fund, L.P.	H Shares	Beneficial owner	11,857,500/ Long position	2.93%	6.49%
Hillhouse Capital Advisors, Ltd.	H Shares	Investment Manager	11,857,500/ Long position	2.93%	6.49%

Notes:

- (1) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 47,954,404 Unlisted Foreign Shares of the Company. Mr. Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.
- (2) 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 the 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.
- (3) 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 the 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.

Corporate Governance and Other Information

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 the 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..

Goldman Sachs International owns 500 H Shares of the Company. Goldman Sachs Group UK Limited (as the sole shareholder of Goldman Sachs International), Goldman Sachs (UK) L.L.C. (as the sole shareholder of Goldman Sachs Group UK Limited) and The Goldman Sachs Group, Inc. (as the sole shareholder of Goldman Sachs (UK) L.L.C.) are also deemed to be interested in the interest owned by Goldman Sachs International.

- (4) QM22 (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 20,396,751 Unlisted Foreign Shares of the 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 Ziping Kuang, an Independent Third Party and Mr. Gary Edward 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.
- (5) SCC Venture IV-Bright (HK) Limited, a limited company incorporated in Hong Kong, owns 18,522,220 Unlisted Foreign Shares of Company. Sequoia Capital China Venture Fund IV, L.P. (as the sole shareholder of SCC Venture IV-Bright (HK) Limited), SC China Venture IV Management, L.P. (as the general partner of Sequoia Capital China Venture Fund IV, L.P.), SC China Holding Limited (as the general partner of SC China Venture IV Management, L.P.), SNP China Enterprises Limited (as the sole shareholder of SC China Holding Limited) and Mr. Shen Nan Peng (as the sole shareholder of SNP China Enterprises Limited) are deemed to be interested in the interest owned by SCC Venture IV-Bright (HK) Limited under the SFO.
- (6) 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 the 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), DCP General Partner, Ltd. (as the general partner of DCP Capital Partners, L.P.), DCP Partners Limited (as the sole shareholder of DCP General Partner, Ltd), DCP, Ltd. (as the sole shareholder of DCP Partners Limited) and Mr. Haifeng David Liu and Mr. Julian Juul Wolhardt (each as a person holding 50% control of DCP, Ltd.) are deemed to be interested in the interest owned by Muheng Capital Partners (Hong Kong) Limited.
- (7) Jiaxing Dechanghong Investment Partnership (Limited Partnership), a limited partnership organized in the PRC, owns 13,628,724 Domestic Shares of the 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).
- (8) The Company has two classes of Shares: H Shares as one class of Shares, Domestic Shares and Unlisted Foreign Shares together as another class. As at June 30, 2020, the total issued share capital of the Company was 404,468,943 Shares, which comprise 137,867,143 Unlisted Foreign Shares, 83,886,936 Domestic Shares and 182,714,864 H Shares.



Corporate Governance and Other Information

V. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company had applied the principles and code provisions as set out in the Corporate Governance Code and has complied with the code provisions in the Corporate Governance Code during the Reporting Period.

VII. COMPLIANCE WITH THE MODEL CODE

Our Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions. Our Company has made specific enquiries to all Directors and Supervisors concerning their compliance with the Model Code. All Directors and Supervisors confirmed that they had strictly observed all standards set out in our Company's code of conduct regarding Directors' securities transactions during the Reporting Period.

VIII. AUDIT

The 2020 interim financial report of the Company is unaudited. The Audit Committee under the Board of Directors has reviewed the unaudited interim financial report of the Company for the six months ended June 30, 2020, and did not raise any objection to the accounting policy and practices adopted by the Company.

IX. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group did not have any material litigation or arbitration.

X. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(i) Change in Directors and Composition of Board Committees

During the Reporting Period, there were no changes in Directors and composition of Board Committees.

(ii) Change in Supervisors

During the Reporting Period, there were no changes in Supervisors.

(iii) Change in Biographies of Directors and Supervisors

During the Reporting Period, there were no changes in Biographies of Directors and Supervisors.

(iv) Change in Senior Management

During the Reporting Period, there were no changes in Senior Management.

During the Reporting Period, there was no change in the employees and remuneration policies of the Company. A review of the employees and remuneration policies of the Group during the Reporting Period is set out in "Management Discussion and Analysis – II. Financial Review – Employees and Remuneration Policies" in this report.

Corporate Governance and Other Information

XI. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

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

As of June 30, 2020, the Group had used the net proceeds from the Global Offering for the following purposes:

Use of proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Actual amount of proceeds utilized as of June 30, 2020 (RMB million)	Amount of proceeds unutilized as of June 30, 2020 (RMB million)
(A) For our Core Products:	35.00	895.3	88.8	806.5
(i) ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries	5.00	127.9	52.4	75.5
(a) the continuous expansion of market coverage of VenusA-Valve in China	3.15	80.6	52.4	28.2
(b) in the commercialization in Colombia	0.70	17.9	0.0	17.9
(c) the commercialization in the Philippines	0.70	17.9	0.0	17.9
(d) the commercialization in other jurisdictions such as Brazil and Taiwan	0.45	11.5	0.0	11.5
(ii) ongoing and planned R&D and commercial launches of VenusA-Plus	12.00	307.0	9.1	297.9
(a) pre-clinical activities in China	0.32	8.2	8.0	0.2
(b) the ongoing clinical trial in China	0.90	22.9	0.1	22.8

Corporate Governance and Other Information

Use of proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Actual amount of proceeds utilized as of June 30, 2020 (RMB million)	Amount of proceeds unutilized as of June 30, 2020 (RMB million)
(c) registration	0.38	9.6	1.0	8.6
registration in China	0.11	2.8	0.4	2.4
registration in other jurisdictions	0.26	6.8	0.6	6.2
(d) the commercialization in various jurisdictions	8.37	214.1	0.0	214.1
commercialization in China	6.32	161.7	0.0	161.7
commercialization in other markets	2.05	52.4	0.0	52.4
(e) post-marketing surveillance	2.04	52.2	0.0	52.2
(iii) ongoing and planned R&D and commercial launches of VenusP-Valve	18.00	460.4	27.3	433.1
(a) pre-clinical activities in the U.S.	1.06	27.1	24.8	2.3
(b) the clinical trial to be conducted for the FDA approval	2.17	55.5	0.0	55.5
(c) registration	0.91	23.4	2.5	20.9
NMPA	0.07	1.8	0.5	1.3
FDA	0.46	11.7	0.4	11.3
CE Marking	0.39	9.9	1.6	8.3
(d) commercialization in various jurisdictions	13.14	336.2	0.0	336.2
China	3.85	98.5	0.0	98.5
U.S. and Canada	1.27	32.5	0.0	32.5
EU	2.68	68.6	0.0	68.6
Other markets	5.34	136.6	0.0	136.6
(e) post-marketing surveillance	0.71	18.2	0.0	18.2
(B) Allocated to our other products and product candidates:	30.00	767.4	82.3	685.1
(i) ongoing and planned R&D and marketing of CEP device	17.00	434.9	59.6	375.3
(a) pre-clinical activities	4.18	106.9	2.6	104.3
(b) 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	3.69	94.4	16.6	77.8
(c) registration and post-marketing surveillance	3.93	100.5	32.8	67.7
(d) commercialization in various jurisdictions	5.20	133.1	7.6	125.5
(ii) ongoing and planned R&D of VenusA-Pilot	3.00	76.7	1.6	75.1
(iii) ongoing and planned R&D of mitral valve products	2.00	51.2	4.3	46.9
(iv) R&D of tricuspid valve products	2.00	51.2	2.0	49.2

Corporate Governance and Other Information

Use of proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Actual amount of proceeds utilized as of June 30, 2020 (RMB million)	Amount of proceeds unutilized as of June 30, 2020 (RMB million)
(v) ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8	2.00	51.2	5.3	45.9
(vi) ongoing and planned R&D of other product candidates	4.00	102.2	9.5	92.7
(C) Payment of considerations and other transaction expenses related to acquisition of Keystone	10.00	255.8	0.0	255.8
(D) Our continued expansion of product portfolio through internal research and/or potential acquisition	15.00	383.7	118.6	265.1
(E) Working capital and other general corporate purposes	10.00	255.8	252.9	2.9
TOTAL	100.00	2,558.0	542.6	2,015.4

Regarding the net proceeds that had not been utilized as of June 30, 2020, the Company intends to use them in the same manner and proportions as stated in the Prospectus. The unutilized amount of net proceeds is expected to be used by December 31, 2022.

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

Hangzhou, the PRC, August 28, 2020

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	102,049	107,423
Cost of sales		(16,962)	(18,976)
Gross profit		85,087	88,447
Other income and gains		50,067	2,833
Selling and distribution expenses		(47,215)	(50,669)
Research and development costs		(67,607)	(104,664)
Administrative expenses		(39,155)	(103,114)
Other expenses		(20,418)	(7,435)
Finance costs		(3,074)	(10,059)
Impairment losses on financial assets, net		(949)	(1,109)
Share of loss of an associate		(265)	–
LOSS BEFORE TAX	6	(43,529)	(185,770)
Income tax expense	7	(9)	(12)
LOSS FOR THE PERIOD		(43,538)	(185,782)

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2020

Note	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	7,602	(375)
Other comprehensive income 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	440	(232)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	8,042	(607)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(35,496)	(186,389)
Loss attributable to:		
Owners of the parent	(43,524)	(185,762)
Non-controlling interests	(14)	(20)
	(43,538)	(185,782)
Total comprehensive loss attributable to:		
Owners of the parent	(35,482)	(186,369)
Non-controlling interests	(14)	(20)
	(35,496)	(186,389)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	9 RMB (0.11)	RMB (0.62)

Interim Condensed Consolidated Statement of Financial Position

June 30, 2020

	Notes	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	66,748	60,381
Goodwill		524,356	479,626
Other intangible assets		198,364	185,145
Investment in an associate		6,813	–
Deferred tax assets		3,025	2,800
Equity investments designated at fair value through other comprehensive income		30,180	29,740
Financial assets at fair value through profit or loss		28,410	–
Prepayments, other receivables and other assets		67,964	6,665
Total non-current assets		925,860	764,357
CURRENT ASSETS			
Inventories		37,870	24,789
Trade receivables	11	160,473	162,200
Prepayments, other receivables and other assets		112,064	303,462
Pledged deposits		278,360	746
Cash and cash equivalents		1,969,485	2,413,254
Total current assets		2,558,252	2,904,451
CURRENT LIABILITIES			
Trade payables	12	4,003	1,452
Lease liabilities		9,657	8,992
Other payables and accruals		360,562	396,590
Due to a related party	15(b)	685	685
Interest-bearing bank borrowings		–	120,000
Government grants, current		24,046	24,046
Contract liabilities		2,481	2,392
Refund liabilities		11,855	12,362
Tax payable		2,202	1,939
Total current liabilities		415,491	568,458

Interim Condensed Consolidated Statement of Financial Position

June 30, 2020

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
NET CURRENT ASSETS	2,142,761	2,335,993
TOTAL ASSETS LESS CURRENT LIABILITIES	3,068,621	3,100,350
NON-CURRENT LIABILITIES		
Lease liabilities	17,326	17,312
Deferred tax liabilities	40,064	37,292
Other borrowings	981	–
Total non-current liabilities	58,371	54,604
Net assets	3,010,250	3,045,746
EQUITY		
Equity attributable to owners of the parent		
Share capital	404,469	404,469
Reserves	2,597,027	2,632,509
Non-controlling interests	3,001,496 8,754	3,036,978 8,768
Total equity	3,010,250	3,045,746

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium* RMB'000	Other reserves* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At December 31, 2019 (Audited)	404,469	2,923,182	259,195	(468)	15,334	(564,734)	3,036,978	8,768	3,045,746
Loss for the period (Unaudited)	-	-	-	-	-	(43,524)	(43,524)	(14)	(43,538)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations (Unaudited)	-	-	-	-	7,602	-	7,602	-	7,602
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (Unaudited)	-	-	-	440	-	-	440	-	440
Total comprehensive loss for the period (Unaudited)	-	-	-	440	7,602	(43,524)	(35,482)	(14)	(35,496)
At June 30, 2020 (Unaudited)	404,469	2,923,182	259,195	(28)	22,936	(608,258)	3,001,496	8,754	3,010,250

* These reserve accounts comprise the consolidated reserves of RMB2,597,027,000 in the condensed consolidated statement of financial position as at June 30, 2020.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At December 31, 2018 (Audited)	300,000	199,672	138,490	(724)	8,137	(184,011)	461,564	8,810	470,374
Loss for the period (Unaudited)	-	-	-	-	-	(185,762)	(185,762)	(20)	(185,782)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations (Unaudited)	-	-	-	-	(375)	-	(375)	-	(375)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (Unaudited)	-	-	-	(232)	-	-	(232)	-	(232)
Total comprehensive loss for the period (Unaudited)	-	-	-	(232)	(375)	(185,762)	(186,369)	(20)	(186,389)
Capital contribution by shareholders (Unaudited)	14,151	-	294,492	-	-	-	308,643	-	308,643
Equity-settled share award expense (Unaudited)	-	-	69,475	-	-	-	69,475	-	69,475
At June 30, 2019 (Unaudited)	314,151	199,672	502,457	(956)	7,762	(369,773)	653,313	8,790	662,103

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30,

Notes	2020 (Unaudited) RMB'000	2019 [*] (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
	(43,529)	(185,770)
Loss before tax		
Adjustments for:		
Finance costs	3,074	10,059
Bank interest income	(19,345)	(169)
Impairment of trade and other receivables	949	1,109
Depreciation of items of property, plant and equipment	5,386	3,555
Depreciation of right-of-use assets	5,592	3,261
Amortisation of other intangible assets	6,882	6,380
Equity-settled share award expense	–	69,475
Loss on disposal of items of property, plant and equipment, net	6 556	19
Write-down of inventories to net realisable value	6 1,655	–
Financial assets at fair value through profit or loss	(91)	–
Share of loss of an associate	265	–
Foreign exchange differences, net	(17,303)	(10,128)
	(55,909)	(102,209)
(Increase)/decrease in inventories	(14,735)	1,296
Decrease/(increase) in trade receivables	858	(58,195)
Increase in prepayments and other assets	(4,137)	(10,861)
Increase in other receivables	(2,521)	(1,238)
Decrease in amounts due from related parties	–	346
Increase in trade payables	2,551	687
Increase in an amount due to a related party	–	4
(Decrease)/increase in other payables and accruals	(60,685)	4,752
Increase in contract liabilities	89	–
(Decrease)/increase in refund liabilities	(507)	6,586
Cash used in operations	(134,996)	(158,832)
Interest received	18,338	169
Net income tax paid	(4,299)	(1,731)
Net cash flows used in operating activities	(120,957)	(160,394)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30,

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(13,527)	(4,475)
Purchases of other intangible assets	(7,750)	(649)
Advances of loans to a third party	(70,576)	–
Purchases of financial assets at fair value through profit or loss	(28,526)	–
Investment in an associate	(7,132)	–
Prepayments for other long-term investments	(28,318)	–
Lease payments made before the commencement date of a lease	(297)	–
Proceeds from disposal of items of property, plant and equipment	32	–
Acquisition of a subsidiary	(54,610)	(6,443)
Net cash flows used in investing activities	(210,704)	(11,567)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from shareholders	–	308,643
Loans to related parties	–	(12,970)
Proceeds from bank and other borrowings	985	120,000
Repayment of bank borrowings	(120,000)	(30,000)
Proceeds from deposit for a guarantee of a loan facility	274,074	–
Deposit for a guarantee of a loan facility	(266,577)	–
Principal portion of lease payments	(4,463)	(2,718)
Interest portion of lease liabilities	(737)	(595)
Interest paid	(672)	(3,754)
Payment for a deferred finance charge for guarantee	(2,187)	(1,964)
Net cash flows (used in)/from financing activities	(119,577)	376,642
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(451,238)	204,681
Cash and cash equivalents at beginning of period	2,413,254	164,914
Effect of foreign exchange rate changes, net	8,542	944
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,970,558	370,539

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30,

	2020 (Unaudited) RMB'000	2019 [*] (Unaudited) RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	1,969,485	370,539
Time deposits pledged as security for bank overdraft facilities	1,073	–
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	1,970,558	370,539

Notes to Interim Condensed Consolidated Financial Information

1. CORPORATE INFORMATION

Venus Medtech (Hangzhou) Inc. (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (“PRC”). The registered address of the Company is located at Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, PRC.

During the six months ended June 30, 2020, the Company and its subsidiaries (the “Group”) are principally engaged in research and development, and the manufacturing and sale of bioprosthetic heart valves.

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2020 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2019.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The application of the revised IFRSs above did not have a material effect on the Group’s interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated 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.

Geographic information

(a) Revenue from external customers

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Mainland China	101,617	106,757
Other	432	666
Total	102,049	107,423

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

(b) Non-current assets

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
Mainland China	71,233	62,231
USA	97,147	20,572
Israel	170,426	168,216
Total	338,806	251,019

The non-current asset information above is based on the locations of the assets and excluded goodwill, deferred tax assets and financial instruments.

Notes to Interim Condensed Consolidated Financial Information

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<i>Revenue from contracts with customers</i>		
Sale of medical devices	102,049	107,423

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Geographical markets		
Mainland China	101,617	106,757
Other countries/regions	432	666
Total revenue from contracts with customers	102,049	107,423
Timing of revenue recognition		
Goods transferred at a point in time	102,049	107,423

Notes to Interim Condensed Consolidated Financial Information

6. LOSS BEFORE TAX

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

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of inventories sold	16,211	17,521
Impairment of trade receivables	869	1,105
Impairment of other receivables	80	4
Write-down of inventories to net realisable value	1,655	–
Loss on disposal of items of property, plant and equipment, net	556	19
Foreign exchange differences, net	(20,861)	843

7. INCOME TAX EXPENSE

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatment is available to the Company, since it was recognised as High and New Technology Enterprises as at December 4, 2019 and was entitled to a preferential tax rate of 15% during the six months ended June 30, 2020 (six months ended June 30, 2019: 15%).

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (six months ended June 30, 2019: 21%) on the taxable income arising in the USA during the six months ended June 30, 2020.

Notes to Interim Condensed Consolidated Financial Information

7. INCOME TAX EXPENSE (continued)

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at 23% (six months ended June 30, 2019: 23%) on the taxable income arising in Israel during the six months ended June 30, 2020.

UK

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% (six months ended June 30, 2019: up to 19%) on the taxable income arising in the UK during the six months ended June 30, 2020.

The income tax expense of the Group during the period is analysed as follows:

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax – USA		
Charge for the period	929	991
Current tax – Israel		
Charge for the period	239	264
Current tax – UK		
Charge for the period	42	48
Deferred tax	(1,201)	(1,291)
	9	12

8. DIVIDEND

The Board does not recommend the payment of any dividend in respect for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

Notes to Interim Condensed Consolidated Financial Information

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB43,524,000 (six months ended June 30, 2019: RMB185,762,000), and the weighted average number of ordinary shares of 403,416,478 (six months ended June 30, 2019: 300,121,679) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

The calculation of basic loss per share is based on:

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	43,524	185,762

	For the six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Shares		
Weighted average number of shares in issue during the period	403,416,478	300,121,679

Notes to Interim Condensed Consolidated Financial Information

10. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
Carrying amount at beginning of period/year	60,381	46,731
Additions	17,793	29,512
Depreciation provided during the period/year	(10,978)	(15,923)
Exchange realignment	140	99
Disposals	(588)	(38)
Carrying amount at end of period/year	66,748	60,381

11. TRADE RECEIVABLES

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

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
Within 6 months	105,876	122,109
7 to 12 months	46,028	36,216
Over 12 months	8,569	3,875
	160,473	162,200

Notes to Interim Condensed Consolidated Financial Information

12. TRADE PAYABLES

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

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
Within 3 months	3,539	1,419
3 to 6 months	4	30
6 to 12 months	460	1
Over 12 months	–	2
	4,003	1,452

13. BUSINESS COMBINATION

On June 1, 2020, the Group acquired a 100% equity interest in 510 Kardiac Devices, Inc. ("510 Kardiac"), which is a private company incorporated in the United States in business of the design, development, and commercialisation of medical devices, at a consideration of US\$6,937,000 (equivalent to RMB49,475,000). The acquisition was made as part of the Group's strategy to further improve the Group's research and development business and expand the business for the Group's medical services.

Notes to Interim Condensed Consolidated Financial Information

13. BUSINESS COMBINATION (continued)

The provisional fair values of the identifiable assets and liabilities of 510 Kardiac as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition RMB'000
Cash and cash equivalents	2,018
Prepayments	14
Other intangible assets	12,823
Other payables and accruals	(30)
Deferred tax liabilities	(3,295)
Total identifiable net assets at provisional fair value	11,530
Goodwill on acquisition	37,945
	49,475
Satisfied by:	
Cash consideration paid	26,675
Cash consideration payable	22,800
	49,475

The assessment of the fair value of the identifiable assets and liabilities of 510 Kardiac is still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional at the date of the interim condensed consolidated financial information. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending December 31, 2020.

13. BUSINESS COMBINATION (continued)

There were no trade receivables or other receivables of 510 Kardiac as at the date of acquisition.

The Group incurred transaction costs of RMB2,443,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

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 FDA clearance of 510 Kardiac's product. At the date of the interim condensed consolidated financial information, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

Time for the occurrence of milestone event December 2020

14. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Audited) RMB'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	3,332	89

Notes to Interim Condensed Consolidated Financial Information

15. RELATED PARTY TRANSACTIONS

Name	Relationship with the Company
Mr. Min Frank Zeng	Director
Horizon Binjiang LLC ("Horizon")	An entity controlled by Mr. Min Frank Zeng
Colibri Heart Valve LLC ("Colibri")	An entity which owns the non-controlling interests of a subsidiary

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with a related party during the six months ended June 30, 2020 and 2019:

	Note	For the six months ended June 30,	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Loans to:			
Horizon	(i)	-	12,970

Note:

- (i) The loans to Horizon are unsecured and interest-free and have no fixed terms of repayment.

- (b) Outstanding balance with a related party:

The Group had following outstanding balance with a related party:

	Note	June 30,	December 31,
		2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Due to a related party:			
Colibri	(i)	685	685

Note:

- (i) The balance is unsecured, interest-free and has no fixed terms of repayment.

Notes to Interim Condensed Consolidated Financial Information

15. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group:

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Salaries, bonuses, allowances and benefit in kind	4,515	31,907
Pension scheme contributions	51	34
Equity-settled share award expense	–	29,034
Total compensation paid to key management personnel	4,566	60,975

Notes to Interim Condensed Consolidated Financial Information

16. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at June 30, 2020

Financial assets

	Financial assets at amortised cost (Unaudited) RMB'000	Financial assets at fair value through other comprehensive income (Unaudited) RMB'000	Financial assets at fair value through profit or loss (Unaudited) RMB'000	Total (Unaudited) RMB'000
Equity investments designated at fair value through other comprehensive income	–	30,180	–	30,180
Financial assets at fair value through profit or loss	–	–	28,410	28,410
Trade receivables	160,473	–	–	160,473
Financial assets included in prepayments, other receivables and other assets	83,887	–	–	83,887
Pledged deposits	278,360	–	–	278,360
Cash and cash equivalents	1,969,485	–	–	1,969,485
	2,492,205	30,180	28,410	2,550,795

Notes to Interim Condensed Consolidated Financial Information

16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost (Unaudited) RMB'000
Trade payables	4,003
Financial liabilities included in other payables and accruals	333,612
Lease liabilities	26,983
Due to a related party	685
Other borrowings	981
	366,264

Notes to Interim Condensed Consolidated Financial Information

16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at December 31, 2019

Financial assets

	Financial assets at amortised cost (Audited) RMB'000	Financial assets at fair value through other comprehensive income (Audited) RMB'000	Total (Audited) RMB'000
Equity investment designated at fair value through other comprehensive income	–	29,740	29,740
Trade receivables	162,200	–	162,200
Financial assets included in prepayments, other receivables and other assets	283,557	–	283,557
Pledged deposits	746	–	746
Cash and cash equivalents	2,413,254	–	2,413,254
	2,859,757	29,740	2,889,497

16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost (Audited) RMB'000
Trade payables	1,452
Financial liabilities included in other payables and accruals	366,871
Lease liabilities	26,304
Due to a related party	685
Interest-bearing bank borrowings	120,000
	515,312

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade receivables, trade payables, other borrowings, lease liabilities, financial liabilities included in other payables and accruals and an 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 finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial 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 chief financial officer. The valuation process and results are discussed with the directors twice a year for interim and annual financial reporting.

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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. In addition to the contingent consideration disclosed in note 13 to the interim condensed consolidated financial information, the following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

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 assets, the Group adopts the valuation techniques to determine the fair value. For equity investments designated at fair value through other comprehensive income, 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"). For financial assets at fair value through profit or loss, valuation techniques include discount cash flow method. The fair value measurement of these financial instruments may involve unobservable inputs such as risk free rate and discount rate. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at June 30, 2020 and December 31, 2019:

	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	June 30, 2020: 3 years (December 31, 2019: 3 years)	1 year increase/ (decrease) in time to an exit event would result in a (decrease)/ increase in fair value by RMB (559,000)/ RMB411,000 (December 31, 2019: RMB (552,000)/ RMB404,000)
		Risk-free rate	June 30, 2020: 1.62% (December 31, 2019: 1.62%)	1% increase/ (decrease) in the risk-free rate would result in a (decrease)/ increase in fair value by RMB (156,000)/ RMB163,000 (December 31, 2019: RMB (154,000)/ RMB160,000)
		Equity volatility	June 30, 2020: 24.32% (December 31, 2019: 24.32%)	10% increase/ (decrease) in the equity volatility would result in a (decrease)/increase in fair value by RMB (864,000)/ RMB1,041,000 (December 31, 2019: RMB (852,000)/ RMB1,025,000)

Notes to Interim Condensed Consolidated Financial Information

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to the fair value
	DLOM	June 30, 2020: 4.50%-15.50% (December 31, 2019: 4.50%-15.50%)	5% increase/ (decrease) in the DLOM would result in a (decrease)/ increase in fair value by RMB (1,635,000)/ RMB1,642,000 (December 31, 2019: RMB (1,612,000)/ RMB1,618,000)
Financial assets at fair value through profit or loss	Discount cash flow method	Risk-free rate	June 30, 2020: 1.41%
		Discount rate	June 30, 2020: 18.22%
			1% increase/ (decrease) in the risk-free rate would result in a (decrease)/ increase in fair value by RMB (836,000)/ RMB883,000
			5% increase/ (decrease) in the discount rate would result in a (decrease)/increase in fair value by RMB (1,538,000)/ RMB1,942,000

DLOM represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 June 30, 2020

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Financial assets at fair value through profit or loss	–	–	28,410	28,410
Equity investments designated at fair value through other comprehensive income	–	–	30,180	30,180
	–	–	58,590	58,590

**Notes to Interim Condensed
Consolidated Financial Information**

**17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL
INSTRUMENTS (continued)**

Fair value hierarchy (continued)

As at December 31, 2019

	Fair value measurement using			Total (Audited) RMB'000
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	29,740	29,740

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Equity investments at fair value through other comprehensive income – unlisted:		
At January 1	29,740	29,484
Total gains recognised in other comprehensive income	440	(232)
At June 30,	30,180	29,252
Financial assets at fair value through profit or loss:		
At January 1	–	–
Purchase	28,526	–
Total gains recognised in the statement of profit or loss included in other income	91	–
Exchange realignment	(207)	–
At June 30	28,410	–

The Group did not have any financial liabilities measured at fair value as at June 30, 2020 and December 31, 2019.

During the period, 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 (six months ended June 30, 2019: Nil).

Definitions

“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CE Marking”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CEP”	cerebral embolic protection, the function of the devices designed to capture or deflect emboli traveling to the brain during TAVR procedures in order to protect the supra-aortic vessels from embolic debris
“China” or “the PRC”	the People’s Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company”	Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司), a limited liability company incorporated in the PRC on July 3, 2009 and converted into a joint stock limited liability company incorporated in the PRC on November 29, 2018, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 2500)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19”	an infectious disease caused by a newly discovered coronavirus, the outbreak of which began in December 2019
“DCS”	delivery catheter system, a catheter system of our products with a pushing handle, outer sheath and a tip to freely pass through guide catheter to deliver the valve to the designated position
“Directors”	the director(s) of the Company
“Edwards Lifesciences”	Edwards Lifesciences Corporation, a U.S. medical equipment company specializing in artificial heart valves and hemodynamic monitoring

Definitions

"EU"	the European Union
"FDA"	U.S. Food and Drug Administration
"FDA 510(k)"	section 510(k) of the Food, Drug and Cosmetic Act, which requires device manufacturers who must register, to notify the FDA of their intent to market a medical device at least 90 days in advance
"FIM"	First-In-Man
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"InterValve"	InterValve Medical Inc., a company incorporated in Delaware, the United States on November 18, 2016 and is indirectly wholly-owned by our Company as of the date of this interim report
"Keystone"	Keystone Heart Ltd. and its subsidiaries
"KOLs"	acronym for Key Opinion Leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"Listing Rules"	the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

Definitions

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
“Prospectus”	the prospectus published by the Company on November 28, 2019 in relation to its Hong Kong public offering
“R&D”	research and development
“Reporting Period”	the six months period from January 1, 2020 to June 30, 2020
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of China
“RVOT”	right ventricular outflow tract, an infundibular extension of the ventricular cavity which connects to the pulmonary artery
“RVOTD”	the dysfunction of RVOT
“Share Pledge”	meaning the pledge of 9,000,000 shares provided by Mr. Zhenjun Zi, one of the Company’s controlling shareholders at the time of the Company’s Prospectus to Hangzhou Gaoxin Technology Innovation Services Ltd. (杭州高新科技創業服務有限公司), on January 30, 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SPVR”	surgical pulmonary valve replacement, a treatment of RVOTD through open-chest surgery
“Supervisor(s)”	member(s) of the supervisory committee of the Company
“TAP treatment”	Transannular patching, a type of treatment for ToF that involves closing the ventricular septal defect and placing a transannular patch (a patch across the pulmonary valve connective tissue to enlarge the pulmonary annulus), which helps blood flow from the pulmonary valve

"TAV8"	TAV8 Balloon Aortic Valvuloplasty Catheter, one of our balloon transluminal aortic valvuloplasty catheter system products
"TAVR"	transcatheter aortic heart valve replacement, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve openchest surgery to correct severe aortic stenosis
"TMVR"	transcatheter mitral valve replacement, catheter-based technique to implant a new mitral valve in a minimally invasive procedure that does not involve open-chest surgery
"ToF"	tetralogy of fallot, a congenital abnormality of the heart characterized by pulmonary stenosis, an opening in the interventricular septum, malposition of the aorta over both ventricles, and hypertrophy of the right ventricle
"TPVR"	transcatheter pulmonary valve replacement, a catheter-based technique to implant a new pulmonary valve in a minimally invasive procedure that does not involve open-chest surgery
"TriGUARD3"	TriGUARD3 Cerebral Embolic Protection Device, our CEP product candidate
"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in a minimally invasive procedure that does not involve open-chest surgery
"U.S."	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"V8"	V8, one of our balloon transluminal aortic valvuloplasty catheter system products
"Venus PowerX"	Venus PowerX Valve, one of our TAVR product candidates
"Venus Vitae"	Venus Vitae Valve, one of our TAVR product candidates
"VenusA-Plus"	VenusA-Plus System, one of our TAVR product candidates



Definitions

“VenusA-Valve” VenusA-Valve System, our TAVR product

“VenusP-Valve” VenusP-Valve System, our TPVR product candidate

In this report, the terms “associate”, “connected transaction”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.