



启明医疗®
VENUSMEDTECH

杭州启明醫療器械股份有限公司
Venus Medtech (Hangzhou) Inc.

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

Stock Code: 2500



2023
INTERIM REPORT



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Corporate Information

(As of June 30, 2023)

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:	RMB441,011,443
Headquarters in the PRC:	
Registered 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, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Board of Directors:	
Executive Directors	Mr. Min Frank Zeng (<i>Chairman</i>), Mr. Zhenjun Zi, Ms. Meirong Liu
Non-executive Director	Mr. Ao Zhang
Independent non-executive Directors	Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau, Mr. Chi Wai Suen
Supervisors:	Ms. Min Shao, Mr. Wei Wang, Ms. Yue Li
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

Corporate Information

(As of June 30, 2023)

Nomination Committee:	Mr. Wan Yee Joseph Lau (<i>Chairman</i>), Mr. Chi Wai Suen, Mr. Ting Yuk Anthony Wu
Company Secretary:	Mr. Wong Wai Chiu, CTP, CPA (Aust.), FCG(CS, CGP), FCS(CS, CGP) ⁽¹⁾
Authorized Representatives:	Mr. Zhenjun Zi, Mr. Wong Wai Chiu
Legal Adviser to Hong Kong Law:	Davis Polk & Wardwell 10th Floor, The Hong Kong Club Building 3A Chater Road, Hong Kong
Auditor engaged by the Company:	ZHONGHUI ANDA CPA Limited ⁽²⁾ <i>Certified Public Accountants</i>

1. Mr. Haiyue Ma resigned as a joint company secretary of the Company with effect from June 2, 2023.
2. ZHONGHUI ANDA CPA Limited (中匯安達會計師事務所有限公司) ("**Zhonghui Anda CPA**") has been appointed as the Company's overseas auditor and Zhonghui Certified Public Accountants LLP (中匯會計師事務所) ("**Zhonghui CPA**") has been appointed as the Company's domestic auditor. Zhonghui Anda CPA will be responsible for providing overseas audit and review services for the financial statements prepared in accordance with International Financial Reporting Standards, while Zhonghui CPA will be responsible for providing domestic audit and review services for the financial statements prepared in accordance with the Chinese Accounting Standards for the year ending December 31, 2023, with effect from June 30, 2023.

Financial Summary

	Six months ended June 30, 2023 (Unaudited) RMB'000	Six months ended June 30, 2022 (Unaudited) RMB'000	Period-to- period change
Revenue	255,610	209,965	21.7%
Gross profit	201,249	164,175	22.6%
Loss before tax	(370,339)	(246,406)	50.3%
Loss for the period	(366,215)	(239,668)	52.8%
Loss attributable to owners of the parent	(350,188)	(199,933)	75.2%
Loss per Share attributable to ordinary equity holders of the parent Basic and diluted	RMB(0.80)	RMB(0.46)	73.9%

Management Discussion and Analysis

I. BUSINESS OVERVIEW

Overview

Since founded in 2009, we have grown into a global platform company engaged in innovative medical devices that integrates R&D, clinical development, manufacturing and commercialization. Our vision is to become a global leader in interventional therapy for structural heart diseases, providing effective treatment options for major diseases that seriously threaten human health where current treatment methods are inaccessible.

We have developed a product portfolio covering the interventional heart valve devices for valvular heart diseases including the aortic valve, pulmonic valve, mitral valve and tricuspid valve, ablation system for interventional treatment of HCM, renal artery denervation ablation system for interventional treatment of hypertension and other accessory consumables, allowing us to provide overall solutions for the doctors and patients. In the future, we will focus on the fields of new materials, bionics, image fusion technology and digital sensing, and leverage constant innovations to better cover the entire therapeutic process of patients, and satisfy the needs of doctors and patients.

For the six months ended June 30, 2023 and up to the date of this report, the Company has achieved constant business progress and smooth globalization with a commitment to its long-standing strategic goals. During the Reporting Period, VenusP-Valve, which is our first independently developed product marketed in Europe and also the first self-expanding TPVR product approved in Europe, continued to benefit from our improving overseas channels for commercialization to enter 30 countries including the United Kingdom, Italy, Spain, Denmark, Greece, France, Germany, Poland and Switzerland, and has been included into medical insurance systems in countries such as Germany. In July 2023, VenusP-Valve was approved by the FDA for IDE application, allowing pivotal clinical trial to be conducted, thus becoming the first Chinese-made heart valve product approved for clinical study in the United States. Meanwhile, we continued to accelerate international multi-centered patient enrollment in pivotal clinical trial of Cardiovalve. Besides, Venus-Vitae and Venus-PowerX, our independently developed innovative products, are under smooth international multi-centered clinical study as planned.

Management Discussion and Analysis

Our Products and Product Pipeline

As of the date of this report, the Company has successfully established a product pipeline consisting of 12 innovative medical devices, covering the fields of heart valve diseases, HCM and hypertension.

Interventional treatment of heart valve diseases is our core therapeutic area. We have commercialized three TAVR products, one TPVR product and one procedural accessory. Our products currently in clinical trials include next-generation TAVR products (Venus-Vitae and Venus-PowerX), one innovative medical device Cardiovalve which can be used for both TMVR and TTVR, and one product currently under animal experiment for the treatment of aortic regurgitation. Besides, we have two procedural accessories, launched catheter sheath product (G Sheath) and one balloon dilation catheter currently in the registration (TAV0), which are mainly used by physicians to facilitate TAVR procedures. For treatment of HCM, we have developed the world's first Liwen RF ablation system. We also have developed the renal artery denervation (RDN) ablation system, an innovative device in interventional therapy for hypertension.

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

Product			Pre-Clinical	Clinical Trial	Registration	Marketed
Aortic valve	TAVR	VenusA series	Approved in China, Argentina and other countries			
		Venus-Vitae	Launching pivotal clinical trial			Approved in Argentina
		Venus-PowerX	In early feasibility study			Approved in Argentina
		AR Valve	In animal experiment			
Pulmonary valve	TPVR	VenusP-Valve	Approved in 30 European, Asia-Pacific and South American countries; FDA IDE approved in the U.S. and launching clinical application in Japan			
Mitral valve	TMVR	Cardiovalve	In early feasibility study			Global status
Tricuspid valve	TTVR	Cardiovalve	Pivotal clinical trial in process			China status
Structural heart diseases platform technology	Percutaneous myocardial ablation	Liwen RF	Completed enrollment for pivotal clinical trial, follow-up in progress			
	Transcatheter RDN	Echomplish Platform	In animal experiment			
Accessories	Third generation catheter sheath	G Sheath	Approved in China			
	Balloon dilatation catheter	TAV0	Registration under review			

VenusA Series-TAVR Products

We currently have three marketed TAVR products, namely, VenusA-Valve, VenusA-Plus and VenusA-Pro. VenusA-Valve received approval for registration from the NMPA in April 2017, which marked the first NMPA approved TAVR commercialized product in China. VenusA-Plus received approval for registration from the NMPA in November 2020, which is the first retrievable TAVR product approved in China. While maintaining the strong radial force of the first generation valve, VenusA-Plus introduces the functions of retrievability and repositioning, which may reduce the complexity of procedures and significantly shorten the learning curve of surgeons.

VenusA-Pro, an upgraded version of VenusA-Plus, ensures radial force while providing improved cross-aortic arch performance with its capsule head made of super-elastic material, therefore enhancing the operability in procedures. Its commissural alignment marks help to give adequate protection to coronary artery. VenusA-Pro was approved for registration by the NMPA in May 2022, making the Company the first domestic enterprise with three TAVR products. Our extensive product pipeline offers better treatment options to physicians and patients, and also enables us to maintain our leading market position.

As the earliest commercialized product in China, VenusA series products have the longest follow-up track record among peers, and their medium to long-term safety and efficacy have been sufficiently verified. At the 21st Chinese Interventional Cardiology (CIT 2023), the eight-year follow-up results of VenusA-Valve were released. An 11-year follow-up has been completed for the first patient. The long track record of ultrasound data indicated consistently sound and stable metrics including peak valve velocity, average valve pressure difference and left ventricular ejection fraction. Furthermore, approximately 80% of the subjects had no or only minimal aortic regurgitation, fully validating the long-term safety and efficacy of VenusA-Valve. At the 9th China Valve (Hangzhou) Conference, the three-year follow-up results of VenusA-Plus were released. According to the results, there was no new case of cardiac death, and the subgroup results showed that VenusA-Plus achieved a good effect for patients with bicuspid aortic valve and tricuspid aortic valve demonstrating the sound clinical safety, efficacy and operability of VenusA-Plus. Chinese TAVR patients are characterized by a high proportion of bicuspid aortic valve and severe calcification of valve leaflets, while VenusA series products with strong radial force are particularly suitable for patients with severe bicuspid aortic valve.

For the six months ended June 30, 2023, sales revenue from VenusA series products was RMB229.8 million, representing an increase of 16.9% from RMB196.6 million for the six months ended June 30, 2022.

Management Discussion and Analysis

VenusP-Valve – TPVR Product

VenusP-Valve, our independently developed transcatheter pulmonary valve system, obtained the CE MDR in April 2022 and was approved for commercialization. It is designed to treat patients suffering moderate to severe pulmonary regurgitation with or without RVOT stenosis. It is the first self-expanding TPVR product approved in Europe, and also the first Class III implantable cardiovascular device approved under new CE MDR regulations.

VenusP-Valve was approved for registration by the NMPA in July 2022 for the treatment of patients with severe pulmonary regurgitation ($\geq 3+$) with native RVOT. As the first TPVR product approved in China, VenusP-Valve filled the gap in clinical demands. In the same month, VenusP-Valve was approved in Argentina. As of the date of this report, our VenusP-Valve has been marketed in over one-fifth of the countries along the “Belt and Road” initiative, and has entered in 30 countries and regions including Britain, Italy, Spain, Denmark, Greece, France, Germany, Poland and Switzerland. Leveraging its professional and efficient overseas marketing team, the Company achieved strong sales performance for VenusP-Valve.

VenusP-Valve is highly recognized among experts and physicians worldwide because of excellent long-term safety and effectiveness. The three-year follow-up data of VenusP-Valve showed that the procedure success rate reached 100%, and the mortality and re-operation rate were 0%; no patients suffered moderate or severe pulmonary regurgitation; 96.87% subjects had trivial or less perivalvular leak and 95.38% subjects had mild or less tricuspid regurgitation; and the proportion of subjects of New York Heart Association (NYHA) classification Class III decreased significantly from 7.69% before the procedure to 1.67%; and those of Class I surged from 27.69% before the procedure to 90%. In addition, according to the five-year follow-up of patients receiving VenusP-Valve implantation in China, the five-year post-procedure mortality rate was only 3.64%, pulmonary regurgitation was greatly reduced, incidence of severe pulmonary regurgitation dropped from 54.5% to 0% and incidence of moderate to severe pulmonary regurgitation dropped from 36.4% to 2.22%, which demonstrated significantly improved right ventricular function and hemodynamic function, and validated the long-term safety and effectiveness of VenusP-Valve.

Currently, we are expediting PROTEUS pivotal clinical trials on VenusP-Valve in the United States and Japan. In July 2023, we obtained approval from the FDA for IDE application. We will initiate clinical trials at over ten centers simultaneously in the U.S. and Japan through the Japan-US Harmonization By Doing project, with a total of 60 patients estimated to be enrolled.

Management Discussion and Analysis

For the six months ended June 30, 2023, the sales revenue of VenusP-Valve was RMB25.2 million, representing an increase of RMB16.1 million from RMB9.1 million for the six months ended June 30, 2022.

Venus-Vitae – New Generation TAVR Product

Venus-Vitae, our self-developed new generation TAVR system, the first balloon-expandable dry tissue product, is about to enter SMART-ALIGN global pivotal clinical trials.

Venus-Vitae adopted Venus-Endura dry tissue technology, which leverages advanced anti-calcification technology to improve the durability of the valve, and three-dimensional force controlled dehydration technology without glutaraldehyde for preservation. While enhancing safety, Venus-Vitae also boasts convenience for clinical application, preservation and transportation. In addition, its delivery system is uniquely designed with the patented wire-lock technology, thus locking the valve during transporting and balloon expanding. The wire-lock technology, steerable function, balloon coaxial rotation function and axial fine adjustment function maximize the controllability for physicians, and fill in the gap in the market where similar products are not equipped with commissures alignment delivery system. It is also equipped with the world's first adaptive active anti-PVL Seadapt skirt with high compression ratio, self-expansion and high resilience, which can adjust its height adaptively to fill the perivalvular space and promote the combination of vascular tissue and skirt. In December 2022, Venus-Vitae was approved for registration in Argentina. We will conduct international multi-centered clinical trials in countries and regions such as Europe and Canada, to expedite the approval of Venus-Vitae in global market.

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

Management Discussion and Analysis

Venus-PowerX – New Generation TAVR Product

Venus-PowerX, our self-developed new generation TAVR system, the world's first self-expanding dry tissue product, is currently under early feasibility study stage and is about to enter global pivotal clinical trials.

Venus-PowerX is the new generation pre-loaded dry tissue valve product. It adopts the Venus-Endura technology, which leverages advanced anti-calcification technology to improve the durability of the valve, and three-dimensional force controlled dehydration technology without glutaraldehyde for preservation. While enhancing safety, Venus-PowerX also boasts convenience for clinical application, preservation and transportation. Its pre-loaded dry tissue technology can significantly reduce operation preparation time. Venus-PowerX is the only completely releasable and retrievable valve in clinical stage currently available in the world. It adopts the wire-controlled design, which permits it to be retrieved after complete release, and therefore excels in terms of safety compared with products designed with traditional approaches for release and retrieval. It is also equipped with the world's first adaptive active anti-PVL Seadapt skirt with high compression ratio, self-expansion and high resilience, which can adjust its height adaptively to fill the perivalvular space and promote the combination of vascular tissue and skirt. In May 2023, Venus-PowerX was approved for registration in Argentina. We will conduct international multi-centered clinical trials in countries and regions such as Europe, to expedite the approval of Venus-PowerX in global market.

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

Cardiovalve – TMVR/TTVR Product

Cardiovalve, a wholly-owned subsidiary of the Company, has independently developed the mitral valve and tricuspid valve replacement products. Currently, Cardiovalve is in early feasibility study stage for mitral regurgitation and in pivotal clinical trial for the treatment of patients with tricuspid regurgitation.

Cardiovalve system is a transcatheter valve replacement system for patients suffering from mitral regurgitation and tricuspid regurgitation. Compared with similar products, its transfemoral approach significantly improves the safety of treatment and its 55 mm annular is suitable for about 95% patient population. Meanwhile, its unique short frame design lowers the risk of LVOT obstruction.

Since completion of the Acquisition, the patient enrollment of Cardiovalve has been going smoothly. The TARGET CE pivotal clinical trials, since started by Cardiovalve in November 2022, have extended to more than 20 centers in Germany, Italy and Canada. As at August 31, 2023, rapid progress has been made with over 40 patients enrolled. We will carry forward the clinical trials of Cardiovalve, to seek earlier approvals for marketing in global market.

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

Management Discussion and Analysis

Liwen RF – Ablation System

Nuocheng Medical, a wholly-owned subsidiary of the Company, has independently developed Liwen RF ablation system, an innovative medical device for treatment of patients with HOCM. In March 2023, we completed the enrollment of all patients to pivotal clinical trial for Liwen RF, and entered the follow-up stage in China. As of July 25, 2023, among the current follow-up comprising 79 patients after six months from the procedure, the success rate reaches 86.1% (68/79), representing a significant improvement compared to alcohol ablation. As for the clinical endpoint, the maximum ventricular septal thickness decreased from 23.36 mm to an average of 17.23 mm (26.2% lower than that before the procedure), and the post-procedure pressure gradient of the left ventricular outflow tract in resting state decreased from 72.86 mmHg to 22.44 mmHg (69.2% lower than that before the procedure). Both of these two important indicators improved significantly compared to those before the procedure, and showed a trend of continuous improvement.

Liwen RF gains the technical advantages of minimally invasive, accurate positioning, unrestricted by target blood vessels, significantly reducing ventricular septum thickness, and mitigating complications such as conduction system damage. The device not only achieves dehydration and necrosis of hypertrophic myocardial cells, but also blocks the blood supply to hypertrophic myocardial tissue, thereby achieving long-term prognosis. It offers a safe, effective, accurate and minimally invasive innovative treatment strategy for HOCM.

According to the 144 previously completed exploratory clinical trial of Liwen RF ablation system, the success rate with Liwen RF ablation system reached 88% with no mortality after one year, and the clinical manifestations, cardiac function and quality of life of patients are significantly improved. It is significantly better than surgical operation and alcohol septal ablation, which effectively validates its safety, effectiveness and advanced performance. In August 2022, the product was approved for special review through the special examination and approval of the NMPA for innovative medical devices and was admitted to the special review process.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET LIWEN RF SUCCESSFULLY.

RDN ablation system

The Company established Renaly, a joint venture with Healium, an Israeli high-tech company to introduce the new generation RDN innovative device. It is currently in animal experiment.

Its exclusive Dual-Mode Ultrasound Technology Platform can realize non-contact continuous ablation treatment with real-time ultrasound imaging, significantly reducing the occurrence of various problems such as insufficient nerve ablation or vascular damage caused by uncontrollable ablation. The delivery of accurate and efficient ablation shifts the treatment paradigm to more predictable outcomes and simplifies the procedure flow to ultimately improve the safety and efficacy of ablation procedures.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET RDN PRODUCT SUCCESSFULLY.

Management Discussion and Analysis

R&D Innovation

In the broad market of structural heart diseases, the Company is committed to solving clinical pain points, increases R&D investment, deeply engages in the field of structural heart diseases, makes constant innovations, and continues to accumulate technical experience, striving to bring innovative products to the market, and consolidate its leading position in the field of valves. In terms of aortic valves, the Company's new generation of dry tissue TAVR products, Venus-Vitae and Venus-PowerX, which are in clinical stage, adopt advanced anti-calcification technology to extend valve durability, further improve and simplify the procedure of TAVR. In the field of pulmonary valve products, VenusP-Valve has been successively approved in Europe and China and extend presence to overseas countries, and the Company has included patients with congenital heart disease into the target patients. Interventional therapy in mitral and tricuspid valve fields will be our new growth drivers in the future. The Company's Cardiovalve, the world's leading product in interventional treatment of mitral and tricuspid valve diseases, witnessed remarkable progress in clinical trials.

The Company's R&D platform continues to fledge. The Company has established a global R&D innovation platform through independent R&D and external cooperation. Our three R&D centers are located in Hangzhou, China, Tel Aviv, Israel and Irvine, California, USA, and comprise of members with professional experience and innovative capacity at home and abroad. In March 2022, the Company established Venus Medtech Global Heart Valve Innovation Center in Israel, tapping into Israel's innovative talents and culture to improve the Company's global innovation system and product layout. The Global Heart Valve Innovation Center will be committed to incubating breakthrough innovative treatment technologies, further improving the global innovation system and product layout, focusing on the research and development of a new generation of aortic regurgitation treatment technology using Cardiovalve technology platform and the application of digital health technology in valve system, and transferring the technology to China and other regions in the world at an appropriate time.

In addition to internal innovation, we also constantly expand and enrich product pipeline through external investment and cooperation, which covers innovative frontier areas such as HCM and resistant hypertension, so as to broaden business layout in structural heart diseases, enrich innovative device pipeline, improve innovative device research and clinical application, speed up research and development and transformation of innovative technologies and products, and extend presence to emerging areas leveraging international leading new technologies to achieve technological leadership.

For the six months ended June 30, 2023 and 2022, our R&D expenses were RMB294.7 million and RMB220.3 million, respectively.

Intellectual Properties

The Company attaches great importance to intellectual property protection. Leveraging its strong R&D capability, as of August 31, 2023 the Company had a total of 896 patents and patents under applications, including 397 authorized invention patents. We had 373 patents under application and authorized in the PRC, including 235 authorized patents; and 492 patents under application and authorized overseas, including 314 authorized patents. We had 31 PCT applications. Our global IP portfolio mainly covers China, the U.S., Europe, Japan, Canada, Russia, India, Brazil and other countries.

Manufacturing

We have an approximately 3,500 square meters facility in Hangzhou for manufacturing our heart valve products and product candidates. Our manufacturing facilities comply with the GMP requirements in the U.S., the EU and the PRC and follow rigorous manufacturing and quality control standards to ensure high product quality and safety standards. To support our rapid business growth, our Venus Medtech Life and Health Industrial Park on Binpu Road, Binjiang District, Hangzhou with a planned site area of approximately 206,400 square meters is under construction, laying the solid foundation for rapid increase in production capacity in future periods.

Quality system

The Company has established an international quality management system in accordance with ISO13485, GMP of NMPA in China, QSR of FDA in the United States, MDR of EU, RDC of ANVISA in Brazil, MDSAP, ISO/IEC17025 and other regulations and standards. As of the date of this report, the Company has obtained ISO13485 system certificate, MDR system certificate of EU, MDSAP quality system certificate (covering the regulatory requirements of quality systems of the United States, Japan, Canada, Australia and Brazil), China production license, Brazil BGMPC certificate, CNAS laboratory accreditation certificate, and is also a training base unit for medical device inspectors in Hangzhou. Leveraging the establishment and maintenance of a high-standard and strict quality management system, the Company imposes quality control on products throughout the life cycle from R&D to marketing, so as to ensure the quality of products. We obtained the MDSAP system certificate in May for the first time. In addition, the Company has also established a digital and refined quality system through proactive participating in and completing the safety intelligence supervision “black box” project of Zhejiang Medical Products Administration, the management intelligence supervision platform of Hangzhou Market Supervision Administration, and the key transcatheter replacement system for the “14th Five-year” period and other intelligence regulation projects.

Management Discussion and Analysis

Commercialization

As of June 30, 2023, we have established a sales team in China comprising nearly 260 members, covering more than 420 Class III hospitals, to provide a strong foundation for sustainable sales growth. The Company has established a professional sales and marketing team as well as an in-house logistics supply chain team, to provide professional and comprehensive medical solutions for doctors and patients. We took an active part in international and domestic academic conferences to carry forward our academic education and promotion. In order to improve the standardized diagnosis and treatment services for patients with AS in China, we have established a multi-dimensional program to publicize knowledge about valve diseases, through multiple channels such as co-holding of expert television interviews, webcasts, new media, free treatment events and educational sessions for patients. We carried out a series of tour seminars on TAVR to educate primary-level hospitals about disease treatment. By strengthening ultrasound diagnosis training, we improved the diagnostic ability of ultrasound physicians for valve diseases. Through these efforts, we aim to realize the whole-process management of patients from treatment to rehabilitation. As the only company in the market with three TAVR products and one TPVR product, our rich product pipeline provides physicians and patients with more and better choices of treatment, enhances the brand influence of the Company and helps to consolidate our leading position in China.

We have established a professional commercialization team and supply chain in the overseas market, selling our products to 30 countries and regions including Germany, France and the United Kingdom. In August 2023, we appointed Shakeel Osman as the head of international congenital heart disease business for steering our pulmonary valve operations in the world (except mainland China), as a part of our efforts to improve our overseas marketing system and expedite overseas commercialization. In terms of digital channel, we further enriched the global marketing strategies and methods through product launches, online seminars, online training and other activities, and continued to expand the global market. In the TAVR field, the Company further improved its product registration and market access capabilities in Southeast Asia, Central Asia, Latin America and other regions, and gradually established contact with physicians and hospitals through distributors to continuously expand sales and our brand influence.

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 report.

Revenue

During the Reporting Period, all of our revenue was generated from sales of medical devices. Since its commercialization in August 2017, sales of VenusA-Valve have comprised the major portion of our revenue, and are expected to continue to account for a substantial portion of our sales in the near future. VenusP-Valve received the CE MDR Marking in the EU on April 8, 2022, and was approved by the NMPA for marketing on July 11, 2022.

The Group's revenue for the six months ended June 30, 2023 was RMB255.6 million, representing an increase of 21.7% compared to RMB210.0 million for the six months ended June 30, 2022. The increase was primarily attributable to continuous marketing promotion of VenusA series products and enhanced penetration of VenusP-Valve in the overseas market during the Reporting Period. For the six months ended June 30, 2023, revenue from sales of VenusA series products accounted for 89.9% of our total revenue, as compared to 93.7% for the six months ended June 30, 2022.

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

Revenue	Six months ended June 30, 2023 (Unaudited)		Six months ended June 30, 2022 (Unaudited)	
	RMB'000	Proportion	RMB'000	Proportion
VenusA series products	229,802	89.9%	196,573	93.7%
VenusP-Valve	25,194	9.9%	9,110	4.3%
Others	614	0.2%	4,282	2.0%
Total	255,610	100%	209,965	100%

Management Discussion and Analysis

Cost of Sales

Cost of sales primarily consists of staff costs, raw material costs, depreciation and amortization, utility costs and others.

The Group's cost of sales for the six months ended June 30, 2023 was RMB54.4 million, representing an increase of 18.8% compared to RMB45.8 million for the six months ended June 30, 2022. The increase was in line with the change in sales revenue for the same period of 2023.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 22.5% from RMB164.2 million for the six months ended June 30, 2022 to RMB201.2 million for the six months ended June 30, 2023. Gross profit margin is calculated as gross profit divided by revenue. For the six months ended June 30, 2022 and 2023, the Group's gross profit margin was 78.2% and 78.7%, respectively.

Other Income and Gains

The Group's other income and gains for the six months ended June 30, 2023 was RMB33.1 million, representing a decrease of 47.0% compared to RMB62.4 million for the six months ended June 30, 2022, primarily attributable to a decrease in foreign exchange gains.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended June 30, 2023 was RMB157.9 million, representing an increase of 28.0% compared to RMB123.4 million for the six months ended June 30, 2022. The increase was mainly due to increase in promotional activities in the overseas market.

R&D Costs

The Group's R&D costs for the six months ended June 30, 2023 was RMB294.7 million, representing an increase of 33.8% compared to RMB220.3 million for the six months ended June 30, 2022, primarily attributable to increase in R&D investment with the progress of R&D projects.

Management Discussion and Analysis

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

	Six months ended June 30, 2023 (Unaudited) RMB'000	Six months ended June 30, 2022 (Unaudited) RMB'000
Staff cost	84,094	71,468
Raw material cost	54,488	33,804
R&D service expenses	48,909	18,503
Intellectual property expenses	9,214	10,457
Clinical trial expenses	27,793	18,855
Depreciation and amortization	35,265	42,916
Others	34,952	24,313
	294,715	220,316

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2023 was RMB77.9 million, representing an increase of 42.4% compared to RMB54.7 million for the six months ended June 30, 2022. The increase was primarily attributable to an increase in professional fees, utilities and office expenses to accommodate our business growth.

Other Expenses

The Group's other expenses for the six months ended June 30, 2023 was RMB26.3 million, representing a decrease of 30.8% compared to RMB38.0 million for the six months ended June 30, 2022. The decrease was primarily due to a decrease in donations during the Reporting Period.

Management Discussion and Analysis

Impairment of Goodwill and Intangible Assets

The Group did not record impairment on goodwill and intangible assets for the six months ended June 30, 2023.

As at June 30, 2023, the carrying amount of goodwill and other intangible assets of the Group were RMB1,276,312,000 and RMB600,553,000, respectively. In preparing the condensed consolidated financial statements for the period ended June 30, 2023, the Company's management reviewed the financial performance of the relevant cash generating unit of the Company. The actual performance during the six months ended June 30, 2023 was basically in line with the expectation of the Company's management and no impairment indicator identified. Thus, the Company's management considered that no impairment of goodwill and other intangible assets was necessary during the six months ended 30 June 2023.

Finance Costs

The Group's finance costs for the six months ended June 30, 2023 was RMB31.2 million, representing an increase of RMB12.8 million compared to RMB18.4 million for the six months ended June 30, 2022. The increase was primarily attributable to the impact of fluctuations in floating rates.

Impairment Losses on Financial Assets, Net

The Group's impairment losses on financial assets, net, for the six months ended June 30, 2023 was RMB9.7 million, representing an increase of RMB6.1 million compared to RMB3.6 million for the six months ended June 30, 2022, primarily attributable to an increase in trade receivables resulting from our enhanced marketing efforts, and increase in ageing of certain trade receivables, leading to an increase in impairment allowance provided on trade receivables.

Share of Losses of Associates and Joint Ventures Accounted for under the Equity Method

The Group's share of losses of associates and joint ventures accounted for under the equity method for the six months ended June 30, 2023 was RMB7.0 million, representing a decrease of 52% from RMB14.6 million for the six months ended June 30, 2022, primarily attributable to changes in losses recorded by our investees during the Reporting Period.

Management Discussion and Analysis

Income Tax

The Group's income tax credit for the six months ended June 30, 2023 was RMB4.1 million, as compared to income tax expense of RMB6.7 million for the six months ended June 30, 2022. The tax credit for the Reporting Period was primarily attributable to deferred tax recognized in profit or loss relating to fair value adjustment on acquisition of a subsidiary.

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, 2023 were RMB1,453.2 million, representing a decrease of 22.7% compared to RMB1,879.4 million as at December 31, 2022. The decrease was primarily attributable to an increase in R&D and operating expenses 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. 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

As at June 30, 2023, the Group's total interest-bearing bank borrowings were RMB778.7 million (December 31, 2022: RMB796.0 million). All of the Group's bank borrowings carry interest at floating rates. For a breakdown of the borrowings of the Group, please refer to "Notes to Interim Condensed Consolidated Financial Information – 13. Interest-bearing Bank Borrowings".

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as at June 30, 2023 was 26.3% (December 31, 2022: 24.8%).

Management Discussion and Analysis

Net Current Assets

The Group's net current assets, as at June 30, 2023, were RMB1,473.0 million, representing a decrease of 25.5% compared to net current assets of RMB1,976.9 million as at December 31, 2022.

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.

Significant Investments

During the Reporting Period, we did not hold any significant investments.

Material Acquisitions and Disposals

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures of the Company.

Capital Expenditure

For the six months ended June 30, 2023, the Group's total capital expenditure amounted to approximately RMB96.0 million, which was used for (i) payment for additional investment in a joint venture; (ii) purchase of financial assets at fair value through profit or loss; (iii) purchase of items of property, plant and equipment; and (iv) purchase of other intangible assets.

Indebtedness and Charge on Assets

Certain of the Group's loans amounted to RMB648.9 million (December 31, 2022: RMB695.9 million) were secured by mortgages or pledges over our assets. The mortgaged or pledged assets include equity interests of certain subsidiaries, leasehold land, time deposits, etc. Pledge or charge over the Group's borrowings as at June 30, 2023 are set out in "Notes to Interim Condensed Consolidated Financial Information – 13. Interest-bearing Bank Borrowings".

Saved as disclosed above, (i) the Company had no other bank loans, convertible loans and borrowings nor did the Company issue any bonds; and (ii) there was no other pledge of the Group's assets as at June 30, 2023.

Contingent Liabilities

As at June 30, 2023, except for the contingent consideration payable for acquisition of a subsidiary, we did not have any contingent liabilities.

Employees and Remuneration Policies

As of June 30, 2023, we had 1,006 employees in total.

Among the 1,006 employees, 862 of our employees are stationed in China, and 144 of our employees are stationed overseas primarily in the U.S. and Israel. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three to five years.

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

Future Investment Plans and Expected Funding

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

Management Discussion and Analysis

III. PROSPECTS

Committed to our vision of becoming a global leader in interventional therapy for structural heart diseases, we have upheld the long-term strategies of “global localization and localized profit generation”, expedited the promotion and clinical application of our innovative technologies in the global markets, established globally competitive business operation teams leveraging the marketing of our innovative products such as VenusP-Valve, and secured strong sales performance. In the domestic market, we focus on seeking profitability to drive our quality development, and facilitate our innovative products to achieve breakthroughs in clinical trials, registration review and market access, in a bid to lay the foundation for our sustainable and steady growth.

Accelerate Globalization Pace

Following the approved marketing and sales of VenusP-Valve in the EU, we will constantly establish and improve the international manufacture capabilities and quality system, aiming to lay a solid foundation for launching domestically-produced devices in the global market. Cardiovalve, our innovative device, has witnessed increasing penetration in global clinical applications, and attracted a number of experienced professionals to join clinical trials. Venus-PowerX and Venus-Vitae, a new generation of aortic valve products, have achieved smooth progress in global clinical trials, and are highly recognized by doctors. The Company has been pressing ahead with its globalization strategy. Meanwhile, we will launch the pivotal clinical study of VenusP-Valve in the USA and Japan, and enhance our overseas clinical development and innovative device registration capabilities, endeavoring to establish presence in more countries and markets. In terms of commercialization, we will make unremitting efforts to promote the global sales of VenusP-Valve, and expect to enter in more than 50 countries and regions during the year, and strive for strong and sustainable sales increase. In terms of market access, we will comply with local laws and regulations, learn about access policies of different countries and regions, endeavor to make breakthroughs in medical insurance, bidding and hospital access procedures, and continue to venture into the international market. We will also proactively participate in international medical conferences and industry exhibitions in the field of cardiology, facilitate doctors to obtain an understanding of and get familiar with our products, so as to enhance our global brand influence.

Maintain Quality Marketing Growth

We will continue to tap into our first-mover advantages, strengthen the construction and integration of our own marketing system, provide comprehensive intraoperative solutions for clinical hospitals with our rich professional knowledge, clinical resources and perfect product portfolio, reduce the difficulty of surgery with constantly optimized products, serve physicians and a wider range of patients, and improve the commercial profit of TAVR business through scale effect and optimization of business processes. Meanwhile, we will continue to launch post-marketing clinical trials, and accumulate more clinical data to provide sufficient support for inclusion of our products in medical insurance and other access. We will also proactively cultivate ties and communicate with medical insurance departments to explore innovative payment methods such as payment by medical insurance and commercial insurance.

Looking into the second half of 2023, we will remain committed to the unmet medical needs, uphold our globalization strategy with a focus on the field of structural heart diseases, leverage our first-mover advantages, expedite sales and marketing in the global market, facilitate the progress of the international multi-center clinical study, and increase the number of surgeries with our products in domestic mid-to-high-end hospitals, in an endeavor to improve our profitability.

Corporate Governance and Other Information

I. INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend for the six months ended June 30, 2023 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, 2023, 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 Issued Share Capital of the Company <i>(Note 3)</i>	Approximate Percentage of Shareholding in the Relevant Class of Shares <i>(Note 3)</i>
Mr. Min Frank Zeng ("Mr. Zeng") <i>(Note 1)</i>	H Shares	Interest of controlled corporations	33,651,618/ Long position	7.63%	7.63%
Mr. Zhenjun Zi ("Mr. Zi") <i>(Note 2)</i>	H Shares	Beneficial owner	32,644,302/ Long position	7.40%	7.40%
		Interest of controlled corporations	20,261,919/ Long position	4.59%	4.59%
	Unlisted Foreign Shares	Other	1,208/ Long position	0.00%	100.00%

Corporate Governance and Other Information

Notes:

- (1) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 33,651,618 H 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 32,644,302 H Shares of the Company. In addition to his direct shareholding, he is also deemed to be interested in 20,261,919 H Shares and 1,208 Unlisted Foreign Shares of the 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 H 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 H 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.
 - DNA 01 (Hong Kong) Limited, an investment holding company incorporated in Hong Kong, owns 2,056,615 H 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 H 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.

Corporate Governance and Other Information

- The PRC Employee Entities own an aggregate of 539,355 H 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 the PRC Employee Entities under the SFO.

Mr. Zi holds voting rights of 1,208 Unlisted Foreign Shares of the Company, while Jupiter Holdings Limited and Mercury Holding Limited are entitled to the ownership, dividend rights, disposal rights and other benefits of the above-mentioned Unlisted Foreign Shares of the Company.

- (3) The Company has two classes of Shares: H Shares as one class of Shares, Unlisted Foreign Shares as another class of Shares. As at June 30, 2023, the total issued share capital of the Company was 441,011,443 Shares, which comprise 441,010,235 H Shares and 1,208 Unlisted Foreign Shares.

Save as disclosed above, as at June 30, 2023, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As of June 30, 2023, 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.

Corporate Governance and Other Information

IV. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As of June 30, 2023, 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 4)	Approximate percentage of shareholding in the relevant class of shares (Note 4)
Horizon Binjiang LLC (Note 1)	H Shares	Beneficial owner	33,651,618/ Long position	7.63%	7.63%
Qiming Corporate GP III, Ltd. (Note 2)	H Shares	Interest in controlled corporations	57,048,980/ Long position	12.94%	12.94%
Qiming GP III, L.P. (Note 2)	H Shares	Interest in controlled corporations	57,048,980/ Long position	12.94%	12.94%
Qiming Venture Partners III, L.P. (Note 2)	H Shares	Interest in controlled corporations	40,018,283/ Long position	9.07%	9.07%
Ming Zhi Investments Limited (Note 2)	H Shares	Interest in controlled corporations	40,018,283/ Long position	9.07%	9.07%
Ming Zhi Investments (BVI) Limited (Note 2)	H Shares	Beneficial owner	40,018,283/ Long position	9.07%	9.07%
Mr. Haifeng David Liu (Note 3)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Mr. Julian Juul Wolhardt (Note 3)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DCP, Ltd. (Note 3)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DCP General Partner, Ltd (Note 3)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DCP Capital Partners, L.P. (Note 3)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Red Giant Limited (Note 3)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Muheng Capital Partners (Hong Kong) Limited (Note 3)	H Shares	Beneficial Owner	24,713,752/ Long position	5.60%	5.60%

Corporate Governance and Other Information

Notes:

- (1) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 33,651,618 H 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) Qiming Corporate GP III, Ltd. is deemed to be interested in 57,048,980 H Shares of the Company through the below intermediaries it controls under the SFO:
 - Ming Zhi Investments (BVI) Limited, an investment holding company incorporated in the British Virgin Islands, owns 40,018,283 H 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) and Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III, L.P.) 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 17,030,697 H 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.) and Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) are deemed to be interested in the interest owned by QM22 (BVI) Limited.
- (3) Muheng Capital Partners (Hong Kong) Limited, a company incorporated in Hong Kong, owns 24,713,752 H 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.
- (4) The Company has two classes of Shares: H Shares as one class of Shares, Unlisted Foreign Shares as another class of Shares. As of June 30, 2023, the total issued share capital of the Company was 441,011,443 Shares, which comprise 441,010,235 H Shares and 1,208 Unlisted Foreign Shares.

Save as disclosed above, as at June 30, 2023, to the best knowledge of the Directors, no other persons (not being Directors, Supervisors and chief executive of our Company) 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.

V. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

(I) The Initial Global Offering

The net proceeds received by the Company from its initial global offering (including the full exercise of the over-allotment option) amounted to HK\$2,846.0 million (equivalent to RMB2,558.0 million) (after deducting the underwriting commissions and other estimated expenses in connection with the initial global offering and exercise of the over-allotment option).

As of June 30, 2023, the Company has used (i) RMB742.38 million for payment of expenses incurred by the core products of the Company; (ii) RMB714.05 million for payment of expenses incurred by other product candidates of the Company; (iii) RMB383.40 million to finance internal research and development and/or potential acquisition for the purpose of complementing our product portfolio; and (iv) RMB255.80 million for replenishment of working capital and other general corporate purposes.

As of June 30, 2023, 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)	Amount of net proceeds available to be utilized as of January 1, 2023 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2023 (RMB million)	Amount of proceeds unutilized as of June 30, 2023 (RMB million)
(A) For our Core Products:	35.00	895.30	178.80	25.88	742.38	152.92
(i) ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries	5.00	127.90	36.14	2.42	94.18	33.72
(a) the continuous expansion of market coverage of VenusA-Valve in China	3.15	80.60	-	-	80.60	-
(b) in the commercialization in Colombia	0.70	17.90	12.61	0.31	5.60	12.30
(c) the commercialization in the Philippines	0.70	17.90	16.36	1.30	2.84	15.06
(d) the commercialization in other jurisdictions such as Brazil and Taiwan	0.45	11.50	7.17	0.81	5.14	6.36

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)	Amount of net proceeds available to be utilized as of January 1, 2023 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2023 (RMB million)	Amount of proceeds unutilized as of June 30, 2023 (RMB million)
(ii) ongoing and planned R&D and commercial launches of VenusA-Plus	12.00	307.00	48.53	10.63	269.10	37.90
(a) pre-clinical activities in China	0.32	8.20	–	–	8.20	–
(b) the ongoing clinical trial in China	0.90	22.90	–	–	22.90	–
(c) registration	0.37	9.60	4.49	1.42	6.53	3.07
registration in China	0.11	2.80	–	–	2.80	–
registration in other jurisdictions	0.26	6.80	4.49	1.42	3.73	3.07
(d) the commercialization in various jurisdictions	8.37	214.10	33.24	–	180.86	33.24
commercialization in China	6.32	161.70	–	–	161.70	–
commercialization in other markets	2.05	52.40	33.24	–	19.16	33.24
(e) post-marketing surveillance	2.04	52.20	10.80	9.21	50.61	1.59
(iii) ongoing and planned R&D and commercial launches of VenusP-Valve	18.00	460.40	94.13	12.83	379.10	81.30
(a) pre-clinical activities in the U.S.	1.06	27.10	–	–	27.10	–
(b) the clinical trial to be conducted for the FDA approval	2.17	55.50	48.43	9.40	16.47	39.03
(c) registration	0.92	23.40	6.88	2.76	19.28	4.12
NMPA	0.07	1.80	–	–	1.80	–
FDA	0.46	11.70	6.88	2.76	7.58	4.12
CE Marking	0.39	9.90	–	–	9.90	–
(d) commercialization in various jurisdictions	13.14	336.20	28.80	0.67	308.07	28.13
China	3.85	98.50	–	–	98.5	–
U.S. and Canada	1.27	32.50	22.83	0.44	10.11	22.39
EU	2.68	68.60	2.07	0.23	66.76	1.84
Other markets	5.34	136.60	3.90	–	132.70	3.90
(e) post-marketing surveillance	0.71	18.20	10.02	–	8.18	10.02

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)	Amount of net proceeds available to be utilized as of January 1, 2023 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2023 (RMB million)	Amount of proceeds unutilized as of June 30, 2023 (RMB million)
(B) Allocated to our other products and product candidates:						
(i) ongoing and planned R&D and marketing of CEP device	30.00	767.40	54.66	1.31	714.05	53.35
(a) pre-clinical activities	17.00	434.90	37.04	1.31	399.17	35.73
(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	4.18	106.90	12.26	0.06	94.70	12.20
(c) registration and post-marketing surveillance	3.69	94.40	18.76	1.25	76.89	17.51
(d) commercialization in various jurisdictions	3.93	100.50	6.02	–	94.48	6.02
(ii) ongoing and planned R&D of VenusA-Pilot	5.20	133.10	–	–	133.10	–
(iii) ongoing and planned R&D of mitral valve products	3.00	76.70	17.62	–	59.08	17.62
(iv) R&D of tricuspid valve products	2.00	51.20	–	–	51.20	–
(v) ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8	2.00	51.20	–	–	51.20	–
(vi) ongoing and planned R&D of other product candidates	2.00	51.20	–	–	51.20	–
(C) Payment of considerations and other transaction expenses related to acquisition of Keystone ⁽¹⁾	4.00	102.20	–	–	102.20	–
(D) Our continued expansion of product portfolio through internal research and/or potential acquisition	10.00	255.80	255.80	–	–	255.80
(E) Working capital and other general corporate purposes	15.00	383.70	0.30	–	383.40	0.30
TOTAL	10.00	255.80	–	–	255.80	–
TOTAL	100.00	2,558.00	489.56	27.19	2,095.63	462.37

Corporate Governance and Other Information

Note 1:

The amount of unutilized proceeds for this purpose represents the amount of certain contingent milestone payment of consideration related to the acquisition of Keystone. As part of the share purchase agreement of Keystone, contingent consideration is payable depending on the occurrence of certain milestone events for TriGUARD3, which includes, among others, authorization and clearance by the FDA to market and sell TriGUARD3 in the U.S. Given the marketing application of TriGUARD3, which was contemplated under the share purchase agreement of Keystone and filed with the FDA, has been suspended in September 2021, the Board is of the opinion that such contingent consideration was no longer payable according to the share purchase agreement. The Company is considering the reallocation of the amount of unutilized proceeds for this purpose of RMB255.8 million to other purposes, and will make announcement on any change in use of proceeds of such use as appropriate in due course.

(ii) Use of Proceeds from the September 2020 Placing

The net proceeds received by the Company from the placing of an aggregate of 18,500,000 new H Shares in September 2020 were approximately HK\$1,173.0 million (equivalent to RMB1,034.01 million) (after deducting the expenses of the placing). Pursuant to the announcement made by the Company dated March 14, 2022, the Company made the clarification of the intended purposes of the proceeds from the September 2020 Placing.

As of June 30, 2023, the Company has used (i) RMB471.30 million for investments in upstream and downstream companies; and (ii) RMB562.71 million for working capital and other general corporate purposes, in order to facilitate the long-term strategic development of the Company. As of June 30, 2023, all proceeds of the September 2020 Placing have been used up in line with the intended purpose.

As of June 30, 2023, the Group had used the net proceeds from the placing for the following purposes:

Purposes for use of proceeds	Amount of intended use of net proceeds (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2023 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Amount of actual use of net proceeds as of June 30, 2023 (RMB million)	Amount of unutilized proceeds as of June 30, 2023 (RMB million)
(i) investment in upstream and downstream companies	471.30	-	-	471.30	-
(ii) working capital and other general corporate purposes	562.71	-	-	562.71	-
TOTAL	1,034.01	-	-	1,034.01	-

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(iii) Use of Proceeds from the January 2021 Placing

The net proceeds received (the “**January 2021 Placing Proceeds**”) by the Company from the placing of an aggregate of 18,042,500 new H Shares taken place in January 2021 (the “**January 2021 Placing**”) were approximately HK\$1,427 million (equivalent to RMB1,191.00 million) after deducting the expenses of the placing. Pursuant to the announcement made by the Company on March 14, 2022, the Company changed the use of proceeds from the January 2021 Placing and as at March 14, 2022, the unutilized proceeds from the January 2021 Placing amounted to approximately RMB986.81 million.

As of June 30, 2023, the Group had used the net proceeds from the placing for the following purposes:

Purposes for use of proceeds	Amount of intended use of net proceeds* (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2023 (RMB million)	Amount of net proceeds utilized during the Reporting Period* (RMB million)	Actual amount of proceeds utilized as of June 30, 2023* (RMB million)	Amount of net proceeds available to be utilized as of June 30, 2023 (RMB million)
(i) Expanded Development and Research	663.62	418.17	105.25	401.68	312.92
(ii) Investments	188.60	188.60	–	49.60	188.60
(iii) General Working Capital	134.59	23.57	7.19	221.82	16.38
TOTAL	986.81	630.34	112.44	673.10	517.90

Note*

The amount is calculated based on the January 2021 Placing Proceeds of HK\$1,427 million (equivalent to RMB1,191.00 million).

Regarding the net proceeds that had not been utilized as of June 30, 2023, the Company intends to use them in the same manner and proportions as stated in the Supplemental UoP Announcement (March 14, 2022). The Board expects that the unutilized Expanded Development and Research proceeds to be used by December 31, 2024 and the unutilized Investments proceeds and General Working Capital proceeds to be used by December 31, 2024 which are later than originally planned, due to cost savings achieved via improved operational efficiency and moving outsourced services internally.

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VI. SHARE OPTION SCHEME

As at the date of this report, the Company has only one share scheme, being the Share Option Scheme which was adopted by the resolutions of our Shareholders passed at an extraordinary general meeting of the Company held on July 12, 2023.

During the period commencing from the Adoption Date up to the date of this report, no grant had been made under the Share Option Scheme. Accordingly, as at the date of this report, the Scheme Limit and the Service Provider Sublimit adopted by the Shareholders on the Adoption Date remained unutilized, and stand at 44,101,023 H Shares (representing approximately 10% of the total issued H Shares) and 4,410,102 H Shares, respectively.

A summary of the principal terms of the Share Option Scheme is recapped below.

Purpose:

The purposes of the Share Option Scheme are:

- (i) to attract, motivate and retain skilled and experienced personnel who are eligible persons to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;
- (ii) to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and
- (iii) to (a) recognize the contributions of the leadership of the Company including the executive Directors, non-executive Directors and/or independent non-executive Directors; (b) encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning the interests of the leadership of the Company to those of the Shareholders and the Group as a whole.

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Duration and remaining life: The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date, after which period no further options shall be granted.

As of the date of this report, the remaining life of the Share Option Scheme was approximately ten years.

Eligible persons: Any Employee Participant or Service Provider, whom the Board or the scheme administrator consider(s), in their sole discretion, to have contributed or will contribute to the Group.

Exercise price: Subject to the effect of alterations to share capital as set out in the Share Option Scheme, the exercise price shall be a price determined by the Board (or the scheme administrator) in its sole and absolute discretion and notified to an eligible person, but in any event must be at least the highest of:

- (a) the official closing price of the H Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;
- (b) the average of the official closing price of the H Shares as stated in the daily quotations sheet of the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (c) the nominal value of an H Share.

Vesting and performance targets: Unless otherwise specified in the offer letter approved by the Board or the scheme administrator, all options under the Share Option Scheme shall be vested in a number of tranches. The specific commencement and duration of each vesting period and the actual vesting amount of the options granted to a participant for the respective vesting periods shall be specified in the offer letter approved by the Board or the scheme administrator.

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The Share Option Scheme does not stipulate that specific performance targets a participant is required to be achieved. Nevertheless, the Board or the scheme administrator may at its discretion set performance objectives for options under the Share Option Scheme, which will be stated in the offer letter. The performance objectives, if any, must be achieved before the options can be exercised, and shall be assessed in accordance with the stipulated performance measures. The Board or the scheme administrator will carefully assess, on a periodic basis, whether the performance targets are satisfied.

Maximum number of H Shares available for subscription under the Share Option Scheme:

The maximum number of H Shares which may be issued upon exercise of option(s) and vesting of award(s) under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules) shall be such number of H Shares which represent 10% of the total number of H Shares as at the date of the Shareholders' approval of the Scheme Limit.

Service Provider Sublimit under the Scheme Limit:

The maximum number of H Shares which may be issued to Service Providers upon exercise of option(s) and vesting of award(s), if any, under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules) shall be such number of H Shares which represent 1% of the total number of H Shares in issue as at the date of the Shareholders' approval of the Service Provider Sublimit.

Maximum entitlement of each eligible participant:

Where any grant of options to a grantee would result in the H Shares issued and to be issued in respect of all options and awards granted to such person, pursuant to the Share Option Scheme and any other share scheme adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules), in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of issued H Shares at the relevant time, such grant must be separately approved by Shareholders in a general meeting with such grantee and their close associates (or associates if the grantee is a connected person of the Company) to abstain from voting.

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Any grant of options to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of the options).

Where any grant of options to an independent non-executive Directors or a substantial Shareholder of the Company, or any of their respective associates, would result in the H Shares issued and to be issued in respect of all options and awards granted (excluding options or awards lapsed in accordance with the relevant scheme rules) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of issued H Shares at the relevant time, such grant must be separately approved by Shareholders in a general meeting with such grantee and their associates and all core connected persons of the Company to abstain from voting.

Time of exercise of options:

Each offer of an option shall be in writing made to a participant by letter in such form as the Board or the scheme administrator may from time to time determine at its discretion. The offer letter shall state, among others, the period during which the option may be exercised, which period is to be determined and notified by the Board but shall expire in any event not later than the last day of the scheme period after the date of grant of the option.

Amount payable on application or acceptance of the option:

No cash consideration was paid by the grantees for the outstanding options granted.

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

The Group did not purchase, sell or redeem any of the Company's listed securities during the Reporting Period.

VIII. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiries have been made to all Directors and the Supervisors, and they have confirmed that they have complied with the Company's code of conduct regarding Directors' and Supervisors' securities transactions during the six months ended June 30, 2023.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance with the Model Code by the employees was noted by the Company during the Reporting Period.

IX. AUDIT

The 2023 interim financial report of the Company is unaudited. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2023. The Audit Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made and did not raise any objection to the accounting policy and practices adopted by the Company. The Company's independent auditor has not performed a review of these condensed consolidated financial information prepared in accordance with the relevant accounting standards.

X. INTERNAL CONTROL REVIEW, SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS AND ACTIONS UNDERTAKEN BY THE GROUP

(1) INTERNAL CONTROL REVIEW

References are made to (i) the announcement of the Company dated May 8, 2023 in relation to, amongst others, the Mr. Zi Loans and the Mr. Zeng Loans and the discloseable and connected transactions in relation to the provision of financial assistance contemplated thereunder; and (ii) the announcement of the Company dated August 4, 2023 in relation to the Internal Control Review and its key findings.

As disclosed in the Announcements, the Mr. Zi Loans which were made during the period from June 2021 to January 2023, and the Mr. Zeng Loans which were made during the year 2022, resulted in breaches of Rules 13.14, 13.15 and Chapter 14A of the Listing Rules by the Company.

In order to ensure proper compliance of the Listing Rules in the future, the Company has taken a number of remedial measures, including without limitation, engaging Zhonghui Anda as an internal control consultant to (i) review and identify any deficiencies in the design and implementation of the Company's financial reporting procedures and internal control policies during the period commencing from June 1, 2021 to March 31, 2023; (ii) make recommendations based on any deficiencies identified; and (iii) further review the Company's remedial measures (the "**Internal Control Review**").

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(2) SUMMARY OF KEY FINDINGS, RECOMMENDATIONS AND ACTIONS TAKEN

Based on the Internal Control Review and the IC Report, the purpose of this sub-section is to provide a summary of:

- (i) the key findings and the recommendations made by Zhonghui Anda; and
- (ii) the remedial actions taken by the Group.

As at the date of this report, according to the IC Report, the Company has adopted all recommendations made by Zhonghui Anda save and except for the Interim Review Recommendation, the reason of which is further set out below. The Company will continue to adopt and implement the relevant recommendations proposed by Zhonghui Anda in the IC Report, save for the Interim Results Recommendation. According to the scope of engagement with Zhonghui Anda, Zhonghui Anda has completed its review of the remedial measures during its engagement period, and would no longer continue to monitor the internal control of the Company. The Company shall continue to monitor the relevant control processes.

Subject	Summary of key findings of the Internal Control Review
Internal control procedures at the material time of the Mr. Zi Loans and the Mr. Zeng Loans	<p>(i) Connected Transaction Management Rules</p> <p>The Company had internal control procedures in place at the material time to address any loans and/or advances made to directors which constituted connected transactions under the Listing Rules.</p> <p>According to the Connected Transaction Management Rules, connected transactions which are fully-exempted under Chapter 14A of the Listing Rules were subject to approval by the general manager of the Company, and shall be reported in writing to the general manager by the department which first came to be aware of any such transactions. Connected transactions which are partially-exempted under Chapter 14A of the Listing Rules were to be reported to the Board by the general manager or director who first came to be aware of any such transactions, and shall subsequently be subject to the Board's consideration and approval. Connected transactions which are non-exempted under Chapter 14A of the Listing Rules shall require Board approval, followed by independent Shareholders' approval.</p>

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Subject

Summary of key findings of the Internal Control Review

(ii) Information Disclosure Management Rules

The Internal Control Review identified that the Information Disclosure Management Rules in effect at the material time did not cover obligations in relation to continuing obligations (Chapter 13 of the Listing Rules) and notifiable transactions (Chapter 14 of the Listing Rules) in detail.

(iii) Internal approval procedures

Despite assessments for credit risk and loan repayment ability being undertaken in respect of Mr. Zi and Mr. Zeng before each Loan to Director was made, the Loans to Directors were not approved in accordance with the internal management system of the Company and the relevant requirements of the Listing Rules, and the Company did not retain the relevant credit risk and loan repayment ability assessment records during the approval process of the Mr. Zi Loan and Mr. Zeng Loan. Zhonghui Anda also found that the Loans to Directors (i) did not have written agreements, (ii) save for the credit risk assessment, did not undergo application, review and approval procedures either through the Company's online platform Quarterly Reimbursement System (《每刻報銷系統》) or by offline means, and (iii) therefore were in breach of the Articles of Association, the Rules on Matters for Board Approval and the Connected Transactions Management Rules.

(iv) List of connected persons

The Company maintains a list of connected persons which should be regularly updated from time to time according to the Connected Transaction Management Rules. However, in practice, such list was typically only updated on an annual basis during the annual audit preparation period. This deviation in practice led to the finding in the Internal Control Review that, such list not having been updated in a timely manner and only provided it to the auditors during each annual audit period, was inadequate.

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Subject	Summary of key findings of the Internal Control Review
Review of disclosure in financial reports of the Company	<p data-bbox="502 506 1410 539">(v) Procedures for review of financial statements</p> <p data-bbox="502 582 1410 1056">Throughout the material period, financial statements of the Company's domestic and offshore subsidiaries have been mainly collected by the general ledger team and presented to the financial controller for review every month. After the financial statements of members of the Group have been handed over to the finance department, the Group's monthly, quarterly, half-yearly and annual consolidated financial statements would be prepared by the finance department, after which, the working papers will be passed onto the then-chief financial officer for preliminary review or approval. The interim results announcement and interim report materials would be prepared by the finance department, and initially reviewed by the then-chief financial officer before being presented to the Audit Committee and the Board for approval. The annual results announcement and annual report materials would similarly be prepared by the finance department, initially reviewed by the then-chief financial officer, audited by the Company's auditors, and finally approved by the Audit Committee and the Board.</p> <p data-bbox="502 1099 1410 1369">Despite the finance department having compiled consolidated financial statements on a monthly basis at the material time, the Internal Control Review found that such financial statements were not provided for review by the Board every month. Without being able to review such information on a monthly basis, the Board did not receive "a balanced and understandable assessment of the issuer's performance, position and prospects" to the extent necessary for compliance with the requirements in Code Provision D.1.2 of the Corporate Governance Code.</p>
	<p data-bbox="502 1401 1410 1433">(i) Insufficient information disclosure management</p> <p data-bbox="502 1476 1410 1621">The Internal Control Review identified that, at the material time, there were no relevant management rules in place covering the scope of the now-effective, revised Information Disclosure Management Rules (in effect from June 19, 2023) in relation to details of interim report disclosure pursuant to Chapter 13 of the Listing Rules.</p>

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Subject

Summary of key findings of the Internal Control Review

(ii) Insufficient understanding of the Listing Rules

At the material time, reviewing and executing connected transactions that took place within a financial year would generally be the responsibility of the department that initiates the transaction (such as the investment department). Connected transactions would be reviewed by the financial controller or the then-chief financial officer, and the legal department would perform the final review of any relevant disclosure. However, according to the findings of the Internal Control Review, given that the relevant department(s) of the Company and the parties relevant to the Loan to Directors were not aware of the implications under Chapter 14A of the Listing Rules in respect of the Loans to Directors at the material time, the relevant disclosure was not made in the interim reports of 2021 and 2022.

In addition, although the Company's finance department compiled consolidated financial statements on a monthly basis at the material time, since the finance department did not fully understand the requirement under Code Provision D.1.2 of Appendix 14 to the Listing Rules, such financial statements were not provided for the review of the Board every month. Without being able to review such information on a monthly basis, the Board was not aware of the Loans to Directors.

(iii) Financial reports and results announcements approval procedures

The financial sections of the consolidated financial statements working papers, the results announcements and the financial reports were prepared by the finance department and submitted to the then-chief financial officer for preliminary review, which would then be submitted to the Audit Committee and the Board for approval.

The Internal Control Review identified that, given the complexity of various adjustments and information asymmetry resulting from the preparation of the consolidated financial statements, the Loans to Directors were not reflected in the relevant consolidated financial statements, and thus the then-chief financial officer was not given the opportunity to identify the non-compliance issue at the material time. Therefore, the periodic results announcements and financial reports of the Company in respect of financial periods during the material time did not reflect the outstanding balance of the Loans to Director and neither did the Audit Committee and the Board have the opportunity to be aware of, consider and approve the relevant Loans to Directors.

Corporate Governance and Other Information

Subject	Summary of key findings of the Internal Control Review
	<p data-bbox="502 502 1410 545">(iv) Reporting channel to the Audit Committee</p> <p data-bbox="502 577 1410 696">The Company had in place at the material time a hotline and mailbox in accordance with the Procedural Requirements for Internal Investigations, but did not have a suitable channel for direct reporting to the members of the Audit Committee.</p>
<p data-bbox="231 728 502 879">In light of the findings of the Internal Control Review, Zhonghui Anda made the following recommendations to the Company. Save and except for the Interim Review Recommendation (with reasons set forth below), the Company has adopted all of the recommendations made by Zhonghui Anda in the Internal Control Review.</p>	
<p data-bbox="231 911 502 987">(i) As to “Internal control procedures at the material time of the Mr. Zi Loans and the Mr. Zeng Loans”:</p>	<p data-bbox="502 1019 1410 1655">1. As regards the Information Disclosure Management Rules, Zhonghui Anda recommended that such rules to stipulate timely disclosure of details in interim reports as required by Chapter 13 of the Listing Rules, such as information about the nature of transactions, events leading to transactions, identities of debtors, interest rates, repayment terms and collateral involved. The Company has adopted such recommendation, and the revised Information Disclosure Management Rules, which took effect from June 19, 2023, was distributed by way of an announcement to all employees of the Company on June 26, 2023. The revised Information Disclosure Management Rules now stipulate timely disclosure details in interim reports as required by Chapter 13 of the Listing Rules, including information on the nature of transactions, events leading to transactions, identities of debtors, interest rates, repayment terms and collateral involved. It also provides that, in the case of any non-exempt grant of indemnity, guarantee or provision of financial assistance by the Company, relevant percentage ratios shall be calculated in accordance with Rule 14.07 of the Listing Rules and, where appropriate, the Company shall comply with the relevant compliance requirements under Rule 14.33 of the Listing Rules.</p>

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2. As regards the list of connected persons, Zhonghui Anda recommended that the list should be updated in a timely manner in accordance with changes in connected persons from time to time. Such list, as updated from time to time, shall be circulated to Directors, chief executives as well as the finance and legal departments of the Group as a basis to identify connected persons and connected transactions of the Company in advance. The Company has adopted the recommendation of Zhonghui Anda. The list of connected persons has been updated in accordance with the Connected Transaction Management Rules. Further, such list was reviewed by the compliance adviser of the Company, and was circulated to all Directors, chief executives of the Company and key employees of the finance department of the Company on June 28, 2023. Furthermore, since June 2023, the legal department has been routinely responsible for the daily maintenance and timely update of such list.

3. As regards the internal approval procedures of the Loans to Directors, Zhonghui Anda recommended that the Expense Reimbursement and Payment System (費用報銷及付款制度) or other applicable guidelines shall regulate borrowing, lending and guarantees by employees. In particular, the following requirements shall be followed: (i) the loan agreement must be in writing and signed, specifying details such as the purpose of the loan, interest rate, repayment date, and whether guarantee and/or collateral are involved, the rights and obligations of both parties; (ii) the credit and repayment ability of the borrower must be evaluated, where necessary, guarantee and/or collateral shall be provided, and written evaluation records must be kept; and (iii) a list stipulating the corresponding approval thresholds and/or processes of various borrowings. In this connection, the Company has revised the Funds and Bills Management System (貨幣資金及票據管理制度) to standardize loan management whereby it was also stipulated that the Company is not allowed to directly or indirectly provide loans or loan guarantees to directors, supervisors, and senior management members of the Group. For other loans, borrowings and guarantees with employees or independent third parties, the aforesaid stipulations have been adhered to, with the revised Funds and Bills Management System having been distributed to all employee via online communication means on June 26, 2023. The then-chief financial officer of the Company at the material time has also resigned on June 2, 2023.

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4. As regards the breach of the Articles of Association by virtue of the Loans to Directors, Zhonghui Anda recommended that going forward, Company personnel must ensure adherence to the Articles of Association, the Rules on Matters for Board Approval and the Connected Transactions Management Rules when dealing with any financial assistance, such as loans or guarantees, provided to connected persons. As stated in the announcement of the Company on May 8, 2023, the Company undertook that it will not make any loans, advances or guarantees to any of the Directors or their respective associates. The then-chief financial officer had also resigned on June 2, 2023. In addition, the legal advisor of the Company as to PRC laws, and the compliance adviser of the Company, has conducted a training to explain the limitations under the Articles of Association, the Rules on Matters for Board Approval and the Connected Transactions Management Rules to Mr. Zi, Mr. Zeng and other relevant staff of the Group on June 26, 2023 and June 27, 2023.
5. As regards the reporting channel to the Audit Committee, Zhonghui Anda recommended the Company to revise the Procedural Requirements for Internal Investigations (內部調查程序規定) to stipulate that if any suspected serious violations have been discovered, the person in charge, the approver or any person with knowledge shall have access to channels to report such violations to the members of the Audit Committee, allowing serious violations to be discovered in a timely manner. It was also recommended that the Company shall establish its own “Whistleblowing Policy” in accordance with the “Corporate Governance Guide for Boards and Directors” issued by the Stock Exchange. The Company has adopted this recommendation and revised the Procedural Requirements for Internal Investigations on June 20, 2023 to include a direct channel for reporting to the members of the Audit Committee for timely discovery of instances of non-compliance. The Company has also established a new Reporting Policy (舉報政策) and such “whistle blowing policy” was distributed to all employees of the Company by email on June 29, 2023.
6. In terms of elevating understanding of the Listing Rules of the directors, senior management, supervisors and personnel from the finance and legal departments of the Group, as a remedial measure Zhonghui Anda recommended that the Company shall conduct at minimum yearly training on the relevant obligations under the Listing Rules (including continuing obligations under Chapters 13, 14 and 14A of the Listing Rules) for such personnel. In this connection, the Company has engaged Somerley Capital Limited as the compliance adviser on June 14, 2023. The compliance adviser, together with the legal advisers of the Company, conducted training on the relevant obligations under the Listing Rules for its directors, senior management, supervisors and personnel from the finance and legal departments on June 26 and June 27, 2023.

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(ii) As to “Review of disclosure in financial reports of the Company”:

1. In respect of financial reports and results announcement approval procedures, Zhonghui Anda recommended that (a) the Company shall engage a compliance advisor as soon as practicable to periodically review the Group’s compliance with the Listing Rules (including without limitation, (x) making inquiry(ies) and reviewing management’s response on whether the Group has provided (or plans to provide) loans, financial assistance or guarantees to any person (including connected persons), and (y) whether such relevant matter(s) would have exceeded or are expected to exceed the relevant thresholds under Chapters 13, 14 and 14A of the Listing Rules rendering such relevant matter(s) subject to disclosure and/or shareholders’ approval requirements under the Listing Rules, and reporting its review results for consideration of the Board at the quarterly Board meeting); and (b) the Company should engage external auditors to perform review on the upcoming interim financial information of the Company in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “**Interim Review Recommendation**”). As regards (a), the Company has engaged Somerley Capital Limited as its compliance adviser on June 14, 2023. As regards (b), after taking into account all circumstances, the Board and Audit Committee believe that, in the best exercise of their judgment, the approach taken to the 2023 Interim Results was appropriate and reasonable and it was unnecessary to engage external auditors to perform a review. More particularly:
 - a. The Directors have reviewed the approach taken to the 2023 Interim Results. They remain satisfied that it was appropriate to prepare such interim results without a review by external auditors, despite the Interim Review Recommendation.
 - b. As stated in the announcement of the Company dated August 31, 2023 in relation to the 2023 Interim Results and the section headed “IX. AUDIT” in this report, the Audit Committee, for the purpose of the 2023 Interim Results and this report, as the case may be, considered and reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal controls, risk management, and financial reporting with the management, including the review of the 2023 Interim Results in accordance with paragraph 39 of Appendix 16 of the Listing Rules.

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- c. After appropriate review and discussion, the Audit Committee concluded that the 2023 Interim Results complied with relevant accounting standards, rules, and regulations, and appropriate disclosures had been made. The Audit Committee also agreed with the accounting treatment adopted in the 2023 Interim Results. In particular, the Audit Committee and the Board respectively confirmed, amongst others, that the 2023 Interim Results were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, and relevant disclosures regarding changes in accounting policies were made in the 2023 Interim Results announcement dated August 31, 2023 in compliance with paragraph 38 of Appendix 16. The Directors were, and are, comfortable with the 2023 Interim Results being prepared and issued without a review, notwithstanding the Interim Review Recommendation.
- d. The only special issue of concern identified was the unauthorised loans to Mr. Zi and Mr. Zeng. No other actual irregularity was identified by Zhonghui Anda in the Internal Control Review. There is no indication that there is any other similar, but different, irregularity.
- e. The then-auditors of the Company, Ernst & Young, prepared and issued a clean and unqualified opinion on the consolidated financial statements of the Group as of, and for the year ended, December 31, 2022, after identification of the issue relating to the Loans to Directors.
- f. In addition, special steps have been taken, going above and beyond what would normally be required for the issuance of the interim results, to ensure that all Loans to Directors had been fully repaid with interest and there is no other outstanding indebtedness on the part of Mr. Zi and Mr. Zeng to the Company.
- g. In connection with the publication of the 2023 Interim Results, at the request of, amongst others, the Audit Committee, each of Mr. Zi and Mr. Zeng, and the financial controller of the Company confirmed to the Audit Committee that there is no outstanding indebtedness, directly or indirectly, of any nature extended by the Company to Mr. Zi, Mr. Zeng, or any entity they control. The financial controller of the Company also confirmed that the interim financial statements in the 2023 Interim Results were true and fair and had been prepared and presented on a basis consistent with the accounting policies normally adopted by the Company and its subsidiaries and applied in preparing the historical audited financial statements, and that no irregularity during its preparation process was observed, which was proper.

Corporate Governance and Other Information

During the relevant financial reporting period of the periodic results announcements and financial reports of the Company for (i) the twelve months ended December 31, 2021; (ii) the six months ended June 30, 2022; and (iii) the twelve months ended December 31, 2022, since the finance department of the Company did not fully understand the requirement under Code Provision D.1.2 of the Corporate Governance Code, such financial statements (despite being compiled and consolidated on a monthly basis at the material time) were not provided for review by the Board every month. Without being able to review such information on a monthly basis, the Board did not receive “a balanced and understandable assessment of the issuer’s performance, position and prospects” to the extent necessary for compliance with the requirements in Code Provision D.1.2 of the Corporate Governance Code.

The Directors recognized the importance of monthly updates to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. As remedial measures, the Company has:

- (i) conducted training on the relevant obligations under the Listing Rules for its directors, senior management, supervisors and personnel of the Group;
- (ii) established a whistle blowing policy as disclosed aforesaid and in the announcement of the Company dated August 4, 2023; and
- (iii) since June 2023, in light of the recommendations given under the Internal Control Review, provided to all members of the Board the financial statements on a monthly basis to reflect the financial position and business performance of the Group, in order to enable the Directors to receive sufficiently detailed information to give a balanced and understandable assessment of the performance of the Group, and discharge their respective duties under Rule 3.08 and Chapter 13 of the Listing Rules in accordance with Code Provision D.1.2 of the Corporate Governance Code.

Saved as disclosed above and in the announcement dated August 4, 2023 in relation to the deviation from Code Provision D.1.2 of Corporate Governance Code, the Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code.

XII. MATERIAL LITIGATION AND ARBITRATION

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

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

(i) Change in Directors and Composition of Board Committees

Save as disclosed below, there were no changes in Directors and composition of Board Committees during the Reporting Period:

1. Mr. Lim Hou-Sen (Lin Haosheng) has resigned as an executive Director and Ms. Nisa Bernice Wing-Yu Leung has resigned as a non-executive Director with effect from the conclusion of the extraordinary general meeting of the Company held on January 30, 2023; and
2. Mr. Ao Zhang was elected as a non-executive Director and Ms. Meirong Liu was elected as an executive Director with effect from the conclusion of the extraordinary general meeting of the Company held on January 30, 2023.

(ii) Change in Supervisors

There were no changes in Supervisors during the Reporting Period.

(iii) Change in Biographies of Directors and Supervisors

Save as disclosed below, there has been no change in the information of the Directors and Supervisors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report:

1. Mr. Chi Wai Suen, an independent non-executive Director of the Company, was a partner of Withers from February 2018 until his retirement in March 2023. Currently, Mr. Suen is a consultant of Withers.

Corporate Governance and Other Information

(iv) Change in Senior Management

Saved as disclosed below, there were no changes in Senior Management during the Reporting Period:

1. Ms. Nisa Bernice Wing-Yu Leung has resigned as the vice chairwoman of the Board with effect from the conclusion of the extraordinary general meeting of the Company held on January 30, 2023; and
2. Mr. Haiyue Ma has resigned as the chief financial officer of the Company with effect from June 2, 2023.

(v) Change in Joint Company Secretaries and Authorized Representatives

Mr. Haiyue Ma has resigned as a joint company secretary of the Company with effect from June 2, 2023.

Saved as disclosed above, during the Reporting Period, there were no changes in Joint Company Secretaries and Authorized Representatives.

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.

XIV. EVENTS AFTER THE REPORTING PERIOD

The Company is not aware of any material subsequent events from June 30, 2023 to the date of this report.

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

Hangzhou, PRC, August 31, 2023

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

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	5	255,610	209,965
Cost of sales		(54,361)	(45,790)
Gross profit		201,249	164,175
Other income and gains		33,077	62,448
Selling and distribution expenses		(157,911)	(123,357)
Research and development costs		(294,715)	(220,316)
Administrative expenses		(77,893)	(54,746)
Other expenses		(26,341)	(38,022)
Finance costs		(31,185)	(18,400)
Impairment losses on financial assets, net		(9,656)	(3,595)
Share of losses of:			
A joint venture		(1,083)	(2,498)
Associates		(5,881)	(12,095)
LOSS BEFORE TAX	6	(370,339)	(246,406)
Income tax credit	7	4,124	6,738
LOSS FOR THE PERIOD		(366,215)	(239,668)

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

For the six months ended 30 June 2023

Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	56,146	70,987
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	–	4,488
Income tax effect	–	(30)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	–	4,458
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	56,146	75,445
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(310,069)	(164,223)
Loss attributable to:		
Owners of the parent	(350,188)	(199,933)
Non-controlling interests	(16,027)	(39,735)
	(366,215)	(239,668)
Total comprehensive loss attributable to:		
Owners of the parent	(295,344)	(125,312)
Non-controlling interests	(14,725)	(38,911)
	(310,069)	(164,223)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	RMB(0.80)	RMB(0.46)

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	363,461	318,139
Right-of-use assets		132,283	143,144
Goodwill		1,276,312	1,238,535
Other intangible assets		600,553	611,171
Investment in a joint venture		5,314	2,728
Investments in associates		66,786	70,283
Deferred tax assets		13,554	9,941
Equity investments designated at fair value through other comprehensive income		16,338	15,747
Financial assets at fair value through profit or loss		414,448	388,322
Prepayments, other receivables and other assets		4,301	15,855
Total non-current assets		2,893,350	2,813,865
CURRENT ASSETS			
Inventories		117,808	104,396
Trade receivables	11	401,622	303,388
Prepayments, other receivables and other assets		128,428	119,868
Due from directors		–	34,400
Pledged deposits		5,204	27,487
Cash and cash equivalents		1,453,165	1,879,431
Total current assets		2,106,227	2,468,970
CURRENT LIABILITIES			
Trade payables	12	24,564	9,126
Lease liabilities		23,181	23,457
Other payables and accruals		253,009	227,590
Interest-bearing bank borrowings	13	328,566	222,603
Government grants		1,730	1,370
Contract liabilities		2,215	2,952
Tax payable		6	5,006
Total current liabilities		633,271	492,104

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NET CURRENT ASSETS		1,472,956	1,976,866
TOTAL ASSETS LESS CURRENT LIABILITIES		4,366,306	4,790,731
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	450,115	573,379
Other payables and accruals		506,427	487,826
Lease liabilities		70,937	80,204
Deferred tax liabilities		16,035	17,411
Government grants		1,550	600
Total non-current liabilities		1,045,064	1,159,420
Net assets		3,321,242	3,631,311
EQUITY			
Equity attributable to owners of the parent			
Share capital		441,012	441,012
Reserves		2,871,508	3,166,852
		3,312,520	3,607,864
Non-controlling interests		8,722	23,447
Total equity		3,321,242	3,631,311

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent							Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Treasury shares* RMB'000	Share premium* RMB'000	Other reserves* RMB'000	Fair value reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000			
At 1 January 2023 (audited)	441,012	(72,548)	5,112,276	270,481	(28,690)	63,391	(2,178,058)	3,607,864	23,447	3,631,311
Loss for the period (unaudited)	-	-	-	-	-	-	(350,188)	(350,188)	(16,027)	(366,215)
Other comprehensive income for the period:										
Exchange differences related to foreign operations (unaudited)	-	-	-	-	-	54,844	-	54,844	1,302	56,146
Total comprehensive loss for the period (unaudited)	-	-	-	-	-	54,844	(350,188)	(295,344)	(14,725)	(310,069)
At 30 June 2023 (unaudited)	441,012	(72,548)	5,112,276	270,481	(28,690)	118,235	(2,528,246)	3,312,520	8,722	3,321,242

* These reserve accounts comprise the consolidated reserves of RMB2,871,508,000 in the condensed consolidated statement of financial position as at 30 June 2023.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent							Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Treasury shares* RMB'000	Share premium* RMB'000	Other reserves* RMB'000	Fair value reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000			
At 1 January 2022 (audited)	441,012	(72,548)	5,112,276	268,195	(28,224)	(54,722)	(1,120,359)	4,545,630	86,214	4,631,844
Loss for the period (unaudited)	-	-	-	-	-	-	(199,933)	(199,933)	(39,735)	(239,668)
Other comprehensive income for the period:										
Exchange differences related to foreign operations (unaudited)	-	-	-	-	-	70,163	-	70,163	824	70,987
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	-	4,458	-	-	4,458	-	4,458
Total comprehensive loss for the period (unaudited)	-	-	-	-	4,458	70,163	(199,933)	(125,312)	(38,911)	(164,223)
At 30 June 2022 (unaudited)	441,012	(72,548)	5,112,276	268,195	(23,766)	15,441	(1,320,292)	4,420,318	47,303	4,467,621

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(370,339)	(246,406)
Adjustments for:			
Finance costs		31,185	18,271
Bank interest income		(11,468)	(8,635)
Impairment of trade and other receivables		9,656	3,595
(Gain)/loss on termination of a lease		(56)	581
Depreciation of items of property, plant and equipment		17,371	12,399
Depreciation of right-of-use assets		13,054	8,851
Amortisation of other intangible assets		25,631	33,301
Loss on disposal of items of property, plant and equipment, net	6	205	453
Reversal of write-down of inventories to net realisable value	6	(467)	(2,227)
Fair value gains, net:			
Financial assets at fair value through profit or loss – mandatorily classified as such		(5,960)	(630)
Share of losses of a joint venture		1,083	2,498
Share of losses of associates		5,881	12,095
Foreign exchange differences, net		(1,677)	(46,820)
		(285,901)	(212,674)
Change in inventories		(12,945)	(13,585)
Change in trade receivables		(107,263)	(37,748)
Change in prepayments, other receivables and other assets		(8,566)	(36,753)
Change in pledged time deposits		22,283	1,012
Change in trade payables		15,438	20,555
Change in other payables and accruals		39,712	(3,490)
Change in contract liabilities		(737)	1,542
Change in refund liabilities		–	909
Change in government grants		1,310	420
		(336,669)	(279,812)
Cash used in operations		(336,669)	(279,812)
Interest received		9,630	8,635
Net income tax (paid)/refunded		(4,277)	6,990
		(331,316)	(264,187)
Net cash flows used in operating activities		(331,316)	(264,187)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to directors	15	(250,000)	–
Purchases of items of property, plant and equipment		(53,289)	(128,987)
Purchase of financial assets at fair value through profit or loss		(37,500)	(66,835)
Investment in a joint venture		(3,442)	–
Purchases of other intangible assets		(1,760)	(62,210)
Repayments from directors	15	284,400	–
Proceeds from disposal of financial assets at fair value through profit or loss		25,637	–
Interest received		1,838	53
Proceeds from disposal of items of property, plant and equipment		363	–
Acquisition of a subsidiary		–	(944,691)
Increase in time deposits with original maturity of over three months		–	(298,995)
Repayments of loans to third parties		–	3,000
Net cash flows used in investing activities		(33,753)	(1,498,665)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		(215,279)	(900)
Interest paid		(25,507)	(16,088)
Principal portion of lease payments		(11,997)	(9,192)
Interest portion of lease payments		(2,611)	(874)
Proceeds from bank borrowings		182,683	879,447
Net cash flows (used in)/from financing activities		(72,711)	852,393

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(437,780)	(910,459)
Cash and cash equivalents at beginning of period	1,879,431	2,955,212
Effect of foreign exchange rate changes, net	11,514	76,514
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,453,165	2,121,267
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,060,290	2,049,280
Non-pledged time deposits	392,875	71,987
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	1,453,165	2,121,267



Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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 (the “**PRC**”). The registered office of the Company is located at Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, the PRC.

During the six months ended 30 June 2023, the Company and its subsidiaries (the “**Group**”) were principally engaged in the 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 on 10 December 2019.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*. 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 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The International Accounting Standards Board has issued a number of amendments to International Financial Reporting Standards (“**IFRSs**”) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the interim financial report. IFRSs comprise International Financial Reporting Standards, IASs and Interpretations. The Group has not applied any new IFRSs that is not yet effective for the current accounting period. The directors of the Company (the “**Directors**”) anticipated that the application of these new IFRSs will have no material impact on the interim financial report.

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Mainland China	233,118	195,940
Others	22,492	14,025
Total	255,610	209,965

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

(b) Non-current assets

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Mainland China	578,632	557,214
Israel	498,235	503,136
Hong Kong	66,786	66,584
United States of America ("USA")	26,191	30,349
Netherlands ("NL")	52	55
Total	1,169,896	1,157,338

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<i>Revenue from contracts with customers</i>		
Sale of medical devices	255,610	209,965

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Geographical markets		
Mainland China	233,118	195,940
Other countries/regions	22,492	14,025
Total revenue from contracts with customers	255,610	209,965
Timing of revenue recognition		
Goods transferred at a point in time	255,610	209,965

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cost of inventories sold	52,975	44,082
Impairment of trade receivables	9,029	3,582
Impairment of other receivables	627	13
Reversal of write-down of inventories to net realisable value	(467)	(2,227)
Loss on disposal of items of property, plant and equipment, net	205	453
Foreign exchange differences, net	(1,677)	(46,820)

7. INCOME TAX CREDIT

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Company, since it was recognised as a High and New Technology Enterprise on 24 December 2022 and was entitled to a preferential tax rate of 15% (2022: 15%).

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at 23% (2022: 23%) on the taxable income arising in Israel.

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (2022: 21%) on the taxable income arising in the USA.

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

7. INCOME TAX CREDIT (continued)

United Kingdom (“UK”)

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% (2022: up to 19%) on the taxable income arising in the UK.

NL

Pursuant to the relevant tax laws of the NL, the corporate income tax was levied at the rate of up to 19% (2022: up to 15%) on the taxable income arising in the NL.

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax – PRC		
Charge for the period	1	65
Current tax – Israel		
Charge for the period	–	23
Current tax – USA		
Charge for the period	–	1
Current tax – UK		
Charge for the period	–	–
Current tax – NL		
Charge for the period	413	–
Deferred tax	(4,538)	(6,827)
	(4,124)	(6,738)

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

8. DIVIDEND

The Board does not recommend the payment of any dividend in respect for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 437,897,443 (six months ended 30 June 2022: 436,986,462) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	350,188	199,933

	Number of shares For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Shares		
Weighted average number of shares in issue during the period	437,897,443	436,986,462

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Carrying amount at beginning of period/year	318,139	142,237
Additions	62,530	204,700
Acquisition of a subsidiary	–	10,158
Depreciation provided during the period/year	(17,371)	(27,072)
Disposals	(568)	(9,538)
Impairment	–	(4,197)
Exchange realignment	731	1,851
Carrying amount at end of period/year	363,461	318,139

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:

	30 June 2023 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 6 months	248,708	164,808
7 to 12 months	63,860	83,811
1 to 2 years	83,602	54,429
Over 2 years	5,452	340
	401,622	303,388

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

12. TRADE PAYABLES

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 3 months	23,696	8,980
3 to 6 months	765	50
6 to 12 months	47	65
Over 12 months	56	31
	24,564	9,126

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Current				
Bank loans – unsecured	1-year LPR plus 0.45%	2023	100,130	100,115
Bank loans – unsecured	1-year LPR plus 0.20%	2023	29,689	–
Bank loan – secured				
Current portion of long-term bank loan USD72,000,000 bank loan (note (a))	LIBOR* plus 1.65%	2023-2024	198,747	122,488
			328,566	222,603
Non-current				
Bank loan – secured				
Non-current portion of long-term bank loan USD72,000,000 bank loan (note (a))	LIBOR plus 1.65%	2024-2025	325,161	501,451
Bank loans – secured (note (b))	5-year LPR minus 0.10%	2026-2037	96,426	61,915
Bank loans – secured (note (c))	5-year LPR minus 0.15%	2026-2037	28,528	10,013
			450,115	573,379
			778,681	795,982

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

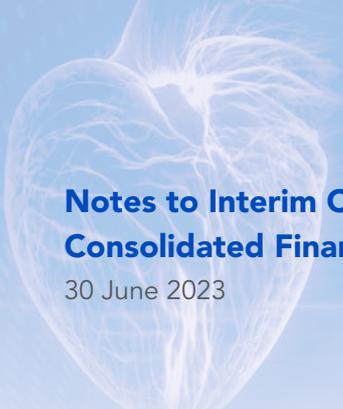
13. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	328,566	222,603
In the second year	325,161	188,044
In the third to fifth years, inclusive	124,954	385,335
	778,681	795,982

* London Interbank Offered Rate ("LIBOR")

Notes:

- (a) The bank loan of USD72,000,000 is secured by:
- (i) credit guarantee from the Company;
 - (ii) mortgages over the Group's equity interests in certain of its subsidiaries, Venus Medtech (Hong Kong) Limited, Athena Medtech Holding Ltd. and Mitraltech Holdings Ltd.; and
 - (iii) the pledge of certain of the Group's time deposits amounting to approximately RMB1,883,000 at the end of the reporting period.
- (b) The bank loan of RMB96,426,000 is secured by mortgage over the Group's leasehold land, which had a net carrying value at the end of the reporting period of approximately RMB29,490,000.
- (c) The bank loan of RMB28,528,000 is secured by mortgage over the Group's leasehold land, which had a net carrying value at the end of the reporting period of approximately RMB12,450,000.



Notes to Interim Condensed Consolidated Financial Information

30 June 2023

14. COMMITMENTS

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	193,447	4,475
Purchases of other intangible assets	225	750
	193,672	5,225

15. RELATED PARTY TRANSACTIONS

Name	Relationship with the Company
Mr. Zhenjun Zi	Director and shareholder
Mr. Min Frank Zeng	Director and shareholder

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

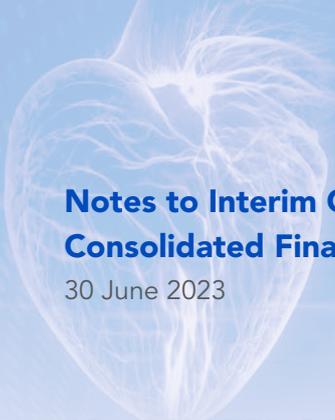
15. RELATED PARTY TRANSACTIONS (continued)

- (a) In addition to the transactions detailed in note 8 to the financial statements, the Group had the following transactions with related parties during the period.

	2023 RMB'000
Advances of loans to a related party: Mr. Zhenjun Zi	250,000
Repayment of advances of loans to related parties: Mr. Zhenjun Zi Mr. Min Frank Zeng	278,293 6,107
	284,400
Interest from advances of loans to a related party: Mr. Zhenjun Zi	1,838
Repayment of interest from advances of loans to a related party: Mr. Zhenjun Zi	1,838

For the loans to directors for the six months ended 30 June 2022, please refer to the announcement of the Company dated 8 May 2023.

During the six months ended 30 June 2023, the Group had made advances of loans to the Company's director and shareholder, Mr. Zhenjun Zi, in the total principal amounts of RMB250,000,000, which should have been approved by the board or independent shareholders in advance, if applicable. The loans bore interest at 3% per annum and were unsecured and repayable on demand. There are no outstanding loan and interest receivables as at 30 June 2023.



Notes to Interim Condensed Consolidated Financial Information

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15. RELATED PARTY TRANSACTIONS (continued)

- (b) The Group had no outstanding balances with related parties as at the end of the reporting period. For the details of the Group's outstanding balances with related parties as at 31 December 2022, please refer to "Note 38 to Financial Statements" of the annual report 2022 published by the Company on 27 April 2023.
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Salaries, bonuses, allowances and benefits in kind	4,325	4,007
Pension scheme contributions	125	80
Total compensation paid to key management personnel	4,450	4,087

Notes to Interim Condensed Consolidated Financial Information

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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 30 June 2023

Financial assets

	Financial assets at amortised cost (Unaudited) RMB'000	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total (Unaudited) RMB'000
		Mandatorily classified as such (Unaudited) RMB'000	Equity instruments (Unaudited) RMB'000	
Equity investments designated at fair value through other comprehensive income	-	-	16,338	16,338
Financial assets at fair value through profit or loss	-	414,448	-	414,448
Trade receivables	401,622	-	-	401,622
Financial assets included in prepayments, other receivables and other assets	29,550	-	-	29,550
Pledged deposits	5,204	-	-	5,204
Cash and cash equivalents	1,453,165	-	-	1,453,165
	1,889,541	414,448	16,338	2,320,327

Notes to Interim Condensed Consolidated Financial Information

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16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

As at 30 June 2023 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss (Unaudited) RMB'000	Financial liabilities at amortised cost (Unaudited) RMB'000	Total (Unaudited) RMB'000
Trade payables	–	24,564	24,564
Financial liabilities included in other payables and accruals	–	204,452	204,452
Interest-bearing bank borrowings	–	778,681	778,681
Contingent consideration payables	492,750	–	492,750
	492,750	1,007,697	1,500,447

Notes to Interim Condensed Consolidated Financial Information

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16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

As at 31 December 2022

Financial assets

	Financial assets at amortised cost (Audited) RMB'000	Financial assets at fair value through profit or loss Mandatorily classified as such (Audited) RMB'000	Financial assets at fair value through other comprehensive income Equity instruments (Audited) RMB'000	Total (Audited) RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	15,747	15,747
Due from directors	34,400	–	–	34,400
Financial assets at fair value through profit or loss	–	388,322	–	388,322
Trade receivables	303,388	–	–	303,388
Financial assets included in prepayments, other receivables and other assets	22,940	–	–	22,940
Pledged deposits	27,487	–	–	27,487
Cash and cash equivalents	1,879,431	–	–	1,879,431
	2,267,646	388,322	15,747	2,671,715

Notes to Interim Condensed Consolidated Financial Information

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16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

As at 31 December 2022 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss (Audited) RMB'000	Financial liabilities at amortised cost (Audited) RMB'000	Total (Audited) RMB'000
Trade payables	–	9,126	9,126
Financial liabilities included in other payables and accruals	–	182,677	182,677
Interest-bearing bank borrowings	–	795,982	795,982
Contingent consideration payables	481,338	–	481,338
	481,338	987,785	1,469,123

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, interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The 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 finance controller. The valuation process and results are discussed with the directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.



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Consolidated Financial Information**

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

The Group has invested in unlisted debt investments which fair value is determined on a recent transaction valuation. The Group classifies the fair value of these investments as Level 2.

For Level 3 financial assets, the Group adopts the valuation techniques to determine the fair value. Valuation techniques include discounted cash flow method for unlisted debt investments measured as financial assets at fair value through profit or loss, and an unlisted equity investment measured as a financial asset at fair value through other comprehensive income. 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.

The fair values of the contingent consideration payables were determined using the discounted cash flow method and are within Level 3 fair value measurement.

The fair values of the non-current portion of interest-bearing bank borrowings 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 changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2023 were assessed to be insignificant. All the carrying amounts of the Group's non-current portion of interest-bearing bank borrowings approximate to their fair values.

Notes to Interim Condensed Consolidated Financial Information

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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 30 June 2023

	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	
Equity investments designated at fair value through other comprehensive income	–	–	16,338	16,338
Financial assets at fair value through profit or loss				
Unlisted debt investments	–	129,073	285,375	414,448
	–	129,073	301,713	430,786

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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

Fair value hierarchy (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (continued)

Assets measured at fair value: (continued)

As at 31 December 2022

	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	–	–	15,747	15,747
Financial assets at fair value through profit or loss				
Unlisted debt investments	–	113,262	275,060	388,322
	–	113,262	290,807	404,069

Notes to Interim Condensed Consolidated Financial Information

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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:

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Financial assets at fair value through other comprehensive income:		
At 1 January	15,747	–
Transfer from Level 2	–	16,194
Exchange realignment	591	–
Total gains recognised in other comprehensive income	–	854
At 30 June	16,338	17,048
Financial assets at fair value through profit or loss:		
At 1 January	275,060	146,845
Transfer from Level 2	–	110,349
Exchange realignment	10,315	–
Total gain recognised in profit or loss included in other income	–	13,541
At 30 June	285,375	270,735

Notes to Interim Condensed Consolidated Financial Information

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2023

	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	
Contingent consideration payables	–	–	492,750	492,750

Notes to Interim Condensed Consolidated Financial Information

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

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

As at 31 December 2022

	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	
Contingent consideration payables	–	–	481,338	481,338

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil) and no transfer of fair value measurements into or out of Level 3 for financial liabilities (six months ended 30 June 2022: Nil).

Definitions

“2023 Interim Results”	the interim results of the Company for the Reporting Period
“Announcements”	collectively, the announcements of the Company dated May 8, 2023 and subsequently, August 4, 2023
“Adoption Date”	July 12, 2023, being the date on which the adoption of the Share Option Scheme was approved by the Shareholders
“Articles of Association”	the articles of association of the Company currently in force
“ANVISA”	Brazil’s National Health Surveillance Agency
“AS”	Aortic Stenosis
“Audit Committee”	the audit committee of the Board
“BGMP”	Brazil Good Manufacture Practice
“Board”	the board of directors of the Company
“CE Marking”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CEP”	cerebral embolic protection, the function of the devices designed to capture or deflect emboli traveling to the brain during TAVR procedures in order to protect the supra-aortic vessels from embolic debris
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
“CIT”	Chinese Interventional Therapeutics

Definitions

“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)
“Core Product(s)”	VenusA-Valve, VenusA-Plus and VenusP-Valve, the designated “core product” as defined under Chapter 18A of the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Directors”	the director(s) of the Company
“Employee Participant”	any PRC or non-PRC director (including executive, non-executive and independent non-executive director) and employee (whether full-time or part-time) of the Company or any of its subsidiaries, and any person who are granted options as an inducement to enter into employment contracts with the Company or any of its subsidiaries (including nominees and/or trustees of any employee benefit trust established for them)
“EU”	the European Union
“FDA”	U.S. Food and Drug Administration
“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” or “we/our/us”	the Company and its subsidiaries

Definitions

“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
“HCM”	hypertrophic cardiomyopathy
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IC Report”	the report issued by Zhonghui Anda setting forth its findings under the Internal Control Review
“IDE”	Investigation Device Exemption
“IFRS”	International Financial Reporting Standards
“Internal Control Review”	the independent internal control review conducted by Zhonghui Anda, the scope of which was further described in the section headed “Internal Control Review, Summary of Key Findings and Recommendations and Actions Undertaken by the Group” in this report
“Interim Review Recommendation”	has the meaning ascribed to it in the section headed “Internal Control Review, Summary of Key Findings and Recommendations and Actions undertaken by the Group” in this report
“Keystone”	Keystone Heart Ltd. and its subsidiaries
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Loans to Directors”	collectively, the Mr. Zi Loans and the Mr. Zeng Loans
“LVOT”	left ventricular outflow tract, the anatomic structure through which the left ventricular stroke volume passes towards the aorta

Definitions

“MDR”	Regulation (EU) 2017/745
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Zeng Loans”	a number of tranches of loans made by the Company to Mr. Zeng or his designated entities, details of which are set out in the section headed “Provision of financial assistance to Mr. Zeng” in the announcement of the Company dated May 8, 2023
“Mr. Zi Loans”	a number of tranches of loans made by the Company to Mr. Zi or his designated entities, details of which are set out in the section headed “Provision of financial assistance to Mr. Zi” in the announcement of the Company dated May 8, 2023
“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)
“PI”	principle investigator
“Prospectus”	the prospectus published by the Company on November 28, 2019 in relation to its Hong Kong public offering
“R&D”	research and development
“RDN”	renal artery denervation
“Reporting Period”	the six months period from January 1, 2023 to June 30, 2023
“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

Definitions

“Scheme Limit”	the maximum limit on the number of H Shares which may be issued upon exercise of option(s) and vesting of award(s), if any, under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules), which must not exceed 10% of the total number of issued H Shares as at the date of the Shareholders’ approval of the Scheme Limit
“Service Providers”	any advisor and consultant (natural person or corporate entity) who provide services to the Group on a continuing and recurring basis in the ordinary course of business of the Group that are in the interests of the long-term growth of the Group
“Service Provider Sublimit”	a sublimit under the Scheme Limit on the number of H Shares which may be issued to Service Providers upon exercise of option(s) and vesting of award(s), if any, under the Share Option Scheme and all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules), which must not exceed 1% of the total number of H Shares in issue as at the date of the Shareholders’ approval of the Service Provider Sublimit
“Share(s)” or “share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each
“Share Option Scheme”	the H Share option scheme of the Company adopted on June 30, 2023, the principal terms of which are set out in Appendix I to the circular of the Company on June 21, 2023 and the sub-section headed “Share Option Scheme” in this report
“Shareholder(s)”	holders of shares of the Company
“SPVR”	surgical pulmonary valve replacement, a treatment of RVOTD through open-chest surgery
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the supervisory committee of the Company

Definitions

"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 open-chest 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
"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
"Unlisted Foreign Share(s)"	the issued ordinary share(s) of the Company with a par value of RMB1.00 issued to overseas investors, which are subscribed for and paid up in currencies other than Renminbi and not listed on any stock exchange
"U.S." or "USA"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US\$"	United States dollars, the lawful currency of the United States of America

Definitions

“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 products
“VenusA-Valve”	VenusA-Valve System, one of our TAVR product
“VenusP-Valve”	VenusP-Valve System, one of our TPVR product
“Zhonghui Anda”	Zhonghui Anda Risk Services Limited, the independent internal control consultant who undertook the Internal Control Review

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