



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

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

Stock Code: 2500

A large, glowing blue wireframe heart is centered on a globe, symbolizing global medical technology. The heart is composed of numerous interconnected points and lines, with some points highlighted in bright white. The globe behind it is also a wireframe structure, and the entire scene is set against a dark blue background with faint, scattered light points.

2024 INTERIM REPORT



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Corporate Information

(As of June 30, 2024)

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. Lim Hou-Sen (Lin Haosheng)
Chairman:	Mr. Ting Yuk Anthony Wu
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. Lim Hou-Sen (Lin Haosheng), Mr. Liqiao Ma and Ms. Meirong Liu
Non-executive Directors	Mr. Ao Zhang and Mr. Wei Wang
Independent non-executive Directors	Mr. Ting Yuk Anthony Wu and Mr. Chi Wai Suen ⁽¹⁾
Supervisors:	Ms. Yue Li, Mr. Wei Chen and Mr. Changxi Zhang ⁽²⁾
Audit Committee:	Mr. Chi Wai Suen (<i>Chairman</i>) and Mr. Ting Yuk Anthony Wu ⁽¹⁾
Remuneration and Assessment Committee:	Mr. Ting Yuk Anthony Wu (<i>Chairman</i>) and Mr. Chi Wai Suen ⁽¹⁾

Corporate Information

(As of June 30, 2024)

Nomination Committee:	Mr. Chi Wai Suen and Mr. Ting Yuk Anthony Wu ⁽¹⁾
Company Secretary:	Mr. Wong Wai Chiu, CTP, CPA (Aust.), FCG(CS, CGP), FCS(CS, CGP)
Authorized Representatives:	Mr. Wong Wai Chiu and Ms. Liu Meirong
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 <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i>

1. Mr. Wan Yee Joseph Lau, who was an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Remuneration and Assessment Committee and the Audit Committee of the Board, passed away on February 7, 2024. The Company is in the process of identifying a suitable candidate to fill the vacancy of independent non-executive director of the Company and the vacancies of the relevant board committees.
2. Ms. Min Shao has resigned as an employee representative Supervisor with effect from August 30, 2024. Mr. Changxi Zhang has been elected as an employee representative Supervisor for the second session of the Supervisory Committee with effect from August 30, 2024. Ms. Yue Li will hold office until the conclusion of the extraordinary general meeting to be convened by the Company on October 10, 2024 (the "EGM") and Ms. Xiaojuan Li has been proposed by the Board as a Shareholders' representative Supervisor candidate for the second session of the Supervisory Committee, subject to approval at the EGM. For details, please refer to the announcement published by the Company on August 30, 2024.

Financial Summary

	Six months ended June 30, 2024 (Unaudited) RMB'000	Six months ended June 30, 2023 (Unaudited) RMB'000	Period-to- period change
Revenue	230,720	255,610	-9.7%
Gross profit	181,760	201,249	-9.7%
Loss before tax	(213,581)	(370,339)	-42.3%
Loss for the period	(208,825)	(366,215)	-43.0%
Loss attributable to owners of the parent	(206,487)	(350,188)	-41.0%
Loss per Share attributable to ordinary equity holders of the parent Basic and diluted	RMB(0.47)	RMB(0.80)	-41.3%
Non-IFRS measures*			
Non-IFRS commercialization profit	34,131	18,430	85%
Non-IFRS EBITDA	(145,286)	(283,098)	-48.7%

* This item is neither required under IFRS nor presented in the consolidated financial statements. For further details, please refer to "Financial Review – Non-IFRS Measures" in this report.

Management Discussion and Analysis

I. BUSINESS OVERVIEW

Overview

Founded in 2009, we have grown into a global platform company engaged in innovative medical devices that integrate R&D, clinical development, manufacturing and commercialization. Our vision is to become a global leader in the field of structural heart diseases, seeking effective treatment options for major diseases that seriously threaten human health.

We have developed a product portfolio covering the interventional devices for valvular heart diseases including aortic valve, pulmonary valve, mitral valve and tricuspid valve, a renal artery denervation ultrasound ablation system for interventional treatment of hypertension and other accessory consumables, allowing us to provide overall solutions for doctors and patients. In the future, we will continue to focus on the field of structural heart, and continue to iterate and update by applying new technologies and materials to introduce innovative products that meet needs of physicians and patients.

During the Reporting Period, the Company continued to focus on the field of structural heart diseases, further enhanced its research and development efficiency by optimizing the layout of its R&D pipeline, and concentrated its resources on advancing the clinical progress of its core products. We achieved several significant milestones in our global clinical research and development initiatives, which underscored the Company's robust global clinical research and operational prowess and further cemented our progress towards internationalization. In particular, our pulmonary valve product, VenusP-Valve, completed the first patient implantation in IDE pivotal clinical trial in the United States, and the clinical study is advancing steadily. Our tricuspid valve replacement product, Cardiovalve, has made notable headway in Europe, with smooth patient enrollment in pivotal clinical studies and immediate postoperative success, showcasing remarkable safety and efficacy that have garnered acclaim from international medical professionals. These products are expected to provide more high-quality treatment options for patients worldwide in the future.

Management Discussion and Analysis

We actively responded to the challenges posed by changes in domestic and international environments, pursued a balance between market share and commercialization profit margin*, continued to adhere to the “profit-making” strategy to increase commercialization profits; and actively practiced internationalization by strengthening the global sales network. During the Reporting Period, the commercialization profit margin of the Company increased to 15% from 7% for the first half of 2023. We continued to strengthen our sales team, continually expanded sales channels, and explored deeply the commercial potential of our products to offer high-quality treatment solutions to more patients. As of the end of the Reporting Period, the Company maintained the leading position in the domestic TAVR market with implantation volumes of approximately 2,300 in the first half of the year, a 15% increase from the last period, and covered over 580 hospitals. In terms of overseas operations, the Company further enhanced its global sales network and increased its market share and international influence with the differentiated positioning of the VenusP-Valve product and its long-term safe and effective clinical data. Overseas revenues, primarily driven by the VenusP-Valve product, reached RMB30.1 million, representing a year-on-year growth of 34%. In the first half of the year, the Company expanded into eight new commercialized countries, including Canada, Australia, India, Russia, and Singapore and other countries. This expansion has broadened the Company’s presence to encompass 59 countries and regions spanning Europe, North America, the Middle East, Southeast Asia, and Latin America. The continuous improvement of direct sales and distributor models lays a solid foundation for commercialization and overseas expansion of the Company’s products in the future.

To achieve the Company’s strategic objectives, we are committed to enhancing operational efficiency by actively improving internal production systems, refining processes, enhancing quality, and lowering costs. This bolstered the cost competitive advantage of our products. In addition, we continuously strengthened budget management, reduced costs, enhanced efficiency and controlled expenses to manage spending, lower costs, and reduce losses. In the first half of 2024, the losses attributable to the listed company decreased by 41% year-on-year, while non-IFRS EBITDA decreased by 48.7% year on year.

* Commercialization profit margin represents commercialization profit divided by revenue. For details of commercialization profit margin, please refer to “Financial Review - Non-IFRS Measures” in this report.

Our Products and Product Pipeline

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

Interventional treatment of heart valve diseases is our core therapeutic area. We have commercialized three TAVR products (VenusA-Valve, VenusA-Plus and VenusA-Pro), one TPVR product (VenusP-Valve) and two procedural accessories (expandable catheter sheath product (G Sheath) and balloon catheter (TAV0)). Our products currently in clinical trials include next-generation TAVR products (Venus-Vitae and Venus-PowerX), and one innovative medical device Cardiovalve which can be used for both TMVR and TTVR. In addition, we have a leading position in the non-valve segment of structural heart disease with our innovative device, the renal artery denervation (RDN) ultrasound ablation system, for interventional treatment of 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 13 countries and regions, including China, Asia-Pacific and Latin America			
		Venus-Vitae	Preparing pivotal clinical trial		Approved in Argentina and Chile	
		Venus-PowerX	Preparing pivotal clinical trial		Approved in Argentina and Chile	
Pulmonary valve	TPVR	VenusP-Valve	Approved in 59 countries and regions, including China, Europe, Asia-Pacific and South America, US & Japan. IDE pivotal clinical trial			
Mitral valve	TMVR	Cardiovalve	Early feasibility study			
Tricuspid valve	TTVR	Cardiovalve	Pivotal clinical trial			
Hypertension	Transcatheter RDN	Echomplish Platform	Animal experiment			
Accessories	Expandable catheter sheath	G Sheath	Approved in China			
	Balloon catheter	TAV0	Approved in China			

▶ Global status
▶ China status

Management Discussion and Analysis

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 physicians.

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 the coronary artery. VenusA-Pro was approved 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.

For VenusA-Valve, the earliest commercialized product in China, the Company has continued to carry out its registered clinical long-term follow-up studies, and the relevant data have proved the medium- and long-term safety and efficacy of the VenusA-Valve. At the 10th China Valve (Hangzhou) 2024 conference, the results of the four-year clinical follow-up of patients in the VenusA-Plus registered clinical trial were released. Notably, over a four-year post-operative period, there were no new cases of cardiac deaths. Furthermore, compared to the three-year post-operative phase, there were no reported occurrences of new safety events such as myocardial infarction, stroke, pacemaker implantation, or surgical interventions. In addition, subgroup analyses for both bicuspid and tricuspid valve patients revealed favourable results, demonstrating the excellent clinical safety and efficacy of VenusA-Plus.

VenusP-Valve – TPVR Product

VenusP-Valve, our independently developed transcatheter pulmonary valve system, obtained the CE MDR approval for registration in April 2022 and was approved for commercialization. The product 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 CE MDR regulations. VenusP-Valve was approved for registration by the NMPA in July 2022 for the treatment of patients with severe pulmonary regurgitation (3+) with native RVOT. As the first TPVR product approved in China, VenusP-Valve filled the gap in clinical demands in China.

Leveraging its outstanding clinical performance, VenusP-Valve has garnered high recognition from global experts and physicians. At the 18th Oriental Congress of Cardiology, the results of the eight-year clinical follow-up of patients in the VenusP-Plus registered clinical trial in China were presented, in which there were no new deaths during the follow-up period of the year after the operation, with the longest follow-up extending to 11 years. Significant improvements were observed in pulmonary valve regurgitation, with no occurrences of moderate or severe regurgitation in eight years after operation, and normal valve function was maintained. These findings once again confirmed the long-term safety and efficacy of VenusP-Valve.

We are steadily expediting IDE (PROTEUS) pivotal clinical study on VenusP-Valve. In June 2024, the first patient implantation was successfully completed, marking a significant milestone for the Company in the U.S. market. This study is a prospective, multi-centered clinical trial targeting patients with RVOTD combined with severe pulmonary valve regurgitation, and is expected to enroll a total of 60 subjects. Previously, the clinical trial gained approval from the Centers for Medicare & Medicaid Services (CMS) for inclusion in the medical insurance program. This means that clinical treatment expenses for patients eligible for the CMS medical insurance plan can be reimbursed through insurance claims, accelerating the progress of clinical trial in various centers. We will actively expedite the approval of VenusP-Valve in the U.S. market.

Management Discussion and Analysis

Venus-Vitae – New Generation TAVR Product

The Venus-Vitae, our first self-developed balloon-expandable dry-tissue TAVR product, is about to enter SMART-ALIGN, a global pivotal clinical trial.

Venus-Vitae adopted Venus-Endura dry tissue technology, which leverages advanced anti-calcification technology on the valve 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 a coronary alignment delivery system. It is also equipped with the world's first adaptive, active, anti-PVL skirt Seadapt with high compression ratio, self-expansion and high resilience, which can adjust the skirt thickness adaptively to fill the perivalvular space and promote the combination of vascular tissue and skirt. Venus-Vitae was approved for marketing and successfully completed commercial implantation in Argentina and Chile. We will conduct international multi-centered clinical trials to expedite the approval of Venus-Vitae in the 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 first self-developed self-expanding dry-tissue TAVR product, has completed patient enrollment for early feasibility study with all patients in follow-up and is about to enter the global pivotal clinical trials.

Venus-PowerX is our new generation pre-loaded dry-tissue valve product. It adopts the 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-PowerX also boasts convenience for clinical application, preservation and transportation. It is also equipped with the world's first adaptive active anti-PVL skirt Seadapt with high compression ratio, self-expansion and high resilience, which can adjust the skirt adaptively to fill the perivalvular space and promote the combination of vascular tissue and skirt, thereby effectively reducing paravalvular leakage. Its pre-loaded dry tissue technology can significantly reduce operation preparation time. The combination of wire-controlled technology and a unique valve frame design can completely eliminate the stress on the valve during deployment, ensuring a more stable and precise release. It can be retrieved after complete release, and therefore excels in terms of safety compared with products designed with traditional approaches for release and retrieval. Additionally, the valve frame employs a unique design with three large V-shaped openings, coordinated with the direction of entry of the delivery system, effectively preserving coronary access in the later stage. The delivery system, compared to previous generations, features a unique multi-layer waveguide design, offering superior flexibility and pushability. Venus-PowerX was approved for marketing and successfully completed commercial implantation in Argentina and Chile. We will conduct international multi-centered clinical trials to expedite the approval of Venus-PowerX in global market.

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

Management Discussion and Analysis

Cardiovalve – TMVR/TTVR Product

Cardiovalve, a wholly-owned subsidiary of the Company, has independently developed mitral valve and tricuspid valve replacement products. Currently, Cardiovalve is in early feasibility study stage for the treatment of patients with 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 of the 95% patient population. Meanwhile, its unique short frame design lowers the risk of LVOT obstruction.

The enrollment of Cardiovalve has been going smoothly. The TARGET CE pivotal clinical trial has extended to more than 20 renowned cardiovascular centers in countries including the United Kingdom, Germany, Italy and Canada. As of July 31, 2024, rapid progress has been made with nearly 100 patients enrolled. At the CSI 2024 in Frankfurt, Germany, humanitarian relief clinical data for early tricuspid valve replacement with Cardiovalve was officially disclosed. The data revealed that among 20 patients with severe tricuspid valve regurgitation, 30-day postoperative follow-up data indicated that 90% of patients had regurgitation levels classified as mild or less, confirming the safety and efficacy of Cardiovalve. We will actively carry forward the clinical trials of Cardiovalve, striving for earlier approvals for marketing in the global market.

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

RDN Ablation System

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

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, improves the patient's treatment experience with non-obstructive blood flow design 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.

R&D Innovation

In the broad market of structural heart diseases, the Company is committed to solving clinical pain points, increasing R&D investment, deeply engaging in the field of structural heart diseases, making constant innovations, continuing to accumulate technical experience, striving to bring innovative products to the market, and consolidating 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 the clinical stage, adopt advanced anti-calcification technology to extend valve durability, to further improve and simplify the procedure of TAVR. In the field of pulmonary valve, we are currently conducting the IDE pivotal clinical trial for VenusP-Valve in the U.S., marking the first instance of Chinese heart valve products undergoing clinical trials in the U.S. Meanwhile, the Company continued to innovate and iterate on pulmonary valve products, continuously advancing in the field of congenital heart diseases. Furthermore, we have strategically positioned our globally leading Cardiovalve valve replacement product for interventional treatment of mitral and tricuspid valves, with rapid progress in clinical trials, poised to offer high-quality solutions for patients worldwide. Interventional therapy in mitral and tricuspid valve fields will be our new growth drivers in the future.

Management Discussion and Analysis

The Company has always attached great importance to the power of innovation, and constantly expand and enrich its product pipeline through independent research and development, collaboration with universities, research institutions and hospitals, and the introduction of innovative products, aiming to establish a multifaceted global innovation framework and set the pace in global innovation. At the same time, the Company continues to invest in platform technologies to ensure that its products always maintain a leading position in the market. The Company is also constantly improving its research and development capabilities and speed, and has established a global research and development innovation platform. Our three R&D centers are located in Hangzhou, China, Tel Aviv, Israel and Irvine, California, USA, respectively, and are all comprised of members with professional experience and innovative capacity at home and abroad. In June 2024, the project of “Research on Data-Driven New Interventional Heart Valve Materials and Devices” under the National Key Research and Development Program for the 14th Five-Year Plan, in which the Company participated, passed the mid-term inspection and acceptance, demonstrating the Company’s leading position in medical device innovation.

For the six months ended June 30, 2024 and 2023, our R&D costs were RMB180.8 million and RMB294.7 million, respectively.

Intellectual Properties

The Company attaches great importance to intellectual property protection. Leveraging its strong R&D capability, as of August 30, 2024, the Company had a total of 877 patents and patents under applications, including 449 authorized invention patents. We had 394 patents under application and authorized in the PRC, including 267 authorized patents, and 454 patents under application and authorized overseas, including 327 authorized patents. We had 29 PCT applications. Our global IP portfolio mainly covers China, the U.S. and Europe, as well as other countries.

With a deep technical accumulation in the field of cardiovascular intervention therapy, Venus Medtech has received several prestigious awards, including the 2020 China Patent Excellence Award, the 2023 Zhejiang Province Intellectual Property Award, and honors for outstanding domestic medical device products, and has undertaken multiple municipal and district-level patent projects such as the high-value patent portfolio project in Hangzhou and the patent navigation project in the High-tech Zone (Binjiang). In June 2024, the Company was among the first to be included in Zhejiang Province’s list of high-value patent cultivation programs, standing out as the only high-value patent cultivation project selected in the medical device industry in Zhejiang Province.

Manufacturing and Quality System

We have an approximately 3,500 square meters of clean production zone 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.

The Company has established an international quality management system in accordance with ISO13485, GMP of NMPA in China, QSR of the FDA in the United States, MDR of the 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 an ISO13485 system certificate, an MDR system certificate of the EU, an MDSAP quality system certificate (covering the regulatory requirements of quality systems of the United States, Japan, Canada, Australia and Brazil), a China production license, a Brazil BGMPC certificate, a 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. In addition, the Company has also established a digital and refined quality system through proactively 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.

Commercialization

Despite the intensified market competition and rapid changes in the domestic and overseas policy environments, the Company maintained a proactive stance and continued to focus on its core competitive strengths, concentrated on the enhancement of overall synergy and efficiency and adhered to the commercialization “profit making” strategy. The Company’s commercialization profit margin increased from 7% for the six months ended June 30, 2023 to 15% for the six months ended June 30, 2024, which will facilitate the Company to further improve the commercialization efficiency, thereby enhancing its overall profitability in order to continue to create greater long-term value.

Management Discussion and Analysis

For commercialization in China, the Company has established a professional commercialization team to explore potential marketing channels, continuously expand the sales network in China, and continue to provide professional and comprehensive medical solutions for doctors and patients. We took an active part in international and domestic academic conferences to strengthen communication and exchange with hospitals, doctors and opinion leaders in the industry, continuously consolidate product brand awareness and influence in the industry, and establish a positive and professional brand image and competitive advantage. In the first half of 2024, the Company participated in over 10 third-party conferences and hosted 44 conferences of its own, covering more than 900 experts and attracting 92,000 visitors. 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.

Meanwhile, for overseas marketing, we have established a professional commercialization team and comprehensive overseas sales channels and supply chain system, selling our products to over 100 medical centers in 59 countries and regions in Europe, the Middle East, Asia-Pacific, North America and Latin America. In the first half of 2024, overseas revenues, primarily driven by the VenusP-Valve product, reached RMB30.1 million, representing a year-on-year growth of 34%. In the first half of the year, the Company expanded into eight new commercialized countries, including Canada, Australia, India, Russia, and Singapore. The Company participated in four reputable international academic conferences in the cardiovascular interventional medicine industry, such as EuroPCR 2024 and CSI2024, and hosted 11 conferences of its own, which covered over 200 doctors and attracted cardiovascular experts from different countries around the world, enhanced the recognition of our products among overseas doctors, and continuously strengthened the Company's international brand awareness and influence. We also gradually established contact with physicians and hospitals through distributors to continuously expand sales and our brand influence, thus providing more options for unmet clinical needs worldwide and benefiting more patients.

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, 2024 was RMB230.7 million, representing a decrease of 9.7% compared to RMB255.6 million for the six months ended June 30, 2023. The fluctuation in revenue was due to the slight decrease in the unit price of products. Facing a highly competitive market environment, the Company, in order to enhance its overall profitability, did not simply pursue TAVR surgery volume and market share, but rather actively balanced market share with the pursuit of profitability in order to continue to create greater long-term value.

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

Revenue	Six months ended June 30, 2024 (Unaudited)		Six months ended June 30, 2023 (Unaudited)	
	RMB'000	Proportion	RMB'000	Proportion
VenusA series products	191,324	82.9%	229,802	89.9%
VenusP-Valve	38,333	16.6%	25,194	9.9%
Others	1,063	0.5%	614	0.2%
Total	230,720	100%	255,610	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, 2024 was RMB49.0 million, representing a decrease of 9.9% compared to RMB54.4 million for the six months ended June 30, 2023. The decrease was in line with the change in sales revenue for the same period of 2024.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group decreased by 9.7% from RMB201.2 million for the six months ended June 30, 2023 to RMB181.7 million for the six months ended June 30, 2024. For the six months ended June 30, 2023 and 2024, the Group's gross profit margin was 78.7% and 78.8%, respectively.

Other Income and Gains

The Group's other income and gains for the six months ended June 30, 2024 was RMB20.2 million, representing a decrease of 39.0% compared to RMB33.1 million for the six months ended June 30, 2023, primarily related to the fluctuation of foreign exchange gains and interest income.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended June 30, 2024 was RMB131.0 million, representing a decrease of 17.0% compared to RMB157.9 million for the six months ended June 30, 2023. The Company's selling expense rate decreased to 56.8% for the six months ended June 30, 2024 from 61.8% for the six months ended June 30, 2023. The above change was related to the enhanced commercialization efficiency of the sales team.

R&D Costs

The Group's R&D costs for the six months ended June 30, 2024 was RMB180.8 million, representing a decrease of 38.6% compared to RMB294.7 million for the six months ended June 30, 2023, primarily attributable to the optimization of production line layout within the Group to reduce costs and increase efficiency.

Management Discussion and Analysis

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

	Six months ended June 30, 2024 (Unaudited) RMB'000	Six months ended June 30, 2023 (Unaudited) RMB'000
Staff cost	60,590	84,094
Raw material cost	23,803	54,488
R&D service expenses	25,527	48,909
Intellectual property expenses	7,274	9,214
Clinical trial expenses	11,887	27,793
Depreciation and amortization	29,845	35,265
Others	21,908	34,952
	180,834	294,715

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2024 was RMB76.6 million, representing a decrease of 1.7% compared to RMB77.9 million for the six months ended June 30, 2023, which remained basically the same as the same period of last year.

Other Expenses

The Group's other expenses for the six months ended June 30, 2024 was RMB17.4 million, representing a decrease of 33.8% compared to RMB26.3 million for the six months ended June 30, 2023. 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, 2024.

As at June 30, 2024, the carrying amount of goodwill and other intangible assets of the Group were RMB1.03 billion and RMB0.53 billion, respectively. In preparing the condensed consolidated financial statements for the period ended June 30, 2024, the Company's management reviewed the financial performance of the relevant cash generating unit of the Company, and no material impairment indicator was identified. Thus, the Company's management considered that no impairment of goodwill and other intangible assets was necessary during the six months ended June 30, 2024.

Finance Costs

The Group's finance costs for the six months ended June 30, 2024 was RMB9.8 million, representing a decrease of 68.6% compared to RMB31.2 million for the six months ended June 30, 2023. The above change was due to the decrease in interest expenses as a result of the repayment of bank loans by the Group during the Reporting Period.

Impairment Losses on Financial Assets, Net

The Group's reversal of impairment losses on financial assets, net, for the six months ended June 30, 2024 was RMB0.8 million, representing a change of 110.0% compared to the accrued on impairment losses of RMB9.7 million for the six months ended June 30, 2023. The above change was mainly due to the decrease in the balance of long-term trade receivables and the partial reversal of bad debt provision for 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, 2024 was RMB0.6 million, as compared to share of losses of associates and joint ventures accounted for under the equity method for the six months ended June 30, 2023 of RMB7.0 million, primarily attributable to changes in losses recorded by our investees during the Reporting Period.

Income Tax

The Group's income tax credit for the six months ended June 30, 2024 was RMB4.8 million, as compared to income tax credit of RMB4.1 million for the six months ended June 30, 2023. 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.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided commercialization profit and EBITDA as non-IFRS measures, which are not required by, or presented in accordance with IFRS. The Company believes that the non-IFRS adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these non-IFRS adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

Management Discussion and Analysis

The following table sets out a reconciliation of non-IFRS EBITDA to loss before tax for the periods indicated:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Loss before tax	(213,581)	(370,339)
Finance costs	9,805	31,185
Depreciation of property, plant and equipment	18,206	17,371
Amortization of intangible assets	15,329	13,054
Depreciation of right-of-use assets	24,955	25,631
Non-IFRS EBITDA¹	(145,286)	(283,098)

The following table sets out a reconciliation of non-IFRS commercialization profit to gross profit for the periods indicated:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Gross profit	181,760	201,249
Add/(less):		
Selling and distribution expenses	(130,989)	(157,911)
Other expenses		
Including: charitable donations	(16,640)	(24,908)
Non-IFRS commercialization profit²	34,131	18,430

¹ Non-IFRS EBITDA represents earnings/(loss) before interest, tax, depreciation and amortization.

² Non-IFRS commercialization profit represents gross profit after deducting (i) selling and distribution expenses; and (ii) charitable donations, which is used to measure the Company's commercialization capability.

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, 2024 were RMB485.8 million, representing a decrease of 37.3% compared to RMB774.4 million as at December 31, 2023. The decrease was mainly due to repayment of bank loans during the Reporting Period.

We rely on capital contributions by the 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, 2024, the Group's total borrowing, including interest-bearing bank borrowings, were RMB395.6 million (December 31, 2023: RMB705.9 million). Borrowings of the Group are mainly carried with interest charged 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, 2024 was 18.3% (December 31, 2023: 28.3%).

Net Current Assets

The Group's net current assets, as at June 30, 2024, were RMB600.8 million, representing a decrease of 25.2% compared to net current assets of RMB802.9 million as at December 31, 2023.

Management Discussion and Analysis

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

As of June 30, 2024, we did not hold any significant investments (including any investment in an investee company) with a value of 5% or more of the Group's total assets.

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, 2024, the Group's total capital expenditure amounted to approximately RMB46.2 million, which was used for (i) purchase of items of property, plant and equipment; and (ii) purchase of other intangible assets.

Indebtedness and Charge on Assets

As of June 30, 2024, certain of the Group's loans amounted to RMB265.5 million (December 31, 2023: RMB569.1 million) were secured by mortgages or pledges over our assets. The mortgaged or pledged assets were leasehold lands.

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, 2024.

Contingent Liabilities

As at June 30, 2024, except for the fair value of contingent consideration payable for acquisition of a subsidiary of the total amount of RMB328.0 million (for details, please refer to the announcement of the Company headed “Discloseable Transaction-Acquisition of Equity Interests in Mitraltech and Subscription of Convertible Loan” dated December 8, 2021), we did not have any contingent liabilities.

Further Information in respect of Unauthorized Loans and Pledged Deposits

Reference is made to: (i) sections 3 and 4 headed “Unauthorized loans to Jiangsu Wuzhong” and “Unauthorized guarantees to Hangzhou Kuntai” in the announcement of the Company dated February 23, 2024; (ii) the announcement of the Company dated April 16, 2024; (iii) the 2023 Annual Report; (iv) the announcement of the Company dated May 23, 2024; and (v) the announcement of the Company dated August 23, 2024.

As of April 16, 2024, the full amount of the unauthorized pledged deposits provided by the Group of an aggregate of RMB200,000,000 as security in respect of loans to Hangzhou Kuntai, had been released by the relevant bank and further withdrawn by the Company.

As of the date of this report, the RMB80,000,000 unauthorized loan to Jiangsu Wuzhong has not been repaid. Venus Medtech (Hong Kong) Limited, a wholly-owned subsidiary of the Company, has submitted application for arbitration against the relevant part(ies) in Hangzhou, Mainland China, to recover the outstanding amount. Further announcements will be made by the Company in due course as and when appropriate.

Management Discussion and Analysis

Employees and Remuneration Policies

As of June 30, 2024, we had 778 employees in total (June 30, 2023: 1,006).

Among the 778 employees, 652 of our employees are stationed in China, and 126 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 share incentive schemes to our employees, especially for key employees.

Future Investment Plans and Expected Funding

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

III. PROSPECT

In the first half of 2024, both internal and external environments remained complex and challenging, characterized by uncertainties in global geopolitics, a persistently high federal funds rate, and the growing pains of domestic macroeconomic transformation. Against this backdrop, the healthcare industry faced similar pressures of growth. In response to these industry and internal challenges, we are committed to focusing on the field of structural heart diseases, aiming to reduce costs, increase efficiency, and enhance operational capabilities of the Company. In addition, we will protect shareholders' interests with our best efforts, particularly for minority shareholders, and will strive to resume trading as soon as possible.

Looking ahead to the second half of the year, in light of the numerous challenges and opportunities presented by the internal and external environment, the Company may actively implement measures. These measures include, but are not limited to:

1. Continue to reduce costs and enhance operational efficiency to improve gross profit margins, further control expenses, focus on our product pipeline, optimize resource allocation and reduce the utilization of working capital;
2. Strengthen internal controls and optimize the corporate governance structure while maintaining active communication with the Stock Exchange to expedite the fulfillment of all conditions for resumption of trading; and
3. Prioritize cash flow management by reducing costs, increasing efficiency, improving profit margins, and enhancing the turnover efficiency of working capital, and may alleviate cash flow pressures by implementing capital operation measures including, but not limited to, disposing of certain long-term assets to recover funds, securing additional bank facilities and issuing financial instruments.

Looking ahead, we will continuously drive the long-term sustainable development of the Company through innovation and strategic execution. We believe that through the collective efforts of all employees, propelled by sound management and innovative investments, we will demonstrate increased resilience and competitiveness in the complex and ever-changing market environment. We aim to maintain our industry-leading position and make a greater contribution to the development of the field of structural heart diseases in China.

Corporate Governance and Other Information

I. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2024 to the shareholders (six months ended June 30, 2023: Nil).

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, 2024, 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	Class of Shares	Capacity	Number of Securities/Type of Shares Held	Approximate Percentage of Shareholding in the Total Issued Share Capital of the Company (Note 1)	Approximate Percentage of Shareholding in the Relevant Class of Shares (Note 1)
Mr. Liqiao Ma	H Shares	Beneficial owner	37,000/ Long position	0.00%	0.00%

Note:

- (1) 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, 2024, 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.

Corporate Governance and Other Information

Save as disclosed above, as at June 30, 2024, 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, 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, 2024, 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, 2024, 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 5)	Approximate percentage of shareholding in the relevant class of shares (Note 5)
Mr. Min Frank Zeng (Note 1)	H Shares	Interest of controlled corporations	33,651,618/ Long position	7.63%	7.63%
Horizon Binjiang LLC (Note 1)	H Shares	Beneficial owner	33,651,618/ Long position	7.63%	7.63%
Mr. Zi (Note 2)	H Shares	Beneficial owner	32,644,302/ Long position	7.40%	7.40%
		Interest of controlled corporations	12,094,675/ Long position	2.74%	2.74%
	Unlisted Foreign Shares	Other	1,208/ Long position	0.00%	100.00%
Qiming Corporate GP III, Ltd. (Note 3)	H Shares	Interest in controlled corporations	57,048,980/ Long position	12.94%	12.94%
Qiming GP III, L.P. (Note 3)	H Shares	Interest in controlled corporations	57,048,980/ Long position	12.94%	12.94%
Qiming Venture Partners III, L.P. (Note 3)	H Shares	Interest in controlled corporations	40,018,283/ Long position	9.07%	9.07%

Corporate Governance and Other Information

Name of Shareholders	Class of Shares	Capacity	Number of securities/Type of Shares held	Approximate percentage of shareholding in the total share capital of our Company (Note 5)	Approximate percentage of shareholding in the relevant class of shares (Note 5)
Ming Zhi Investments Limited (Note 3)	H Shares	Interest in controlled corporations	40,018,283/ Long position	9.07%	9.07%
Ming Zhi Investments (BVI) Limited (Note 3)	H Shares	Beneficial owner	40,018,283/ Long position	9.07%	9.07%
Mr. Haifeng David Liu (Note 4)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Mr. Julian Juul Wolhardt (Note 4)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DGP, Ltd. (Note 4)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DGP General Partner, Ltd (Note 4)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
DGP Capital Partners, L.P. (Note 4)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Red Giant Limited (Note 4)	H Shares	Interest in controlled corporations	24,713,752/ Long position	5.60%	5.60%
Muheng Capital Partners (Hong Kong) Limited (Note 4)	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) 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 12,094,675 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 476,224 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.
 - Dinova Venture Partners GP III, L.P. owns 357,168 H Shares of the Company. 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 Dinova Venture Partners GP III, L.P. 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) 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.
- (4) 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.
- (5) 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, 2024, 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, 2024, 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.

Corporate Governance and Other Information

V. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

(i) The Initial Global Offering

The net proceeds received (the **"IPO Proceeds"**) by the Company from its initial global offering (including the full exercise of the over-allotment option) (the **"Initial Global Offering"**) 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).

(ii) The September 2020 Placing

The net proceeds received (the **"September 2020 Placing Proceeds"**) by the Company from the placing of an aggregate of 18,500,000 new H Shares in September 2020 (the **"September 2020 Placing"**) 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.

(iii) The January 2021 Placing

The net proceeds received (the **"January 2021 Placing Proceeds"**, together with the IPO Proceeds and the September 2020 Placing Proceeds, the **"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.

The Company engaged Deloitte Advisory (Hong Kong) Limited (the **"Forensic Consultant"**) as an independent and professional consultant to review (the **"Use of Proceeds Review"**) the historical utilization of the Proceeds to analyze whether such Proceeds were used to fund the Unauthorized Transactions (as defined in the announcement of the Company dated February 23, 2024), during the period from December 1, 2019 to December 31, 2023.

Corporate Governance and Other Information

As disclosed in the announcement of the Company dated (a) August 23, 2024 in relation to the third quarterly update on the Company's resumption progress (the **"Third Quarterly Update Announcement"**); and (b) September 2, 2024 (the **"Use of Proceeds Review Announcement"**) in relation to the key findings of the review of the use of Proceeds, it was noted that (A) the Proceeds were used to fund (i) certain Unauthorized Transactions; (ii) certain reimbursements to Mr. Zi without business purpose being noted in the supporting documents, and certain loans and reimbursements to Mr. Haiyue Ma (a former chief financial officer) which lack sufficient supporting documents, such as approval records, agreements or other documentation, to support they were business purpose; and (iii) consulting fees under the consulting agreements with each of Mr. Anthony Wu (an independent non-executive Director) and the late Mr. Wan Yee Joseph Lau (a former independent non-executive Director); and (B) there were certain sample transactions involving the Proceeds which lack documentary records such as payment approval records, relevant agreements, proofs of procurement or services, invoices or bank records. Further, as disclosed in the announcement of the Company dated April 16, 2024 (the **"April Announcement"**), the 2023 Annual Report and the Third Quarterly Update Announcement, the total outstanding amount under the Unauthorized Transactions has been fully repaid or released, except the RMB80,000,000 unauthorized loan to Jiangsu Wuzhong by Hangzhou Qijin Equity Investment Co., Ltd., a wholly-owned subsidiary of the Company. For further details (including the scope and procedures, summary of key factual findings, and main limitations and exclusions of the Use of Proceeds Review), please refer to the April Announcement, the 2023 Annual Report, the Third Quarterly Update Announcement and the Use of Proceeds Review Announcement.

In this connection, the use of Proceeds from any such aforesaid issue for cash of equity securities, i.e. the Initial Global Offering, the September 2020 Placing and the January 2021 Placing, required to be disclosed under paragraph 11(8) of Appendix D2 of the Listing Rules will require further adjustments according to the findings on the historical utilization of the Proceeds. Additional time is required for the Company to carry out any such related works for the relevant adjustments. Accordingly, the Company anticipates to be in a position to provide the information required under paragraph 11(8) of Appendix D2 of the Listing Rules for the Reporting Period by way of a separate announcement or in subsequent periodical report(s) upon completion of the works for the relevant adjustments in due course.

Corporate Governance and Other Information

VI. ADVANCE TO AN ENTITY

During the Reporting Period, the Group did not make any advance of loans to any entity which exceeded 8% of the total assets of the Group in accordance with Rule 13.13 of the Listing Rules.

VII. SHARE OPTION SCHEME

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

As at June 30, 2024, no grant had been made under the Share Option Scheme. Accordingly, during the Reporting Period, no share options were vested, cancelled, or lapsed under the Share Option Scheme.

As at both of January 1, 2024 and June 30, 2024, the number of options available for grant under the Scheme Limit and the Service Provider Sublimit stood at 44,101,023 H Shares (representing approximately 10% of the total issued H Shares) and 4,410,102 H Shares, respectively.

The number of H Shares that may be issued in respect of options and/or awards granted under all schemes of the Company during the Reporting Period is nil, and the calculation pursuant to Rule 17.07(3) of the Listing Rules is not applicable.

Further, as of the date of this report, the total number of H Shares available for issue under the Share Option Scheme is 44,101,023, representing approximately 10% of the total issued H Shares.

Corporate Governance and Other Information

A summary of the principal terms of the Share Option Scheme is set out 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.

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 nine 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.

Corporate Governance and Other Information

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.

The Share Option Scheme does not stipulate that specific performance targets of a participant are 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.

Corporate Governance and Other Information

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.

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).

Corporate Governance and Other Information

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 and neither is there any period within which payments or calls must or may be made or loans for such purpose must be repaid.

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

The Group did not purchase, sell or redeem any of the Company's listed securities (including sale of treasury Shares (as defined under the Listing Rules)) during the Reporting Period.

As of June 30, 2024, there were no treasury Shares (as defined under the Listing Rules) held by the Company.

IX. 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 the Directors and Supervisors, and they have confirmed that they have complied with the Company's code of conduct regarding Directors' and Supervisors' securities transactions during the Reporting Period.

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

X. AUDIT

The 2024 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, 2024. The Audit Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2024 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 auditor of the Company, ZHONGHUI ANDA CPA Limited, has reviewed the unaudited condensed consolidated interim financial information for the six months ended June 30, 2024 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.

Corporate Governance and Other Information

XI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code. During the Reporting Period, the Company has complied with the mandatory code provisions 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:

- Mr. Wan Yee Joseph Lau, who was an independent non-executive Director, the chairman of the nomination committee and a member of each of the remuneration and assessment committee and the audit committee of the Board of the Company, passed away on February 7, 2024.

Following the passing away of Mr. Wan Yee Joseph Lau and as of the date of this report, the Board comprises seven Directors, including three executive Directors, two non-executive Directors and two independent non-executive Directors. The Company currently does not meet: (i) the minimum number of independent non-executive directors required under Rule 3.10(1) of Listing Rules; (ii) the requirement under Rule 3.10A of the Listing Rules which stipulates that independent non-executive directors must represent at least one-third of the Board; (iii) the minimum number of members in the audit committee required under Rule 3.21 of the Listing Rules; and (iv) the requirement under Rule 3.27A of the Listing Rules which stipulates that the nomination committee must be chaired by the chairman of the board or an independent non-executive director. The Company is in the process of identifying a suitable candidate to fill the vacancy of independent non-executive director of the Company and the vacancies of the relevant board committees.

Corporate Governance and Other Information

(ii) Change in Supervisors

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

Subsequent to the Reporting Period, Ms. Min Shao has resigned as an employee representative Supervisor with effect from August 30, 2024. Mr. Changxi Zhang has been elected as an employee representative Supervisor for the second session of the Supervisory Committee with effect from August 30, 2024. Ms. Yue Li will hold office until the conclusion of the EGM and Ms. Xiaojuan Li has been proposed by the Board as a Shareholders' representative Supervisor candidate for the second session of the Supervisory Committee, subject to approval at the EGM. For details, please refer to the announcement published by the Company on August 30, 2024.

(iii) Change in Biographies of Directors and Supervisors

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 2023 Annual Report.

(iv) Change in Company Secretary and Authorized Representatives

During the Reporting Period, there were no changes in Company Secretary and Authorized Representatives.

Corporate Governance and Other Information

XIV. OTHER SIGNIFICANT EVENTS

(1) Suspension of Trading on the Stock Exchange

Trading in the Shares on the Main Board of the Stock Exchange has been suspended since 9:00 a.m. (Hong Kong time) on November 23, 2023 and will remain suspended pending the fulfillment of the Resumption Guidance as specified by the Stock Exchange.

(2) Resumption Guidance

As stated in the announcements of the Company dated December 27, 2023 and February 16, 2024, the Stock Exchange has set out the Resumption Guidance for the Company:

- (a) conduct the special audit and an appropriate forensic investigation into (i) the provision of loans to Mr. Zi and Mr. Zeng and (ii) other fund flows of the Group to and from Mr. Zi, Mr. Zeng and/or any entity they, individually or collectively, own or control that may be uncovered by the special audit, announce the findings and take appropriate remedial actions;
- (b) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules;
- (c) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which will pose a risk to investors and damage market confidence;
- (d) inform the market of all material information for the Shareholders and investors to appraise its position; and
- (e) re-comply with Rules 3.10(1), 3.10A, 3.21 and 3.27A of the Listing Rules in relation to the composition and chairmanship of the Board and its Board committees, as applicable.

Corporate Governance and Other Information

(3) Progress of Fulfillment of the Resumption Guidance

For the progress of the Company in fulfillment of the Resumption Guidance, please refer to the announcements of the Company published on February 23, 2024, May 23, 2024, June 6, 2024 and August 23, 2024 in accordance with Rule 13.24A of the Listing Rules. The Company will continue to set out the progress in the quarterly update announcements in due course.

Resumption conditions

Latest progress

(a) "The Forensic Investigation"

The Company announced the key findings of the Forensic Investigation on February 23, 2024.

As the Unauthorized Loan to Jiangsu Wuzhong had not been repaid, Venus Medtech (Hong Kong) Limited ("**Venus HK**"), a wholly-owned subsidiary of the Company, submitted application for arbitration against Xin Nuo Tong Investment Limited (a company wholly-owned by Mr. Zi), Tianjin Qizhang Economic Information Consulting Partnership (Limited Partnership) (天津啟彰經濟信息諮詢合夥企業(有限合夥)) and Mr. Haiyue Ma at the Hangzhou Arbitration Commission on July 18, 2024. Venus HK was notified by the Hangzhou Arbitration Commission of its acknowledgement of the application for arbitration on August 9, 2024.

The Company continues to reserve all of its rights to recover the outstanding amount of the Unauthorized Loan to Jiangsu Wuzhong.

Corporate Governance and Other Information

- (b) “Review of internal control systems”
- On May 10, 2024, the Internal Control Consultant submitted its final report in respect of the 2024 Internal Control Review to the Board, details of which are set out in the announcement of the Company dated May 13, 2024.
- As part of the recommendations of the Internal Control Review and to further enhance the internal controls of the Company, the Company has established an internal audit and compliance department and appointed Mr. Changxi Zhang as the internal audit and compliance senior manager with effect from May 20, 2024 to, among others, (i) supervise the compliance and implementation of the internal controls of the Group; (ii) conduct financial, operational and compliance audits of the Group; (iii) report to the audit committee of the Board in respect of internal audit matters; and (iv) plan and execute other internal audit activities.
- (c) “Regulatory concern about management integrity”
- As disclosed previously, the Company is of the view that the staff involved in the Unauthorized Transactions no longer hold any management position in the Group.
- On July 4, 2024, Mr. Fei Wang tendered his resignation due to other business commitments. The Company has appointed a finance director, to oversee the financial matters of the Group with effect from July 5, 2024. On September 9, 2024, Mr. Bing Zhu has been appointed as the chief financial officer of the Company. For details, please refer to the announcement of the Company dated September 9, 2024.



Corporate Governance and Other Information

- (d) “Timely disclosure to the market of all material information”

Since the suspension of trading in the shares of the Company, the Company has been updating the shareholders and potential investors on a regular basis and publishing all material information on a timely basis.

The Company will continue to inform the market of all material information as and when appropriate. The Company is working closely with its professional advisers and taking appropriate steps to fulfill the Resumption Guidance and will update the shareholders and potential investors of the Company as and when appropriate.

- (e) “Re-comply the relevant Listing Rules in relation to the composition and chairmanship of the Board and its Board committees, as applicable”

The Company is in the process of identifying a suitable candidate to fill the vacancy of independent non-executive director of the Company and the vacancies of the relevant board committees in order to fulfill the requirements of the Listing Rules and the relevant Resumption Guidance as soon as practicable.

Corporate Governance and Other Information

XV. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, the Company is not aware of any material subsequent events from June 30, 2024 to the date of this report.

By Order of the Board
Venus Medtech (Hangzhou) Inc.
Mr. Lim Hou-Sen (Lin Haosheng)
Chairman of the Board

Hangzhou, PRC, August 30, 2024

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF VENUS MEDTECH (HANGZHOU) INC.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Venus Medtech (Hangzhou) Inc. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 51 to 88 which comprises the condensed consolidated statement of financial position as at 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance IAS 34.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated financial information for the six months ended 30 June 2023 has not been reviewed in accordance with standards applicable to review engagements issued by the HKICPA.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Audit Engagement Director

Practising Certificate Number P05498

Hong Kong, 30 August 2024

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

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	230,720	255,610
Cost of sales		(48,960)	(54,361)
Gross profit		181,760	201,249
Other income and gains		20,176	33,077
Selling and distribution expenses		(130,989)	(157,911)
Research and development costs		(180,834)	(294,715)
Administrative expenses		(76,575)	(77,893)
Other expenses		(17,437)	(26,341)
Finance costs		(9,805)	(31,185)
Impairment losses reversed/(recognized) on financial assets, net		764	(9,656)
Share of losses of a joint venture and associates		(641)	(6,964)
LOSS BEFORE TAX	6	(213,581)	(370,339)
Income tax credit	7	4,756	4,124
LOSS FOR THE PERIOD		(208,825)	(366,215)

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

For the six months ended 30 June 2024

	Note	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (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		11,576	56,146
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(197,249)	(310,069)
Loss attributable to:			
Owners of the parent		(206,487)	(350,188)
Non-controlling interests		(2,338)	(16,027)
		(208,825)	(366,215)
Total comprehensive loss attributable to:			
Owners of the parent		(195,123)	(295,344)
Non-controlling interests		(2,126)	(14,725)
		(197,249)	(310,069)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	RMB(0.47)	RMB(0.80)

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	568,118	543,372
Right-of-use assets		134,483	150,096
Goodwill		1,030,732	1,024,354
Other intangible assets		531,340	551,022
Investment in a joint venture		4,180	4,793
Investments in associates		60,931	60,554
Deferred tax assets		21,255	17,660
Equity investments designated at fair value through other comprehensive income		16,370	16,269
Financial assets at fair value through profit or loss		430,814	428,380
Prepayments, other receivables and other assets		3,394	9,147
Total non-current assets		2,801,617	2,805,647
CURRENT ASSETS			
Inventories		123,683	112,942
Trade receivables	11	273,100	290,607
Prepayments, other receivables and other assets		94,551	105,066
Loans to former directors		108,538	106,167
Pledged deposits		9,430	211,649
Short-term bank deposit		–	7,240
Cash and cash equivalents		485,843	774,396
Total current assets		1,095,145	1,608,067
CURRENT LIABILITIES			
Trade payables	12	40,140	33,855
Lease liabilities		34,464	37,722
Other payables and accruals		287,484	244,914
Interest-bearing bank borrowings	13	130,118	456,978
Government grants		–	700
Contract liabilities		982	28,842
Tax payable		1,162	2,157
Total current liabilities		494,350	805,168

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NET CURRENT ASSETS		600,795	802,899
TOTAL ASSETS LESS CURRENT LIABILITIES		3,402,412	3,608,546
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	265,453	248,929
Other payables and accruals		328,025	338,308
Lease liabilities		68,206	82,557
Deferred tax liabilities		16,641	17,776
Government grants		1,990	1,630
Total non-current liabilities		680,315	689,200
Net assets		2,722,097	2,919,346
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	441,012	441,012
Reserves		2,284,513	2,479,636
		2,725,525	2,920,648
Non-controlling interests		(3,428)	(1,302)
Total equity		2,722,097	2,919,346

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent									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	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2024 (audited)	441,012	(72,548)	5,112,276	270,539	(28,478)	79,659	(2,881,812)	2,920,648	(1,302)	2,919,346
Loss for the period (unaudited)	-	-	-	-	-	-	(206,487)	(206,487)	(2,338)	(208,825)
Other comprehensive income for the period: Exchange differences related to foreign operations (unaudited)	-	-	-	-	-	11,364	-	11,364	212	11,576
Total comprehensive loss for the period (unaudited)	-	-	-	-	-	11,364	(206,487)	(195,123)	(2,126)	(197,249)
At 30 June 2024 (unaudited)	441,012	(72,548)	5,112,276	270,539	(28,478)	91,023	(3,088,299)	2,725,525	(3,428)	2,722,097

* These reserve accounts comprise the consolidated reserves of RMB2,284,513,000 (31 December 2023: RMB2,479,636,000) in the condensed consolidated statement of financial position as at 30 June 2024.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares*	Share premium*	Other reserves*	Fair value reserve*	Exchange fluctuation reserve*	Accumulated losses*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(213,581)	(370,339)
Adjustments for:			
Finance costs		9,805	31,185
Interest income		(4,617)	(11,468)
Impairment of trade and other receivables (reversed)/recognized, net	6	(764)	9,656
Loss/(gain) on termination of a lease		111	(56)
Depreciation of items of property, plant and equipment		18,206	17,371
Depreciation of right-of-use assets		15,329	13,054
Amortisation of other intangible assets		24,955	25,631
(Gain)/loss on disposal of items of property, plant and equipment, net	6	(3)	205
Write-down of/(reversal of write-down of) inventories to net realisable value	6	23	(467)
Fair value gains, net:			
Financial assets at fair value through profit or loss – mandatorily classified as such		–	(5,960)
Share of losses of a joint venture and associates		641	6,964
Foreign exchange differences, net		(3,643)	(1,677)
Operating cash flows before movements in working capital		(153,538)	(285,901)
Change in inventories		(10,764)	(12,945)
Change in trade receivables		16,522	(107,263)
Change in prepayments, other receivables and other assets		16,780	27,977
Change in pledged time deposits		202,219	22,283
Change in trade payables		6,285	15,438
Change in other payables and accruals		29,034	39,712
Change in contract liabilities		(27,860)	(737)
Change in government grants		(340)	1,310
Cash generated from/(used in) operations		78,338	(300,126)
Interest received		3,487	8,017
Net income tax refund/(paid)		423	(4,277)
Net cash flows from/(used in) operating activities		82,248	(296,386)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(43,558)	(53,289)
Purchases of other intangible assets	(2,684)	(1,760)
Withdrawal of bank deposits with original maturity over three months	7,240	–
Interest received	1,129	3,451
Proceeds from disposal of items of property, plant and equipment	747	363
Advances to directors	–	(453,100)
Purchase of financial assets at fair value through profit or loss	–	(37,500)
Repayments from directors	–	370,957
Investment in a joint venture	–	(3,442)
Proceeds from disposal of financial assets at fair value through profit or loss	–	25,637
Net cash flows used in investing activities	(37,126)	(148,683)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(389,834)	(215,279)
Principal portion of lease payments	(17,441)	(11,997)
Interest paid	(9,322)	(25,507)
Interest portion of lease payments	(905)	(2,611)
Proceeds from bank borrowings	79,528	182,683
Net cash flows used in financing activities	(337,974)	(72,711)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(292,852)	(517,780)
Cash and cash equivalents at beginning of period	774,396	1,879,431
Effect of foreign exchange rate changes, net	4,299	11,514
CASH AND CASH EQUIVALENTS AT END OF PERIOD	485,843	1,373,165
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	465,337	980,290
Non-pledged time deposits	20,506	392,875
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	485,843	1,373,165

* Certain amounts of the comparative figures have been restated to be consistent with the accounting policies and presentation in the Group's consolidated financial statements for the year ended 31 December 2023.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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. The address of its principal place of business in Hong Kong is 40/F, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai, Hong Kong.

During the six months ended 30 June 2024, 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 condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting. The 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 2023.

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 2024

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	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Mainland China	200,620	233,118
Others	30,100	22,492
Total	230,720	255,610

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

(b) Non-current assets

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Mainland China	737,600
Israel	471,648	502,648
Hong Kong	66,440	60,554
United States of America ("USA")	24,894	26,900
Netherlands ("NL")	490	490
Total	1,301,072	1,316,792

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 2024

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<i>Revenue from contracts with customers</i>		
Sale of medical devices	230,720	255,610

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Geographical markets		
Mainland China	200,620	233,118
Other countries/regions	30,100	22,492
Total revenue from contracts with customers	230,720	255,610
Timing of revenue recognition		
Goods transferred at a point in time	230,720	255,610

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cost of inventories sold	48,960	52,975
(Reversal of)/impairment of trade receivables	(727)	9,029
(Reversal of)/impairment of other receivables	(37)	627
Write-down of/(reversal of write-down) of inventories to net realisable value	23	(467)
(Gain)/loss on disposal of items of property, plant and equipment, net	(3)	205
Foreign exchange differences, net	(3,643)	(1,677)

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 in December 2022, and was entitled to a preferential tax rate of 15% during the period (six months ended 30 June 2023: 15%). Certain subsidiaries of the Group are qualified as small and micro enterprises and are subject to a preferential income tax rate of 20% during the periods with the first annual taxable income of RMB1,000,000 eligible for 87.5% reduction and the income between RMB1,000,000 and RMB3,000,000 eligible for 75% reduction.

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at 23% (six months ended 30 June 2023: 23%) on the taxable income arising in Israel.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

7. INCOME TAX CREDIT (continued)

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (six months ended 30 June 2023: 21%) on the taxable income arising in the USA.

NL

Pursuant to the relevant tax laws of the NL, the corporate income tax was levied at the rate of up to 19% (six months ended 30 June 2023: up to 19%) on the taxable income arising in the NL.

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Current tax – PRC		
Charge for the period	283	1
Current tax – Israel		
Credit for the period	(128)	–
Current tax – USA		
Charge for the period	6	–
Current tax – NL		
(Credit)/charge for the period	(295)	413
Deferred tax	(4,622)	(4,538)
	(4,756)	(4,124)

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

8. DIVIDEND

The Board does not recommend the payment of any dividend in respect for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2023: 437,897,443) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	206,487	350,188

	Number of shares For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Shares		
Weighted average number of shares in issue during the period	437,897,443	437,897,443

Notes to Interim Condensed Consolidated Financial Information

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10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Carrying amount at beginning of period/year	543,372	318,139
Additions	43,558	264,552
Depreciation provided during the period/year	(18,206)	(35,623)
Disposals	(744)	(4,178)
Exchange realignment	138	482
Carrying amount at end of period/year	568,118	543,372

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 6 months	195,183	201,096
6 to 12 months	54,299	61,509
1 to 2 years	19,976	24,839
Over 2 years	3,642	3,163
	273,100	290,607

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	39,285	33,420
3 to 6 months	547	32
6 to 12 months	117	1
Over 12 months	191	402
	40,140	33,855

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Current				
Floating interest rate:				
Bank loan – secured				
Current portion of long-term bank loan US\$45,000,000 bank loan (note (a))	LIBOR* plus 1.65%	2024	–	320,144
Bank loans – unsecured	1-year LPR** plus 0.40%	2024	100,101	100,113
Bank loans – unsecured	1-year LPR plus 0.20%	2024	–	29,721
Fixed interest rate:				
Bank loans – unsecured	3.30%	2024	30,017	7,000
			130,118	456,978
Non-current				
Floating interest rate:				
Bank loans – secured (note (b))	5-year LPR minus 0.10%	2026-2036	180,615	170,720
Bank loans – secured (note (c))	5-year LPR minus 0.15%	2026-2037	84,838	78,209
			265,453	248,929
			395,571	705,907

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

13. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	130,118	456,978
In the second year	7,286	–
In the third to fifth years, inclusive	52,650	46,205
Over five years	205,517	202,724
	395,571	705,907

* London Interbank Offered Rate (“LIBOR”)

** Loan Prime Rate in the PRC (“LPR”)

Notes:

- (a) The bank loan of US\$45,000,000 is secured by:
- (i) credit guarantee from the Company; and
 - (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.
- (b) The bank loan of RMB180,615,000 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 RMB28,879,000.
- (c) The bank loan of RMB84,838,000 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 RMB12,194,000.
- (d) Except for the bank loan of US\$45,000,000 which is denominated in US\$, all loans are in RMB.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

14. SHARE CAPITAL

	Number of shares	RMB'000
Issued and fully paid:		
Ordinary shares of RMB1.00 each at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	441,011,443	441,012

15. COMMITMENTS

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	–	3,484
Purchases of other intangible assets	–	225
	–	3,709

16. RELATED PARTY TRANSACTIONS

Name	Relationship with the Company
Mr. Zhenjun Zi ("Mr. Zi")	Shareholder and former director
Mr. Min Frank Zeng ("Mr. Zeng")	Shareholder and former director

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

16. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Advances of loans to:		
Mr. Zi	–	432,000
Mr. Zeng	–	21,100
	–	453,100
Repayment of loans to:		
Mr. Zi	–	353,250
Mr. Zeng	–	17,707
	–	370,957
Interest from loans to:		
Mr. Zi	1,129	2,402
Mr. Zeng	–	1,049
	1,129	3,451

During the year ended 31 December 2023, the Group had made advances of loans to the Company's former directors and shareholders, Mr. Zi and Mr. Zeng, in the total principal amounts of RMB432,000,000 and RMB21,100,000, respectively, 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.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

16. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had following outstanding balances with related parties:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Loans to former directors:		
Mr. Zi	108,538	97,480
Mr. Zeng	–	8,687
	108,538	106,167

The balances with former directors are non-trade in nature, unsecured and repayable on demand. Further details are included in note 16(a) to the condensed consolidated financial statements.

The amount mainly consists of the loan to Jiangsu Wuzhong amounted to RMB80,000,000, interest receivables arising from the loan to former directors with interest at 3% per annum and exchange difference arising from certain foreign currency loans. Pursuant to the repayment agreement entered into amongst the Company, its subsidiaries and Mr. Zi, Mr. Zi has agreed to voluntarily repay the outstanding amount due from Jiangsu Wuzhong and the relevant interest receivables for and on behalf of Jiangsu Wuzhong. Besides, Mr. Zi also agreed to take full responsibility of the outstanding balance of loans to former directors, accordingly, as at 30 June 2024, the outstanding principal and relevant interest receivables amounted to RMB108,539,000 (31 December 2023: RMB106,167,000) will be repaid by Mr. Zi.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

16. RELATED PARTY TRANSACTIONS (continued)

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Salaries, bonuses, allowances and benefits in kind	4,166	4,325
Pension scheme contributions	107	125
Total compensation paid to key management personnel	4,273	4,450

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

17. 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:

At 30 June 2024

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total (Unaudited) RMB'000
	Financial assets at amortised cost (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	-	-	16,370	16,370
Loans to former directors	108,538	-	-	108,538
Financial assets at fair value through profit or loss	-	430,814	-	430,814
Trade receivables	273,100	-	-	273,100
Financial assets included in prepayments, other receivables and other assets	59,429	-	-	59,429
Pledged deposits	9,430	-	-	9,430
Cash and cash equivalents	485,843	-	-	485,843
	936,340	430,814	16,370	1,383,524

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

17. 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)

At 30 June 2024 (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	–	40,140	40,140
Financial liabilities included in other payables and accruals	–	254,838	254,838
Interest-bearing bank borrowings	–	395,571	395,571
Contingent consideration payables	328,025	–	328,025
	328,025	690,549	1,018,574

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

17. 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)

At 31 December 2023

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	–	–	16,269	16,269
Loans to former directors	106,167	–	–	106,167
Financial assets at fair value through profit or loss	–	428,380	–	428,380
Trade receivables	290,607	–	–	290,607
Financial assets included in prepayments, other receivables and other assets	31,491	–	–	31,491
Pledged deposits	211,649	–	–	211,649
Short-term bank deposit	7,240	–	–	7,240
Cash and cash equivalents	774,396	–	–	774,396
	1,421,550	428,380	16,269	1,866,199

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

17. 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)

At 31 December 2023 (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	–	33,855	33,855
Financial liabilities included in other payables and accruals	–	209,792	209,792
Interest-bearing bank borrowings	–	705,907	705,907
Contingent consideration payables	325,996	–	325,996
	325,996	949,554	1,275,550

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

18. 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, current portion of financial assets included in prepayments, other receivables and other assets, loans to former directors, trade receivables, current portion of interest-bearing bank borrowings, trade payables and current portion of 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 finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors 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, non-current portion of interest-bearing bank borrowings and non-current portion of financial liabilities included in other payables and accruals 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.

18. 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 the scenario analysis for unlisted debt investments, the probability-weighted expected return method for unlisted debt investments, and market method for an unlisted debt investment and an unlisted equity investment. The fair value measurement of these financial instruments may involve unobservable inputs such as the risk-free rate, discount rate, equity volatility, DLOM, Probability of IPO and P/R&D. 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 2024 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

30 June 2024

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2024 and 31 December 2023:

30 June 2024

	Valuation technique (Unaudited)	Significant unobservable inputs (Unaudited)	Range (weighted average) (Unaudited)	Relationship of fair value to the input (Unaudited)
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	5.33%	The higher the risk-free rate, the lower the fair value.
		Discount rate	24.01%	The higher the discount rate, the lower the fair value.
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	4.75%-5.02%	The higher the risk-free rate, the lower the fair value.
		Discount rate	21.85%-22.37%	The higher the discount rate, the lower the fair value.
Financial assets at fair value through profit or loss	Market method	Risk-free rate	4.33%	The higher the risk-free rate, the lower the fair value.
		Equity volatility	37.73%	The higher the equity volatility, the higher the fair value.
		DLOM	18.12%	The higher the DLOM, the lower the fair value.
		Probability of IPO	20%	The higher the probability of IPO, the lower the fair value.
Financial assets at fair value through profit or loss	Market method	Risk-free rate	4.33%	The higher the risk-free rate, the lower the fair value.
		Equity volatility	28.63%	The higher the equity volatility, the higher the fair value.
		DLOM	14.16%	The higher the DLOM, the lower the fair value.
		Probability of IPO	20%	The higher the probability of IPO, the lower the fair value.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2024 and 31 December 2023: (continued)

30 June 2024 (continued)

	Valuation technique (Unaudited)	Significant unobservable inputs (Unaudited)	Range (weighted average) (Unaudited)	Relationship of fair value to the input (Unaudited)
Financial assets at fair value through other comprehensive income	Market method	DLOM	28.00%	The higher the DLOM, the lower the fair value.
		EV/R&D	2.34	The higher the EV/R&D, the higher the fair value.
Financial assets at fair value through profit or loss	Discounted cash flow method	Risk-free rate	4.68%	The higher the risk-free rate, the lower the fair value.
		Equity volatility	32.50%	The higher the equity volatility, the higher the fair value.
		DLOM	11.00%	The higher the DLOM, the lower the fair value.
		Probability of IPO	30.00%	The higher the probability of IPO, the lower the fair value.
Contingent consideration payables	Discounted cash flow method	Discount rate	21.00%	The higher the discount rate, the lower the fair value.
		Discount for own non-performance risk for Milestone 1	20.00%	The higher the discount risk, the lower the fair value.
		Discount for own non-performance risk for Milestone 2	25.00%	The higher the discount risk, the lower the fair value.
		Discount for own non-performance risk for Milestone 3	25.00%	The higher the discount risk, the lower the fair value.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2024 and 31 December 2023: (continued)

31 December 2023

	Valuation technique (Audited)	Significant unobservable inputs (Audited)	Range (weighted average) (Audited)	Relationship of fair value to the input (Audited)
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	4.79%	The higher the risk-free rate, the lower the fair value.
		Discount rate	16.94%	The higher the discount rate, the lower the fair value.
Financial assets at fair value through profit or loss	Scenario analysis	Risk-free rate	4.14% – 4.40%	The higher the risk-free rate, the lower the fair value.
		Discount rate	15.13% – 15.45%	The higher the discount rate, the lower the fair value.
Financial assets at fair value through profit or loss	Market method	Risk-free rate	3.84%	The higher the risk-free rate, the lower the fair value.
		Equity volatility	36.74%	The higher the equity volatility, the higher the fair value.
		DLOM	16.74%	The higher the DLOM, the lower the fair value.
		Probability of IPO	20.00%	The higher the probability of IPO, the lower the fair value.
Financial assets at fair value through profit or loss	Market method	Risk-free rate	3.84%	The higher the risk-free rate, the lower the fair value.
		Equity volatility	28.90%	The higher the equity volatility, the higher the fair value.
		DLOM	6.46%	The higher the DLOM, the lower the fair value.
		Probability of IPO	20.00%	The higher the probability of IPO, the lower the fair value.
Financial assets at fair value through other comprehensive income	Market method	DLOM	26.00%	The higher the DLOM, the lower the fair value.
		P/R&D	3.95	The higher the P/R&D, the higher the fair value.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2024 and 31 December 2023: (continued)

31 December 2023 (continued)

	Valuation technique (Audited)	Significant unobservable inputs (Audited)	Range (weighted average) (Audited)	Relationship of fair value to the input (Audited)
Financial assets at fair value through profit or loss	Probability weighted expected return method	Risk-free rate	4.09%	The higher the risk-free rate, the lower the fair value.
		Equity volatility	32.54%	The higher the equity volatility, the higher the fair value.
		DLOM	4.96%	The higher the DLOM, the lower the fair value.
		Probability of IPO	30.00%	The higher the probability of IPO, the lower the fair value.
Contingent consideration payables	Discounted cash flow method	Discount rate	20.00%	The higher the discount rate, the lower the fair value.
		Discount for own non-performance risk for Milestone 1	15.00%	The higher the discount risk, the lower the fair value.
		Discount for own non-performance risk for Milestone 2	20.00%	The higher the discount risk, the lower the fair value.
		Discount for own non-performance risk for Milestone 3	20.00%	The higher the discount risk, the lower the fair value.

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18. 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:

At 30 June 2024

	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	–	–	16,370	16,370
Financial assets at fair value through profit or loss – Unlisted debt investments	–	127,640	303,174	430,814
	–	127,640	319,544	447,184

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18. 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)

At 31 December 2023

	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	–	–	16,269	16,269
Financial assets at fair value through profit or loss – Unlisted debt investments	–	127,082	301,298	428,380
	–	127,082	317,567	444,649

Notes to Interim Condensed Consolidated Financial Information

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18. 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:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Unaudited) RMB'000
Financial assets at fair value through profit or loss:		
At beginning of period/year	301,298	275,060
Exchange realignment	1,876	10,315
At end of period/year	303,174	285,375
Financial assets at fair value through other comprehensive income:		
At beginning of period/year	16,269	15,747
Exchange realignment	101	591
At end of period/year	16,370	16,338

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

At 30 June 2024

	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	–	–	328,025	328,025

At 31 December 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	–	–	325,996	325,996

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

Fair value hierarchy (continued)

As part of the share purchase agreements, portions of the consideration for business combination were determined to be contingent. The movement of the fair value of contingent consideration payables is as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
At beginning of period/year	325,996	481,338
Fair value changes	–	(160,586)
Exchange realignment	2,029	5,244
At end of period/year	328,025	325,996

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 2023: nil).

During the period, there were no transfers into or out of Level 3 for financial assets and financial liabilities (six months ended 30 June 2023: nil).

Definitions

"2023 Annual Report"	the annual report of the Company for the year ended December 31, 2023
"2024 Internal Control Review"	an independent review of the internal control procedures of the Company and all the subsidiaries identified in the Forensic Investigation as having been involved in the Unauthorized Transactions for the review period from December 1, 2019 to November 24, 2023, conducted by Deloitte Enterprise Consulting (Shanghai) Co., Ltd. Beijing Branch as the internal control consultant, the key findings of which had been disclosed in the announcement of the Company dated February 23, 2024
"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
"Cardiovalve"	Cardiovalve Ltd. (formerly known as Mitraltech Ltd.), a private company incorporated under the laws of Israel, which is a wholly-owned subsidiary of the Target Company
"CE MDR"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CE MDR Marking"	a mark of CE MDR

Definitions

“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
“Company” or “our Company”	Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司), a limited liability company incorporated in the PRC on July 3, 2009 and converted into a joint stock limited liability company incorporated in the PRC on November 29, 2018, 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 C1 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
“Forensic Investigation”	has the meaning ascribed to it in the Forensic Investigation Announcement


Definitions

“Forensic Consultant”	Deloitte Advisory (Hong Kong) Limited
“Forensic Investigation Announcement”	the announcement of the Company dated February 23, 2024 in relation to, among others, the key findings of the Forensic Investigation
“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
“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
“Hangzhou Kuntai”	Hangzhou Kuntai Biotechnology Co., Ltd., a company controlled by Mr. Zi
“Healium”	Healium Medical Ltd, a high-tech company in Israeli
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDE”	Investigation Device Exemption
“IFRS”	International Financial Reporting Standards
“Internal Control Consultant”	Deloitte Enterprise Consulting (Shanghai) Co., Ltd., Beijing Branch
“Jiangsu Wuzhong”	Jiangsu Wuzhong Real Estate Group Co., Ltd.
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

Definitions

“LVOT”	left ventricular outflow tract, the anatomic structure through which the left ventricular stroke volume passes towards the aorta
“MDR”	Regulation (EU) 2017/745
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Mr. Zeng”	Mr. Min Frank Zeng (曾敏), a former executive Director
“Mr. Zi”	Mr. Zhenjun Zi (訾振軍), a former executive Director
“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
“PRC Employee Entities”	Hangzhou Qichu Investment Partnership (Limited Partnership) (杭州啓初投資合夥企業(有限合夥)), Hangzhou Mingnuo Investment Partnership (Limited Partnership) (杭州明諾投資合夥企業(有限合夥)), Hangzhou Qifei Investment Partnership (Limited Partnership) (杭州啓非投資合夥企業(有限合夥)), Hangzhou Qihe Investment Partnership (Limited Partnership) (杭州啓和投資合夥企業(有限合夥)), Hangzhou Qilai Investment Partnership (Limited Partnership) (杭州啓來投資合夥企業(有限合夥)), Hangzhou Qili Investment Partnership (Limited Partnership) (杭州啓立投資合夥企業(有限合夥)), Hangzhou Qinuo Investment Partnership (Limited Partnership) (杭州啓諾投資合夥企業(有限合夥)), Hangzhou Qisheng Investment Partnership (Limited Partnership) (杭州啓勝投資合夥企業(有限合夥)) and Hangzhou Qixin Investment Partnership (Limited Partnership) (杭州啓心投資合夥企業(有限合夥)), the beneficial interests of which are offered to certain key employees of the Company pursuant to the the employee incentive scheme of our Company approved and adopted by our Board on March 10, 2017.

Definitions



“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, 2024 to June 30, 2024
“Resumption Guidance”	the guidance for the resumption of trading in the shares of the Company set forth by the Stock Exchange in its letters of December 20, 2023 and February 9, 2024, as disclosed in the announcements of the Company dated December 27, 2023 and February 16, 2024, respectively
“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
“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
“Series C Preferred Shares”	the Series C preferred shares of the Target Company

Definitions

“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
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“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
“Supervisory Committee”	the supervisory committee of the Company

Definitions

"Target Company"	Mitraltech Holdings Ltd., a private company incorporated under the laws of Israel
"TAV0"	TAV0 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
"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
"Unauthorized Transactions"	has the meaning ascribed to it in the section headed "Scope of the Forensic Investigation" in the Forensic Investigation Announcement
"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

“Venus-PowerX”	Venus PowerX Valve, one of our TAVR product candidates
“Venus-Vitae”	Venus-Vitae Valve, one of our TAVR product candidates
“VenusA-Pilot”	VenusA-Pilot System, one of our TAVR product candidates
“VenusA-Plus”	VenusA-Plus System, one of our TAVR products
“VenusA-Pro”	VenusA-Pro System, one of our TAVR products
“VenusA-Valve”	VenusA-Valve System, one of our TAVR products
“VenusP-Valve”	VenusP-Valve System, one of our TPVR products

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.