启明医疗®
VENUSMEDTECH

杭州啓明醫療器械股份有限公司

Venus Medtech (Hangzhou) Inc.

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

Stock Code: 2500

2022
INTERIM REPORT

CONTENTS

Corporate Information

(As of June 30, 2022)

Name in Chinese:	杭州啓明醫療器械股份有限公司
Name in English:	Venus Medtech (Hangzhou) Inc.
Legal representative:	Mr. Min Frank Zeng
Chairman:	Mr. Min Frank Zeng
Registered capital:	RMB441,011,443
Headquarters in the PRC:	
Registered office address:	Room 311, 3/F, Block 2, No. 88, Jiangling Road, Binjiang District, Hangzhou, PRC
Company website:	http://www.venusmedtech.com/
E-mail:	inquiry@venusmedtech.com
Principal place of business in Hong Kong:	40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Board of Directors:	
Executive Directors	Mr. Min Frank Zeng *(Chairman)*, Mr. Zhenjun Zi, Mr. Lim Hou-Sen (Lin Haosheng)
Non-executive Director	Ms. Nisa Bernice Wing-Yu Leung *(Vice chairwoman)*
Independent non-executive Directors	Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau, Mr. Chi Wai Suen
Supervisors:	Ms. Min Shao[1], Mr. Wei Wang, Ms. Yue Li[2]
Audit Committee:	Mr. Chi Wai Suen *(Chairman)*, Mr. Wan Yee Joseph Lau, Mr. Ting Yuk Anthony Wu
Remuneration and Assessment Committee:	Mr. Ting Yuk Anthony Wu *(Chairman)*, Mr. Wan Yee Joseph Lau, Mr. Chi Wai Suen

Nomination Committee:	Mr. Wan Yee Joseph Lau *(Chairman)*, Mr. Chi Wai Suen, Mr. Ting Yuk Anthony Wu
Joint Company Secretaries:	Mr. Haiyue Ma, Mr. Wong Wai Chiu
Authorized Representatives:	Mr. Zhenjun Zi, Mr. Wong Wai Chiu
Legal Adviser to Hong Kong Law:	Davis Polk & Wardwell 18th Floor, The Hong Kong Club Building 3A Chater Road, Hong Kong
Auditor engaged by the Company:	Ernst & Young *Certified Public Accountants and Registered Public Interest Entity Auditor*

1. Ms. Yan Xiao has resigned as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company with effect from August 31, 2022. On the same day, Ms. Min Shao has been elected as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company. For details, please refer to the announcement published by the Company on August 31, 2022.

2. Ms. Yue Li has been appointed as a Shareholders' representative Supervisor for the second session of the Supervisory Committee at the 2021 annual general meeting of the Company held on May 30, 2022 (the "2021 AGM"). For details, please refer to the announcement published by the Company on March 31, 2022 and the circular published by the Company on April 26, 2022.

Financial Summary

	Six months ended June 30, 2022 (Unaudited) RMB'000	Six months ended June 30, 2021 (Unaudited) RMB'000	Period-to-period change
Revenue	**209,965**	239,269	-12.2%
Gross Profit	**164,175**	188,088	-12.7%
Loss before tax	**(246,406)**	(117,211)	110.2%
Loss for the period	**(239,668)**	(117,215)	104.5%
Loss attributable to owners of the parent	**(199,933)**	(113,063)	76.8%
Loss per Share attributable to ordinary equity holders of the parent Basic and diluted	**RMB (0.46)**	RMB (0.26)	77.0%

Management Discussion and Analysis

I. BUSINESS OVERVIEW

Overview

We are a global high-end innovative medical device manufacturer committed to developing and commercializing high-quality medical devices that benefit patients. Founded in 2009, the Company has grown into a global platform company integrating R&D, clinical development, manufacturing and commercialization.

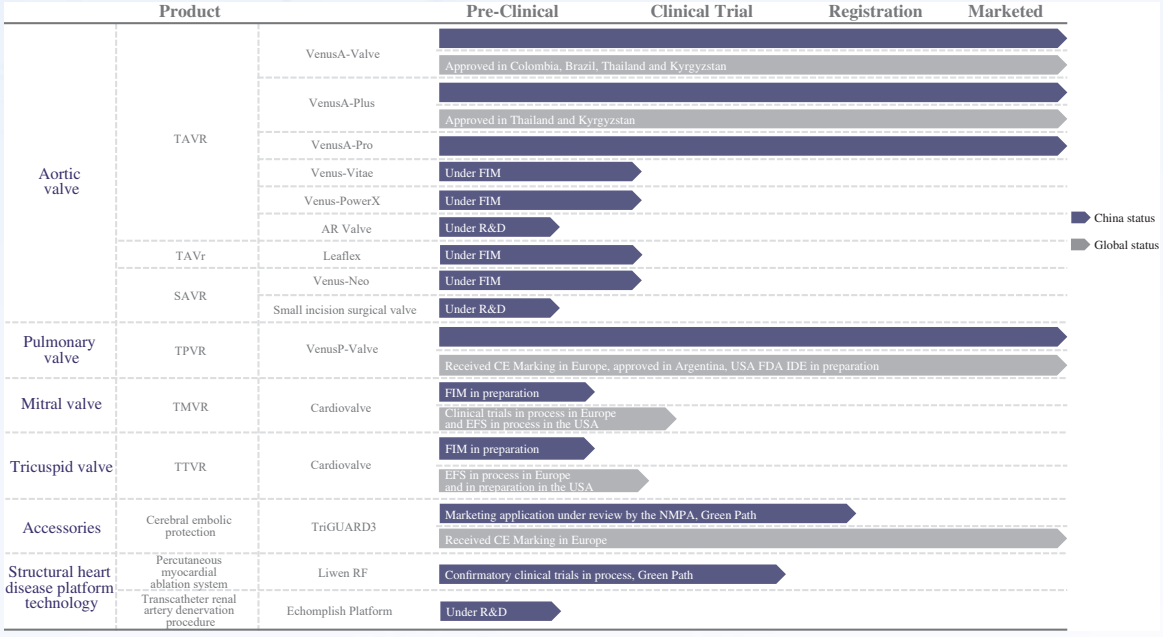
We have forged a product portfolio covering the interventional heart valve devices targeting valvular heart disease concerning aortic valve, pulmonary valve, mitral valve and tricuspid valve, ablation system for interventional treatment of HCM, renal artery denervation ablation system for interventional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

For the six months ended June 30, 2022 and up to the date of this report, the Company efficiently implemented its global commercialization initiatives, achieved milestones in clinical development and registration of pipeline products, and has grown from a single-product company into a platform company with extended scale and enhanced competitiveness. VenusA-Valve, VenusA-Plus and our other TAVR products witnessed steady increase in sales, and continued to maintain a high proportion of market share; VenusA-Pro has been approved for marketing in China, which further enriched our TAVR product pipeline; VenusP-Valve, our independently developed pulmonary valve replacement product, has been approved for marketing in Europe and China; and our eight clinical trials conducted worldwide are in smooth progress, fully demonstrating our innovation capacity and R&D competence.

Our Products and Product Pipeline

As of the date of this report, the Company has successfully established a product pipeline consisting of 14 innovative medical devices, including three marketed TAVR products (VenusA-Valve, VenusA-Plus and VenusA-Pro), one marketed TPVR product (VenusP-Valve), two TAVR products in clinical stage (Venus-Vitae and Venus-PowerX), one aortic valve repair device in clinical stage (Leaflex), one TMVR and TTVR product in clinical stage (Cardiovalve), one surgical valve in clinical stage (Venus-Neo), one small incision surgical valve in R&D stage, one HCM ablation system in clinical stage (Liwen RF), one RDN system in R&D stage, one marketed valvuloplasty balloon products (V8 and TAV8) and one marketed cerebral embolic protection device (TriGUARD3).

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



VenusA-Valve, VenusA-Plus and VenusA-Pro – TAVR Products

We currently have three TAVR products on the market, VenusA-Valve, VenusA-Plus and VenusA-Pro. VenusA-Valve is our first-generation TAVR system, which is used to treat severe AS. VenusA-Valve received marketing approval from the NMPA in April 2017, which marked the first NMPA approved TAVR product marketed in China. Moreover, VenusA-Valve has been approved for marketing in Colombia, Brazil, Thailand and Kyrgyzstan, and has been registered and approved for marketing in Argentina in July 2022.

VenusA-Plus is the second generation TAVR system. 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 cycle of surgeons. VenusA-Plus was approved by NMPA for marketing in November 2020, and was China's first approved retrievable TAVR product. Besides, VenusA-Plus has been approved for marketing in Thailand and Kyrgyzstan.

VenusA-Pro is an upgrade of VenusA-Plus. In addition to maintaining the strong radial force, it improves the cross-aortic arch performance with the novel capsule cavity head made of super-elastic material, which therefore enhances the controllability in procedures, and brings more benefits to patients. VenusA-Pro was approved by the NMPA for marketing in May 2022, making the Company the first domestic enterprise with three TAVR products. Our extensive product pipeline offers better treatment options to surgeons and patients, and also facilitates us to maintain our leading market position.

Our TAVR products have been implanted in over 10,000 clinical applications, and the Company is the first company with over 10,000 implants of TAVR products in the industry. At the 20th Chinese Interventional Cardiology (CIT) 2022, the seven-year follow-up results of VenusA-Valve were released, which showed that at the seventh year after implantation of VenusA-Valve, there were 12 cardiac death events, accounting for 13.6%; and incidence of stroke, as the major safety endpoint, is 6.7% at the seventh year. According to the ultrasound data, the peak valve velocity, average valve pressure difference and left ventricular ejection fraction are significantly improved immediately after implantation of VenusA-Valve, and are maintained in a sound and stable condition. In addition, the effective orifice area of VenusA-Valve is kept at above 1.2 cm^2 on average. All of these validate the long-term safety and efficacy of VenusA-Valve, and provides constant benefits to surviving patients.

At the 8th China Valve (Hangzhou) Conference, the two-year follow-up results of VenusA-Plus were released. Of the 54 patients who finished the follow-up via phone calls and 25 who returned to hospitals for follow-up, there was no new case of cardiac death within two years from implantation of VenusA-Plus, and the subgroup results showed that, VenusA-Plus achieves a good effect for patients with bicuspid aortic valve and trileaflet, and demonstrates the sound clinical safety, efficacy and operability of VenusA-Plus.

For the six months ended June 30, 2022, the sales revenue of TAVR products was RMB196.6 million, representing a decrease of 16.2% from RMB234.7 million for the six months ended June 30, 2021.

VenusP-Valve – TPVR Product

VenusP-Valve, our independently developed transcatheter pulmonary valve system, received the CE MDR Marking on April 8 and was approved for commercialization. It is designed to treat patients suffering moderate to severe pulmonary regurgitation with or without RVOT stenosis. It is the first self-expanding TPVR product approved for marketing in Europe, and also the first Class III implantable cardiovascular device approved under new CE MDR regulations. In addition, VenusP-Valve was approved for marketing by the NMPA on July 11 for the treatment of patients with severe pulmonary regurgitation (≥3+) with native RVOT. As the first TPVR product approved to be marketed in China, VenusP-Valve filled the gap in clinical demands. In the same month, VenusP-Valve was approved for marketing in Argentina.

Uniquely designed with both flared ends, VenusP-Valve provides stable anchoring and easy delivery, with no need for pre-stenting before the procedure. It is available in a variety of specifications with extensive applicability, and extends coverage to patients with broadened RVOT, thus satisfying the needs of more than 85% patient population in clinical application. Since the first clinical operation in 2013 performed by Academician Ge Junbo, director of the Department of Cardiology from Zhongshan Hospital Fudan University, VenusP-Valve has been used in clinical application for 10 years, including nearly 300 cases for humanitarian aid covering 20 countries and regions across Asia, Europe, North America and South America.

Since receiving the CE MDR Marking in the European Union (EU), the Company has delivered the first batch of VenusP-Valve products to the European market on May 7, and VenusP-Valve has been used for commercial purposes in several regions of the Europe for multiple times. In May, it was approved by the FDA for two cases of humanitarian use in the United States, which were successfully completed in June and August, respectively. In addition, a meeting of IDE clinical investigators for VenusP-Valve has been held in the United States, and VenusP-Valve was qualified for the Japan-US Harmonization By doing project with clinical trials proposed to be launched in both United States and Japan, so as to speed up the registration and marketing in both countries.

As the world's first China-made self-expanding valve product approved for marketing in the EU, VenusP-Valve is highly recognized among experts and doctors worldwide because of its clinical data with excellent long-term safety and effectiveness. The three-year follow-up data of VenusP-Valve published at the 2022 Catheter Interventions in Congenital, Structural and Valvular Heart Disease (CSI) showed that the success rate of 64 patients undergoing TPVR surgery reached 100%, and the mortality and re-operation rate were 0%; no patients suffered moderate or severe pulmonary regurgitation; 96.87% subjects only had mild symptoms of perivalvular leak and tricuspid regurgitation; and the proportion of subjects of New York Heart Association (NYHA) classification Class III decreased from 8.06% before procedure to 1.69%. In addition, the five-year follow-up of VenusP-Valve has been completed in China. The results showed that the 5-year post-surgery mortality rate was only 3.64%, pulmonary regurgitation was greatly reduced, incidence of severe pulmonary regurgitation dropped from 54.5% to 0% and incidence of moderate to severe pulmonary regurgitation dropped from 36.4% to 2.22%, which demonstrated significantly improved right ventricular function and hemodynamic function, and validated the long-term safety and effectiveness of VenusP-Valve.

For the six months ended June 30, 2022, the sales revenue of VenusP-Valve derived overseas was RMB9.1 million (six months ended June 30, 2021: Nil).

Venus-PowerX – New Generation TAVR Product

The Venus-PowerX product, a new generation TAVR system independently developed by the Company, is the world's first self-expanding dry tissue valve product. Currently, it is under FIM clinical trials.

Venus-PowerX is the only 100% retrievable valve in clinical stage currently available in the world. It adopts the wire-controlled design, which permits it to be retrieved after complete release, and therefore excels in terms of safety compared with products designed with traditional approaches for release and retrieval. Venus-PowerX is equipped with the world's first self-adaptable active anti-paravalvular leak technology which is based on the proprietary expandable polymer, which will not cause problems such as increased delivery size triggered by physical skirt or skirt damage from retrieving valve, and effectively resist paravalvular leak. In addition, the unique preloaded dry tissue technology and anti-calcification technology increase the durability of the valve. With smaller size and one third less in height than the second generation products, it boasts precise positioning and steerable performance. We will conduct clinical trials of Venus-PowerX in international markets such as Europe and the U.S., and promote the approval of Venus-PowerX for marketing in the global market.

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

Venus-Vitae – New Generation TAVR Product

The Venus-Vitae product, the world's first balloon-expanding dry tissue product and a new generation of TAVR system independently developed by the Company, is currently under FIM clinical trials.

Compared with similar products, Venus-Vitae leverages advanced anti-calcification technology to improve valve durability. Its specially designed dry tissue, without aldehyde residue, allows pre-assembly, which not only improves safety, but also facilitates clinical application, storage and transportation. In addition, its unique patented valve lock wire design ensures that the valve does not shift on the balloon catheter. The product, which is designed with supra-annular prosthesis, complemented by short frame and smaller diameter delivery system, has better cross-aortic arch capability. We will launch clinical trials in Europe, USA and other international markets, and facilitate Venus-Vitae to receive marketing approval around the globe.

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

Cardiovalve – New Generation TMVR/TTVR Product

The acquisition of Cardiovalve Ltd. ("Cardiovalve"), a company engaged in innovative transcatheter interventional replacement products for patients suffering from mitral or tricuspid regurgitation has been completed on January 25, 2022 (the "Acquisition") and Cardiovalve has become a wholly-owned subsidiary of the Company.

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 annuli is suitable for about 95% of the patient population. Meanwhile, its unique short frame design lowers the risk of LVOT obstruction. At present, the Cardiovalve system is undergoing multi-center clinical trials in the United States and Europe, and the initial clinical results are promising. Its indication for treatment of mitral regurgitation has entered clinical study in Europe and approved for an early feasibility study in the U.S.. Furthermore, its indication for treatment of tricuspid regurgitation received "Breakthrough Device Designation" by the FDA in January 2020 and obtained approval for early feasibility study. Cardiovalve is the first company approved by the FDA to conduct early feasibility study on indications of mitral regurgitation and tricuspid regurgitation.

Upon the Acquisition, the Company continued to promote its clinical research in Europe and the United States, and at the same time accelerated its clinical development, registration and marketing in the domestic market. Since completion of the Acquisition, the patient enrollment in clinical trials of Cardiovalve in mitral valve and tricuspid valve goes smoothly in Europe, and the device was highly recognized among doctors overseas. According to the data released at the TVT 2022 – Structural Heart Summit held on June 9 in the United States, three patients undergoing tricuspid valve replacement with the Cardiovalve system did not experience any regurgitation immediately after and within 30 days from the procedure, and one of them did not experience regurgitation even in six months after the procedure. Easy to operate and highly repeatable, Cardiovalve can be controlled in three steps: positioning, anchoring and release. Short learning period of surgeons is conducive to the popularization of the device. Domestically, Cardiovalve showcased at renowned academic conferences including China Valve (Hangzhou) 2022 and the 16th Oriental Congress of Cardiology (OCC 2022), where we shared the experience of TMVR and TTVR procedures and demonstrated the unique advantages of Cardiovalve to promote the development of domestic technology and lay a solid foundation for clinical trials in China.

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

Venus-Neo – Surgical Valve

Venus-Neo, a new-generation expandable dry valve product independently developed by the Company, successfully completed the first FIM clinical application in Union Hospital Tongji Medical College of Huazhong University of Science and Technology on April 12, and is currently under FIM clinical trials. The other product, the small incision surgical valve, which is implanted through small incision in median sternum or between ribs and therefore contributes to quick recovery and is less invasive, is currently under animal study.

As the Company's first surgical bioprosthetic valve product, Venus-Neo adopts the supra-annular design with bovine pericardium tissue as the valve leaflet. Leveraging optimized valve design and unique anti-calcification drying technology, it can be stored in a liquid-free environment, and contains no aldehyde residue, which enhances safety and is convenient for clinical use, storage and transportation. In addition, Venus-Neo's valve stent adopts expandable design, thereby providing a better choice for patients who need to receive valve-in-valve procedures in the future.

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

TriGUARD3 – CEP device

TriGUARD3, the cerebral embolic protection device, can protect brain completely through covering the whole ascending aorta. It is the only CEP device designed to cover the whole ascending aorta (covering the innominate artery, left carotid artery and subclavian artery). It can greatly minimize the risk of brain damage and prevent cerebral embolism during TAVR and other structural heart disease surgeries.

TriGUARD3 obtained the CE Marking from the EU on March 4, 2020 for commercialization in Europe. In October 2021, NMPA has officially accepted the marketing application of TriGUARD3 submitted by the Company, and it is currently under review.

For the six months ended June 30, 2022, the sales revenue of TriGUARD3 was RMB3.8 million (six months ended June 30, 2021: RMB4.2 million).

Leaflex – Aortic Valve Repair Product

Leaflex is a non-implant catheter-based solution for AS treatment. It scores the calcification within the leaflets from the aortic side, and the ventricular side of leaflets remains basically intact without tearing the ventricular tissue of leaflets, so as to achieve complete movement, restore the mobility of leaflets and improve valve hemodynamics, thereby improving flow access and reducing the gradient across the valve. The Leaflex procedure is simple without implantation, and the hospitalization length-of-stay is short.

Leaflex can be used not only for young patients who may be too young for TAVR, but also for future value-in-valve procedures of aortic valve after TAVR implantation, so as to provide lifetime management of AS at a lower cost than replacement. In September 2020, we completed the cooperative transaction with Pi-Cardia, and introduced Leaflex products into the Chinese market. It is currently under FIM clinical study. Pi-cardia has commenced clinical trials in Europe.

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

Liwen RF – Ablation System

Liwen RF ablation system, independently developed by Nuocheng Medical, a wholly-owned subsidiary of the Company, is an innovative device for the treatment of HCM. In November 2021, the Company completed acquisition of Nuocheng Medical and accelerated the clinical research progress of Liwen RF in China. At present, Liwen RF is in multi-center clinical trial across China.

Liwen RF adopts the international novel operation treatment through ventricular septum under the guidance of ultrasound and boasts the technical advantages of minimally invasive, accurate positioning, unrestricted by target blood vessels, significantly reducing ventricular septum thickness, and mitigating complications such as conduction system damage. The device not only achieves dehydration and necrosis of hypertrophic myocardial cells, but also blocks the blood supply to hypertrophic myocardial tissue, thereby achieving long-term prognosis. It offers a safe, effective, accurate and minimally invasive innovative treatment strategy for HCM. We propose to conduct clinical trials in Europe, and promote the approval of Liwen RF in the international market.

According to the 144 completed exploratory clinical trials of Liwen RF ablation system, and the comparison results with traditional surgical gold standard surgeries, the success rate of surgeries with Liwen RF ablation system reaches 88% with no mortality after one year of surgery, and the clinical manifestations, cardiac function and quality of life of patients are significantly improved. Besides, it is obviously superior to surgical operation and alcohol ablation, which effectively validates its safety, effectiveness and advanced performance. Liwen RF ablation system passed NMPA's Application for Special Approval Procedure on Innovative Medical Devices in August, and was admitted to the special review process, which fully demonstrated its novelty.

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

Renal artery denervation ("RDN") product

On June 30, 2021, the Company established a 51% owned subsidiary, Renaly Ltd, with Israeli high-tech company, Healium, to introduce the new generation of innovative devices for RDN from Healium, and conduct R&D, production and commercialization of RDN products worldwide. It is currently under animal study.

Its exclusive Dual-Mode Ultrasound Technology Platform can realize non-contact continuous ablation treatment with real-time ultrasound imaging, significantly reducing the occurrence of various problems such as insufficient nerve ablation or vascular damage caused by uncontrollable ablation. The delivery of accurate and efficient ablation shifts the treatment paradigm to more predictable outcomes and simplifies the procedure flow to ultimately improve the safety and efficacy of ablation procedures. Professor Martin B. Leon, a member of our Global Advisory Board and his team will serve as the global PI of the product.

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, increases R&D investment, deeply engages in the field of structural heart diseases, makes constant innovations, and continues to accumulate technical experience, striving to bring innovative products to the market, and consolidate its leading position in the field of valves. In the field of aortic valves, the Company's latest generation of dry valve TAVR products, PowerX, Vitae and Venus-Neo, the surgical valve product, which are in clinical stage, adopt advanced anti-calcification treatment technology to extend valve durability, further improve and simplify transcatheter aortic valve replacement procedure. In the field of pulmonary valve products, VenusP-Valve has been successively approved for marketing in Europe and China, and the Company has included patients with congenital heart disease into the target patients. Interventional therapy in mitral and tricuspid valve fields will be our new growth drivers in the future. The Company's Cardiovalve, the world's leading product in interventional treatment of mitral and tricuspid valve diseases, has commenced clinical trials in Europe and the United States, and is expected to enter clinical trials in China during the year.

The Company's R&D platform continues to fledge. The Company has established a global R&D innovation platform through independent R&D and external cooperation. Our three R&D centers are located in Hangzhou, China, Caesarea, Israel, and California, USA, and comprise of members with professional experience and innovative capacity at home and abroad. In March, the Company established Venus Medical Global Heart Valve Innovation Center in Israel, tapping into Israel's innovative talents and culture to improve the Company's global innovation system and product layout. The Global Heart Valve Innovation Center will be committed to incubating breakthrough innovative treatment technologies, further improving the global innovation system and product layout, focusing on the research and development of a new generation of aortic regurgitation treatment technology using Cardiovalve technology platform and the application of digital health technology in valve system, and transferring the technology to China and other regions in the world at an appropriate time. The Company's research and development achievements receive numerous recognitions and rewards, and are listed in national key projects. In May, the "Research and Development of New Pre-installed Interventional Heart Valve System" project led by the Company passed the inspection and acceptance of China Biotechnology Development Center with an excellent rating in terms of performance. This marked the second time for the Company to pass inspection and acceptance with brilliant results following undertaking the "National Science and Technology Support Program-Novel Biological Heart Valve System Development Project" of the Ministry of Science and Technology.

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

For the six months ended June 30, 2021 and 2022, our R&D expenses were RMB104.3 million and RMB220.3 million, respectively.

Intellectual Properties

The Company attaches great importance to intellectual property protection. Leveraging its strong R&D capability, as of June 30, 2022, the Company had a total of 786 patents and patents under applications, including 319 authorized invention patents. We had 305 patents under application and authorized in the PRC, including 182 issued patents; and 452 patents under application and authorized overseas, including 259 authorized patents. We had 29 PCT applications. Our global IP portfolio mainly covers China, the U.S., Europe, Japan, Canada, Russia, India, Brazil and other countries.

Manufacturing

We have an approximately 3,500 sq.m. facility in Hangzhou and an approximately 816 sq.m. facility in Israel for manufacturing our heart valve products and product candidates. Our manufacturing facilities comply with the GMP requirements in the U.S., the EU and the PRC and follow rigorous manufacturing and quality control standards to ensure high product quality and safety standards. The Company maintains strong synergy between R&D and production, and focuses on the management process of whole product life cycle. In the process of launching R&D for new products, it will pay due consideration to the convenience of production and optimizes product design to improve production efficiency and product quality. The Company continuously strengthens the production capacity and production management level, establishes and improves advanced quality management system and refines production system. We conduct all the key valve manufacturing procedures in-house. Over the years, we have accumulated expertise and know-how in manufacturing heart valve products, which sets a solid foundation for our long-term growth. In order to meet the demand of gradual commercialization of products in our product pipeline, the Company has formulated the stage-by-stage capacity planning for different product development cycles, gradually improved and upgraded the large-scale commercial production capacity based on a sound quality management system, expanded capacity and improved the economies of scale while maintaining high quality standards. Meanwhile, the Company makes prior arrangement in production technics and cost control to lay a solid foundation for the commercialization of the Company's products in different countries and regions.

Quality system

The Company has established a quality management system that meets the requirements of GMP of the NMPA of the PRC, Quality System Regulation of the FDA of the U.S., MDR of EU, BGMP of ANVISA of Brazil, ISO13485 and other regulations and standards, and carries out quality control in the whole life cycle of products from R&D to post-marketing sales. The Company develops and maintains a quality management system with high standards and strict requirements to ensure the quality of its products. In 2019 and 2021, the Company was invited to the first and third experience exchange meeting regarding national medical device production quality management standards. This year, the Company introduced and shared experiences with national medical device enterprises as an outstanding representative in Beijing. As the COVID-19 remains challenging globally, the Company accepted and successfully passed the remote and on-site quality system audit under the new MDR regulation by the EU Notified Body this year, and facilitated pulmonary valve products to obtain CE Marking. In addition, the Company was elected as Hangzhou Medical Device Inspector Training Base, providing a platform for theoretical knowledge and practical operation for inspector training.

Commercialization

We will continue to strengthen the construction and integration of professional, branded and digital marketing systems. We have established domestic specialized marketing teams, overseas marketing teams focusing on European and Latin American markets, and sales support systems regarding clinical medicine, market access and brand promotion targeting specific regions and countries.

As of June 30, 2022, we have established a sales team in China comprising of nearly 260 personnel, covering 375 tertiary hospitals, who provide a strong foundation for constant sales increase. The Company adopts an independent marketing model, and has established a largest marketing team and in-house logistics supply chain team in the industry. Through professional communication and medical promotion of the marketing team, our in-house supply chain proactively responds to customers' needs and improves the penetration into Chinese market. In order to improve the standardized diagnosis and treatment services for patients with AS in China, the Company adopts digital means to launch education, and conducts public welfare assistance, community care and other activities, so as to realize the whole-process management of patients from treatment to rehabilitation. Our independently developed VenusA-Pro was approved for marketing in China in May and VenusP-Valve was approved for marketing in China in July. As the only Company in the market with three TAVR products and one TPVR product, our rich product pipeline provides doctors and patients with more and better choices of treatment, enhances the brand influence of the Company and facilitates to consolidate our leading position in China.

Revenue from our new products has been on constant rise, and the proportion of revenue derived from the overseas market continues to increase, suggesting an improved revenue structure. As of June 30, 2022, VenusP-Valve was approved for marketing in the EU in April, and it is the first self-expanding TPVR product approved for marketing in Europe. This is another important milestone after TriGUARD3 entered the European market, and also marked the Company's commercial coverage extending to the mainstream market in Europe. At present, our overseas commercialization teams comprise professionals across Germany, France, Britain and other countries and regions. In terms of digital channel, we further enrich the global marketing strategies and methods through product launches, online seminars, online customer training and other activities, and continue to expand the global market. In the TAVR field, the Company further improved its product registration and market access capabilities in Southeast Asia, Central Asia, Latin America and other regions, and gradually established contact with doctors and hospitals through agents in the local area to continuously expand our brand influence.

Impact of COVID-19

During the first half of 2022, persistent rage of COVID-19 in Shanghai and several other regions across China posed certain adverse impact on the Company's business operations in China, and there still remains uncertainty as to the impact of COVID-19 both at home and overseas in future. The potential impacts of COVID-19 on the Company's business operations include but are not limited to sales of products, recruitment and engagement of clinical subjects, product registration and approval, and procurement of raw materials. The Company will continue to keep abreast of COVID-19 developments and make prior arrangements to guarantee the safety of our employees and smooth progress of various projects.

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 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, 2022 was RMB210.0 million, representing a decrease of 12.2% compared to RMB239.3 million for the six months ended June 30, 2021. The decrease was primarily attributable to the negative impact of COVID-19. For the six months ended June 30, 2022, revenue from sales of VenusA-Valve and VenusA-Plus accounted for 93.7% of our total revenue, as compared to 98.1% for the six months ended June 30, 2021.

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

	Six months ended June 30, 2022 (Unaudited)		Six months ended June 30, 2021 (Unaudited)	
Revenue	**RMB'000**	**Proportion**	RMB'000	Proportion
VenusA-Valve/VenusA-Plus	**196,573**	**93.7%**	234,699	98.1%
VenusP-Valve	**9,110**	**4.3%**	–	0.0%
TriGUARD3	**3,803**	**1.8%**	4,160	1.7%
Others	**479**	**0.2%**	410	0.2%
Total	**209,965**	**100%**	239,269	100%

Cost of Sales

The cost of sales for VenusA-Valve/VenusA-Plus, VenusP-Valve and TriGUARD3 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, 2022 was RMB45.8 million, representing a decrease of 10.5% compared to RMB51.2 million for the six months ended June 30, 2021. The decrease was in line with the change in sales revenue for the same period of 2022.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group decreased by 12.7% from RMB188.1 million for the six months ended June 30, 2021 to RMB164.2 million for the six months ended June 30, 2022. Gross profit margin is calculated as gross profit divided by revenue. For the six months ended June 30, 2021 and 2022, the Group's gross profit margin was 78.6% and 78.2%, respectively.

Other Income and Gains

The Group's other income and gains for the six months ended June 30, 2022 was RMB62.4 million, representing an increase of 78.8% compared to RMB34.9 million for the six months ended June 30, 2021, primarily attributable to the increase in government grants and foreign exchange gains as compared with the corresponding period of last year.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended June 30, 2022 was RMB123.4 million, representing an increase of 24.5% compared to RMB99.1 million for the six months ended June 30, 2021. The increase was mainly due to the growth of staff cost resulting from the increased number of sales personnel and increase in investment in market exploration and promotion.

R&D Costs

The Group's R&D costs for the six months ended June 30, 2022 was RMB220.3 million, representing an increase of 111.2% compared to RMB104.3 million for the six months ended June 30, 2021. The increase was primarily attributable to completion of acquisition of Cardiovalve during the Reporting Period, leading to a corresponding increase in R&D expenses, as well as an increase in staff cost due to the expansion of the R&D team.

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

	Six months ended June 30, 2022 (Unaudited) RMB'000	Six months ended June 30, 2021 (Unaudited) RMB'000
Staff cost	**71,468**	30,686
Raw material cost	**33,804**	13,762
Third-party contracting cost	**2,029**	4,237
Intellectual property expenses	**10,457**	8,851
Clinical trial expenses	**18,855**	18,430
Depreciation and amortization	**42,916**	11,527
Others	**40,787**	16,835
	220,316	104,328

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2022 was RMB54.7 million, representing an increase of 22.1% compared to RMB44.8 million for the six months ended June 30, 2021. The increase was primarily attributable to the increase in the number of employees to support the operating requirements resulting from our business growth.

Other Expenses

The Group's other expenses for the six months ended June 30, 2022 was RMB38.0 million, representing a decrease of 53.3% compared to RMB81.3 million for the six months ended June 30, 2021. The decrease was primarily due to decrease in donations during the Reporting Period.

Finance Costs

The Group's finance costs for the six months ended June 30, 2022 was RMB18.4 million, representing an increase of RMB17.4 million compared to RMB1.0 million for the six months ended June 30, 2021. The increase was primarily attributable to the increase in interest expenses on bank borrowings during the Reporting Period.

Impairment Losses on Financial Assets, Net

The Group's impairment losses on financial assets, net, for the six months ended June 30, 2022 was RMB3.6 million, representing an increase of 12.5% compared to RMB3.2 million for the six months ended June 30, 2021. The increase was primarily attributable to our maintenance of a flexible strategy over credit term management as affected by COVID-19, leading to an increase in provision for impairment allowance of certain trade receivables as a result of the increase in aging of trade receivables.

Share of Losses of Associates

The Group's share of losses of associates for the six months ended June 30, 2022 was RMB14.6 million, representing an increase of 124.6% from RMB6.5 million for the six months ended June 30, 2021. The increase was primarily attributable to losses incurred by the associates during the Reporting Period.

Income Tax

The Group's income tax credit for the six months ended June 30, 2022 was RMB6.7 million as compared to income tax expense of RMB4,000 for the six months ended June 30, 2021. The tax credit for the Reporting Period was primarily attributable to the deferred tax credited to profit or loss, which was related to the fair value adjustments arising from acquisition of subsidiaries.

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, 2022 were RMB2,435.1 million, representing a decrease of 17.6% compared to RMB2,955.2 million as at December 31, 2021. The decrease was primarily attributable to the increase in R&D and operating expenses and investments.

We rely on capital contributions by our Shareholders and bank loans as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized products, including VenusA-Valve, VenusA-Plus, VenusP-Valve and TriGUARD3. 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, 2022, the Group's interest-bearing bank borrowings were RMB924.7 million (December 31, 2021: RMB4.9 million). The maturity profile of borrowings of the Group as at June 30, 2022 is set out in "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, 2022 was 21.8%, representing an increase of 1,353.3% as compared to 1.5% as at December 31, 2021.

Net Current Assets

The Group's net current assets, as at June 30, 2022 were RMB2,253.2 million, representing a decrease of 30.3% compared to net current assets of RMB3,231.1 million as at December 31, 2021.

Foreign Exchange Exposure

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

Significant Investments

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

Material Acquisitions and Disposals

We entered into certain agreements with Mitraltech Holdings Ltd., the parent company of Cardiovalve, and other certain parties to acquire the 100% share capital and corresponding interests of Cardiovalve at a consideration (subject to certain adjustment) of US$266 million on December 7, 2021 (the "Acquisition"), by way of acquisition of equity interests in its parent company Mitraltech Holdings Ltd. and subscription of convertible loan. This completion of the Acquisition has taken place on January 25, 2022 and Cardiovalve has become an indirect wholly-owned subsidiary of the Company. For details, please refer to the announcement made by the Company dated on January 26, 2022.

Saved as disclosed above, during the Reporting Period, we did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures of the Company.

Capital Expenditure

For the six months ended June 30, 2022, the Group's total capital expenditure amounted to approximately RMB1,202.7 million, which was used for (i) amounts paid to acquire a subsidiary; (ii) purchase of items of property, plant and equipment; (iii) purchase of equity investment designated at fair value through other comprehensive income; and (iv) purchase of other intangible assets.

Charge on Assets

Certain of the Group's loans amounted to RMB774.5 million were secured by mortgages or pledges over our assets. The mortgaged or pledged assets include equity interests of certain subsidiaries, leasehold land, time deposits, etc.

Contingent Liabilities

As at June 30, 2022, except for the contingent consideration payable for acquisition of subsidiaries, we did not have any contingent liabilities.

Employees and Remuneration Policies

As of June 30, 2022, we had 1,039 employees in total.

Among the 1,039 employees, 901 of our employees are stationed in China, and 138 of our employees are stationed overseas primarily in the U.S. and Israel. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three to five years.

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

Future Investment Plans and Expected Funding

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

III. PROSPECTS

During the first half of the year, we successfully commercialized VenusP-Valve in Europe, and completed the acquisition of Cardiovalve, thereby achieving the globalized layout in terms of mitral valve and tricuspid valve interventional therapies and further promoting our globalization strategy. In the domestic market, we are committed to generating profitability, striving for quality growth and maintaining a stable gross profit. In the second half of 2022, we will continue to focus on the unmet medical needs, dedicate ourselves to the globalization-driven strategies, concentrate on the fields of treatment for structural heart diseases, and leverage our first-mover advantages to expedite sales in the global market and speed up multi-center clinical trials conducted worldwide. Besides, we will seek to increase the number of TAVR procedures in domestic mid-to-high-end hospitals, aiming to enhance commercial margin.

Accelerate Globalization Pace

Following the approval of VenusP-Valve for commercialization in the EU, supported by our existing international production capacity and quality system certification, we will facilitate our domestic production lines to receive quality system certification overseas, so as to lay a solid foundation for commercialization of domestically-made devices in the international market. Meanwhile, we will continue to expedite clinical study of VenusP-Valve in the USA and Japan, enhance our overseas clinical development and innovative device registration capabilities. In terms of commercialization, we will make unremitting efforts to promote the global sales of VenusP-Valve, extend the coverage to more hospitals in different countries and regions worldwide. In addition, we will establish a training system for overseas teams leveraging internal and external academic resources, respect and tap into the advantages and capabilities of local talents, and leverage the expertise of local sales professionals with extensive experience. In terms of market access, we will comply with local laws and regulations, learn about access policies of different countries and regions, strive to make breakthroughs in medical insurance, Diagnosis Related Group (DRG), bidding and hospital access procedures, and continue to venture into the international market.

Maintain Quality Marketing Growth

COVID-19 has a long-term negative impact on the number of domestic TAVR procedures. As present, we are exposed to challenges such as enhancing the commercial profitability and promoting quality growth of TAVR products. Against such backdrop, we will continue to tap into our first-mover advantages, enhance establishment and integration of our marketing system, step up academic popularization and doctor education in key hospitals with our profound expertise, clinical resources and well-established product portfolio, increase the number of surgeries in mid-to-high-end hospitals, search far and deep for hospital potentials, and improve the profitability of our TAVR business. Meanwhile, we will continue to launch post-marketing clinical trials, and accumulate more clinical data to provide sufficient support for inclusion of our products in medical insurance and other access. We will also proactively cultivate ties and communicate with medical insurance departments to explore innovative payment methods such as payment by medical insurance and commercial insurance.

Corporate Governance and Other Information

I. INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend for the six months ended June 30, 2022 to the Shareholders.

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

As of June 30, 2022, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Supervisor/Chief Executive	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Issued Share Capital of the Company *(Note 4)*	Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 4)*
Mr. Min Frank Zeng ("Mr. Zeng") *(Note 1)*	H Shares	Interest of controlled corporations	33,651,618/ Long position	7.63%	7.63%
Mr. Zhenjun Zi ("Mr. Zi") *(Note 2)*	H Shares	Beneficial owner	32,197,802/ Long position	7.30%	7.30%
		Interest of controlled corporations	20,261,919/ Long position	4.59%	4.59%
	Unlisted Foreign Shares	Other	1,208/ Long position	0.00%	100.00%

Name of Director/ Supervisor/Chief Executive	Class of Shares	Capacity	Number of Securities/ Type of Shares Held	Approximate Percentage of Shareholding in the Total Issued Share Capital of the Company *(Note 4)*	Approximate Percentage of Shareholding in the Relevant Class of Shares *(Note 4)*
Mr. Lim Hou-Sen (Lin Haosheng) *(Note 3)*	H Shares	Interest of controlled corporations	3,142,361/ Long position	0.71%	0.71%
	Unlisted Foreign Shares	Interest of controlled corporations	1,208/ Long position	0.00%	100.00%
Ms. Nisa Bernice Wing-Yu Leung	H Shares	Beneficial owner	386,406/ Long position	0.09%	0.09%

Notes:

(1) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 33,651,618 H Shares of our Company. Mr. Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.

(2) Mr. Zi beneficially owns 32,197,802 H Shares of the Company. In addition to his direct shareholding, he is also deemed to be interested in 20,261,919 H Shares and 1,208 Unlisted Foreign Shares of the Company through the below intermediaries he controlled under the SFO:

- Adventure 03 Limited, an investment holding company incorporated in Hong Kong, owns 9,000,636 H Shares in the Company. Dinova Healthcare Gamma Fund (USD) L.P. (as the sole shareholder of Adventure 03 Limited), Dinova Venture Partners GP III, L.P. (as the general partner of Dinova Healthcare Gamma Fund (USD) L.P.) and Dinova Capital Limited (as the general partner of Dinova Venture Partners GP III, L.P.), Xin Nuo Tong Investment Limited (as the sole shareholder of Dinova Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by Adventure 03 Limited in the Company under the SFO.

- Zhejiang Dinova Ruiying Venture Investment L.P. (浙江德諾瑞盈創業投資合夥企業 (有限合夥)) ("Zhejiang Dinova"), a limited partnership and a venture capital fund holding various portfolios established in the PRC, owns 6,977,955 H Shares of the Company. Zhejiang Dinova Capital Management L.P. (浙江德諾資本管理合夥企業 (有限合夥)) (as the general partner of Zhejiang Dinova), Hangzhou Dinova Commercial Information Consulting Ltd. (杭州德諾商務信息諮詢有限公司) (as the general partner of Zhejiang Dinova Capital Management L.P.) and Mr. Zi (as a 40% shareholder of Hangzhou Dinova Commercial Information Consulting Ltd.) are deemed to be interested in the interest owned by Zhejiang Dinova in the Company under the SFO.

- DNA 01 (Hong Kong) Limited, an investment holding company incorporated in Hong Kong, owns 2,056,615 H Shares of the Company. Dinova Healthcare Delta Fund (USD) L.P. (as the sole shareholder of DNA 01 (Hong Kong) Limited), Dinova Venture Partners GP IV, L.P. (as the general partner of Dinova Healthcare Delta Fund (USD) L.P.), Dinova Venture Capital Limited (as the general partner of Dinova Venture Partners GP IV, L.P.), Xin Nuo Tong Investment Limited (as a 40% shareholder of Dinova Venture Capital Limited) and Mr. Zi (as the sole shareholder of Xin Nuo Tong Investment Limited) are deemed to be interested in the interest owned by DNA 01 (Hong Kong) Limited under the SFO.

- Shenzhen Dinova Ruihe Venture Investment L.P. (深圳市德諾瑞和創業投資合夥企業 (有限合夥)) ("Shenzhen Dinova"), a limited partnership established in the PRC and a venture capital fund holding various portfolios, owns 1,687,358 H Shares of the Company. Shenzhen Dinova Investment L.P. (深圳市德諾投資合夥企業 (有限合夥)) (as the general partner of Shenzhen Dinova), Shenzhen Dinova Investment Consulting Ltd. (as the general partner of Shenzhen Dinova Investment L.P.) and Mr. Zi (as a 66.67% shareholder of Shenzhen Dinova Investment Consulting Ltd.) are deemed to be interested in the interest owned by Shenzhen Dinova.

- 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) Mr. Lim Hou-Sen (Lin Haosheng) is deemed to be interested in 3,142,361 H Shares and 1,208 Unlisted Foreign Shares of the Company under the SFO through his interest in the Offshore Employee Entities (Blue Summit Management Limited, Mercury Holding Limited and Jupiter Holding Limited).

(4) The Company has two classes of Shares: H Shares as one class of Shares, Unlisted Foreign Shares as another class of Shares. As at June 30, 2022, 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, 2022, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO; or which were required, pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

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

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

IV. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As of June 30, 2022, 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 3)*	Approximate percentage of shareholding in the relevant class of shares *(Note 3)*
Horizon Binjiang LLC *(Note 1)*	H Shares	Beneficial owner	33,651,618/ Long position	7.63%	7.63%
Qiming Corporate GP III, Ltd. *(Note 2)*	H Shares	Interest in controlled corporations	58,777,980/ Long position	13.33%	13.33%
Qiming GP III, L.P. *(Note 2)*	H Shares	Interest in controlled corporations	58,777,980/ Long position	13.33%	13.33%
Qiming Venture Partners III, L.P. *(Note 2)*	H Shares	Interest in controlled corporations	41,231,229/ Long position	9.35%	9.35%
Ming Zhi Investments Limited *(Note 2)*	H Shares	Interest in controlled corporations	41,231,229/ Long position	9.35%	9.35%
Ming Zhi Investments (BVI) Limited *(Note 2)*	H Shares	Beneficial owner	41,231,229/ Long position	9.35%	9.35%

Notes:

(1) Horizon Binjiang LLC, an investment holding company incorporated in California, the United States, owns 33,651,618 H Shares of the Company. Mr. Zeng, as its sole shareholder, is deemed to be interested in the interest owned by Horizon Binjiang LLC under the SFO.

(2) Qiming Corporate GP III, Ltd. is deemed to be interested in 58,777,980 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 41,231,229 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 17,546,751 H Shares of the Company. For the purpose of the SFO, QM22 Limited (as the sole shareholder of QM22 (BVI) Limited), Qiming Venture Partners III Annex Fund, L.P. (as the sole shareholder of QM22 Limited), Qiming GP III, L.P. (as the general partner of Qiming Venture Partners III Annex Fund, L.P.) and Qiming Corporate GP III, Ltd. (as the general partner of Qiming GP III, L.P.) are deemed to be interested in the interest owned by QM22 (BVI) Limited.

(3) 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, 2022, 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, 2022, to the best knowledge of the Directors, no other persons (not being Directors, Supervisors and chief executive of our Company) have interests or short positions in Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by our Company under Section 336 of the SFO.

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

The Group did not purchase, sell or redeem any of the Company's listed securities during the six months ended June 30, 2022.

VI. 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 contained in Appendix 14 to the Listing Rules. During the six months ended June 30, 2022, the Company has complied with the mandatory code provisions in the Corporate Governance Code.

VII. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiries have been made to all Directors and the Supervisors, and they have confirmed that they have complied with the Company's code of conduct regarding Directors' and Supervisors' securities transactions during the six months ended June 30, 2022.

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

VIII. AUDIT

The 2022 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, 2022. The Audit Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made and did not raise any objection to the accounting policy and practices adopted by the Company. The Company's independent auditor has not performed a review of these condensed consolidated financial information prepared in accordance with the relevant accounting standards.

IX. MATERIAL LITIGATION AND ARBITRATION

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

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

(i) Change in Directors and Composition of Board Committees

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

(ii) Change in Supervisors

During the Reporting Period, Ms. Lingling Yang held office until the conclusion of the 2021 AGM and Ms. Yue Li has been appointed as a Shareholders' representative Supervisor for the second session of the Supervisory Committee at the 2021 AGM.

Ms. Yan Xiao has resigned as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company with effect from August 31, 2022. On the same day, Ms. Min Shao has been elected as an employee representative Supervisor and the chairperson of the second session of supervisory committee of the Company. For details, please refer to the announcement published by the Company on August 31, 2022.

Save as disclosed above, there were no changes in Supervisors during the Reporting Period.

(iii) Change in Biographies of Directors and Supervisors

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

1. Mr. Chi Wai Suen, an independent non-executive Director of the Company, has been appointed as the independent non-executive director of BoardWare Intelligence Technology Limited, a company listed on the Stock Exchange (stock code: 1204) on July 15, 2022, on June 20, 2022.

2. Mr. Ting Yuk Anthony Wu ("Mr. Wu"), an independent non-executive Director of the Company, has resigned as the independent non-executive director of Guangdong Investment Limited, a company listed on the Stock Exchange (stock code: 270), on June 23, 2022.

As at the date of this report, Mr. Wu is holding eight directorships (including the directorship in the Company) in companies listed in Hong Kong, including as (i) the chairman and a non-executive director of Clarity Medical Group Holding Limited (Stock Code: 1406) since March 2019; (ii) an independent non-executive director of Power Assets Holdings Limited (Stock Code: 6) since June 2014; (iii) an independent non-executive director of China Taiping Insurance Holdings Company Limited (Stock Code: 966) since August 2013; (iv) the chairman and an independent non-executive director of China Resources Medical Holdings Company Limited (Stock Code: 1515) since August 2018; (v) an independent non-executive director of CStone Pharmaceuticals (Stock Code: 2616) since February 2019; (vi) an independent non-executive director of Ocumension Therapeutics (Stock Code: 1477) since June 2020; and (vii) Sing Tao News Corporation Limited (Stock Code: 1105) since June 2021.

Given all such directorships are independent non-executive in nature (except for (i) above which is non-executive in nature) and do not require Mr. Wu to devote his full time and attention to the day-to-day operations or management of those companies, the Board and the Nomination Committee are of the view that Mr. Wu is able to devote sufficient time to the affairs of the Board notwithstanding the other directorships that he is holding. Additionally, Mr. Wu has confirmed that he is aware of the responsibilities of being a director of a listed company in Hong Kong and will be able to dedicate sufficient time and attention to the Board in discharging his duties as an independent non-executive Director.

Code Provision B.3.4 of the Corporate Governance Code stipulates that where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders, among other things, if the proposed independent non-executive director will be holding his seventh (or more) listed company directorship, why the board believes the individual will still be able to devote sufficient time to the board.

The details as required under this Code Provision in respect of the re-election of Mr. Wu as the independent non-executive Director at the 2021 annual general meeting was not provided in a circular of the Company dated April 26, 2022 due to inadvertence. Such details had nevertheless been disclosed in a supplemental announcement of the Company dated April 28, 2022.

3. Mr. Wan Yee Joseph Lau, an independent non-executive Director of the Company, has been appointed as the independent non-executive director of Clarity Medical Group Holding Limited, a company listed on the Stock Exchange (stock code: 1406), on June 30, 2022.

(iv) Change in Senior Management

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

(v) Change in Joint Company Secretaries and Authorized Representatives

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

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

XI. ISSUANCE OF SHARES AND UTILIZATION OF PROCEEDS

The Initial Global Offering

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

As at June 30, 2022, the Company has used (i) RMB559.37 million for payment of expenses incurred by the core products of the Company; (ii) RMB687.75 million for payment of expenses incurred by other product candidates of the Company; (iii) RMB383.4 million to finance internal research and development and/or potential acquisition for the purpose of complementing our product portfolio; and (iv) RMB255.8 million for replenishment of working capital and other general corporate purposes.

A detailed breakdown as to how the Group had used the net proceeds from the its initial global offering is set forth below:

Use of proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2021 (RMB million)	Amount of net proceeds utilized during the financial year ended December 31, 2021 (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2022 (RMB million)	Amount of proceeds unutilized as of June 30, 2022 (RMB million)
(A) For our Core Products:	35.00	895.30	609.20	163.20	446.0	110.07	559.37	335.93
(i) ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries	5.00	127.90	46.70	0.20	46.5	3.92	85.32	42.58
(a) the continuous expansion of market coverage of VenusA-Valve in China	3.15	80.60	–	–	–	–	80.60	–
(b) in the commercialization in Colombia	0.70	17.90	17.80	–	17.8	–	0.10	17.80
(c) the commercialization in the Philippines	0.70	17.90	17.60	–	17.6	–	0.30	17.60
(d) the commercialization in other jurisdictions such as Brazil and Taiwan	0.45	11.50	11.30	0.20	11.1	3.92	4.32	7.18
(ii) ongoing and planned R&D and commercial launches of VenusA-Plus	12.00	307.00	164.40	88.10	76.3	17.36	248.06	58.94
(a) pre-clinical activities in China	0.32	8.20	–	–	–	–	8.20	–
(b) the ongoing clinical trial in China	0.90	22.90	–	–	–	–	22.90	–
(c) registration	0.37	9.60	6.20	1.50	4.7	0.01	4.91	4.69
registration in China	0.11	2.80	0.10	0.10	–	–	2.80	–
registration in other jurisdictions	0.26	6.80	6.10	1.40	4.7	0.01	2.11	4.69
(d) the commercialization in various jurisdictions	8.37	214.10	117.70	68.00	49.7	16.09	180.49	33.61
commercialization in China	6.32	161.70	65.30	65.30	–	–	161.70	–
commercialization in other markets	2.05	52.40	52.40	2.70	49.7	16.09	18.79	33.61
(e) post-marketing surveillance	2.04	52.20	40.50	18.60	21.9	1.26	31.56	20.64

Use of proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2021 (RMB million)	Amount of net proceeds utilized during the financial year ended December 31, 2021 (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2022 (RMB million)	Amount of proceeds unutilized as of June 30, 2022 (RMB million)
(iii) ongoing and planned R&D and commercial launches of VenusP-Valve	18.00	460.40	398.10	74.90	323.2	88.79	225.99	234.41
(a) pre-clinical activities in the U.S.	1.06	27.10	1.00	1.00	–	–	27.10	–
(b) the clinical trial to be conducted for the FDA approval	2.17	55.50	55.50	3.10	52.4	1.84	4.94	50.56
(c) registration	0.92	23.40	12.10	1.90	10.2	2.01	15.21	8.19
NMPA	0.07	1.80	1.00	1.00	–	–	1.80	–
FDA	0.46	11.70	11.10	0.90	10.2	2.01	3.51	8.19
CE Marking	0.39	9.90	–	–	–	–	9.90	–
(d) commercialization in various jurisdictions	13.14	336.20	311.30	67.00	244.3	84.08	175.98	160.22
China	3.85	98.50	73.60	33.50	40.1	11.34	69.74	28.76
U.S. and Canada	1.27	32.50	32.50	0.30	32.2	0.44	0.74	31.76
EU	2.68	68.60	68.60	0.30	68.3	9.18	9.48	59.12
Other markets	5.34	136.60	136.60	32.90	103.7	63.12	96.02	40.58
(e) post-marketing surveillance	0.71	18.20	18.20	1.90	16.3	0.86	2.76	15.44
(B) Allocated to our other products and product candidates:	30.00	767.40	521.90	386.90	135.0	55.35	687.75	79.65
(i) ongoing and planned R&D and marketing of CEP device	17.00	434.90	279.80	179.60	100.2	38.75	373.45	61.45
(a) pre-clinical activities	4.18	106.90	71.00	58.50	12.5	0.24	94.64	12.26
(b) clinical trials primarily for the ongoing Phase II REFLECT trial in the U.S. and the clinical trial for TriGUARD3 planned to be conducted in China	3.69	94.40	77.70	25.40	52.3	22.21	64.31	30.09
(c) registration and post-marketing surveillance	3.93	100.50	43.50	23.30	20.2	14.18	94.48	6.02
(d) commercialization in various jurisdictions	5.20	133.10	87.60	72.40	15.2	2.12	120.02	13.08

Use of proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2021 (RMB million)	Amount of net proceeds utilized during the financial year ended December 31, 2021 (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2022 (RMB million)	Amount of proceeds unutilized as of June 30, 2022 (RMB million)
(ii) ongoing and planned R&D of VenusA-Pilot	3.00	76.70	75.00	56.70	18.3	0.10	58.50	18.20
(iii) ongoing and planned R&D of mitral valve products	2.00	51.20	37.60	37.60	–	–	51.20	–
(iv) R&D of tricuspid valve products	2.00	51.20	48.70	46.80	1.9	1.90	51.20	–
(v) ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8	2.00	51.20	40.60	26.00	14.6	14.60	51.20	–
(vi) ongoing and planned R&D of other product candidates	4.00	102.20	40.20	40.20	–	–	102.20	–
(C) Payment of considerations and other transaction expenses related to acquisition of Keystone	10.00	255.80	255.80	–	255.8	–	–	255.80
(D) Our continued expansion of product portfolio through internal research and/or potential acquisition	15.00	383.70	213.50	213.20	0.3	–	383.40	0.30
(E) Working capital and other general corporate purposes	10.00	255.80	–	–	–	–	255.80	–
TOTAL	100.00	2,558.00	1,600.40	763.30	837.1	165.42	1,886.32	671.68

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

The September 2020 Placing

The net proceeds received by the Company from the placing of an aggregate of an aggregated of 18,500,000 new H Shares taken place 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.

The 2021 interim report of the Company published on September 29, 2021 (the "2021 Interim Report") included a table on p. 37 which indicated that all of the proceeds from the September 2020 Placing (the "September 2020 Placing Proceeds") were intended for working capital and other general corporate purposes. In this regard, the Company published an announcement dated March 14, 2022 (the "Supplemental UoP Announcement") to supplement that due to an inadvertent clerical error, and to be consistent with the announcements dated September 3, 2020 and September 10, 2020 on the September 2020 Placing (the "September 2020 Placing Announcements") and the section under "Corporate Governance and Other Information – XI. Issuance of Shares and Utilization of Proceeds – The September 2020 Placing" of the 2021 Interim Report, the September 2020 Placing Proceeds were actually intended to be used for both (i) investments in upstream and downstream companies and (ii) working capital and other general corporate purposes.

For clarity, the breakdown of the intended purposes of the September 2020 Placing Proceeds are listed in the table below. The use of the September 2020 Placing Proceeds for the six months ended June 30, 2022 are as listed in the table below. All of the September 2020 Placing Proceeds have been used up in line with the intended purpose of the September 2020 Placing Proceeds as disclosed in the September 2020 Placing Announcements.

As of June 30, 2022, the Group had used the net proceeds from the placing for the following purposes:

Purposes for use of proceeds	Amount of intended use of net proceeds (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2021 (RMB million)	Amount of net proceeds utilized during the financial year ended December 31, 2021 (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2022 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Amount of actual use of net proceeds as of June 30, 2022 (RMB million)	Amount of unutilized proceeds as of June 30, 2022 (RMB million)
(i) investment in upstream and downstream companies	471.30	471.30	–	471.30	471.30	471.30	–
(ii) working capital and other general corporate purposes	562.71	501.41	501.41	–	–	562.71	–
TOTAL	1,034.01	972.71	501.41	471.30	471.30	1,034.01	–

The January 2021 Placing

The net proceeds (the "January 2021 Placing Proceeds") received 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. For the period ended as of the date of the Supplemental UoP Announcement, the Company has used RMB204.19 million for the following purposes:

Purposes for use of proceeds	Amount of intended use of net proceeds (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2021 (RMB million)	Amount of actual use of net proceeds as of January 1, 2022 (RMB million)	Amount of net proceeds utilized during the financial year ended December 31, 2021 (RMB million)	Amount of net proceeds available to be as of January 1, 2022 (RMB million)	Amount of net proceeds utilized from January 1, 2022 to the date of the Supplemental UoP Announcement (RMB million)	Amount of actual use of net proceeds as of the date of the Supplemental UoP Announcement (March 14, 2022) (RMB million)	Amount of net proceeds available to be utilized as of the date of the Supplemental UoP Announcement (March 14, 2022) (RMB million)
(i) development and research of the Company's product candidates, including Venus PowerX Valve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) and other products and technologies ("Development and Research")	714.60	714.60	50.98	50.98	663.62	–	50.98	663.62
(ii) development of and investment in other new technologies ("Investments")	238.20	238.20	35.66	35.66	202.54	13.94	49.60	188.60
(iii) working capital and other general corporate purposes ("General Working Capital")	238.20	238.20	–	–	238.20	103.61	103.61	134.59
TOTAL	1,191.00	1,191.00	86.64	86.64	1,104.36	117.55	204.19	986.81

As disclosed in the Supplemental UoP Announcement, having considered the reasons as stated in the paragraphs under "Reasons for Change in Use of Proceeds" in the Supplemental UoP Announcement, and to capture acquisition opportunities which may complement the Group's coverage in the field of medical devices for heart valve replacement and repair, the Group intends to expand the scope of the unutilized January 2021 Placing Proceeds allocated to Development and Research to the following: accelerating the development and research of the Company's product candidates including Venus PowerXValve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) and other products and technologies, and expansion of the Company's product candidates through investments, acquisition or other collaboration arrangements ("Expanded Development and Research"). Set out below is the proposed change of the use of the unutilized January 2021 Placing Proceeds:

Original use of net proceeds	**Changed use of net proceeds**	**Allocation of unutilized net proceeds (same as the amount of net proceeds available to be utilized as at the date of the Supplemental UoP Announcement (March 14, 2022)** (RMB million)
(i) Development and Research – i.e. accelerating the development and research of the Company's product candidates, including Venus PowerX Valve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) and other products and technologies	(i) Expanded Development and Research – i.e. accelerating the development and research of the Company's product candidates including Venus PowerX Valve, Venus Vitae Valve, an aortic valve repair device at pre-clinical stage (Leaflex), transcatheter mitral valve replacement (TMVR), transcatheter tricuspid valve replacement (TTVR) an other products and technologies, and expansion of the Company's product candidates through investments, acquisition or other collaboration arrangements	663.62

Original use of net proceeds	Changed use of net proceeds	Allocation of unutilized net proceeds (same as the amount of net proceeds available to be utilized as at the date of the Supplemental UoP Announcement (March 14, 2022) (RMB million)
(ii) Investments	Same as originals	188.60
(iii) General Working Capital	Same as originals	134.59
TOTAL		986.81

From the date of the date of the Supplemental UoP Announcement (March 14, 2022) and as at June 30, 2022, the Company had used the net proceeds from the January 2021 Placing for the following purposes as below:

Purposes for use of proceeds	Amount of intended use of net proceeds (RMB million)	Amount of net proceeds utilized from the date of the Supplemental UoP Announcement to June 30, 2022 (RMB million)	Amount of actual use of net proceeds as of June 30, 2022 (RMB million)	Amount of net proceeds available to be utilized as of June 30, 2022 (RMB million)
(i) Expanded Development and Research	663.62	92.09	143.07	571.53
(ii) Investments	188.60	–	49.60	188.60
(iii) General Working Capital	134.59	92.95	196.56	41.64
TOTAL	986.81	185.04	389.23	801.77

Regarding the net proceeds that had not been utilized as of June 30, 2022, the Company intends to use them in the same manner and proportions as stated in the Supplemental UoP Announcement (March 14, 2022). The Board expects that the unutilized Expanded Development and Research proceeds to be used by December 31, 2023 and the unutilized Investments proceeds and General Working Capital proceeds to be used by December 31, 2022.

XII. EVENTS AFTER THE REPORTING PERIOD

The Company is not aware of any material subsequent events from June 30, 2022 to the date of this report.

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

Hangzhou, PRC, August 31, 2022

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

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	5	**209,965**	239,269
Cost of sales		**(45,790)**	(51,181)
Gross profit		**164,175**	188,088
Other income and gains		**62,448**	34,877
Selling and distribution expenses		**(123,357)**	(99,050)
Research and development costs		**(220,316)**	(104,328)
Administrative expenses		**(54,746)**	(44,792)
Other expenses		**(38,022)**	(81,304)
Finance costs		**(18,400)**	(984)
Impairment losses on financial assets, net		**(3,595)**	(3,195)
Share of losses of associates		**(14,593)**	(6,523)
LOSS BEFORE TAX	6	**(246,406)**	(117,211)
Income tax credit/(expense)	7	**6,738**	(4)
LOSS FOR THE PERIOD		**(239,668)**	(117,215)

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

For the six months ended 30 June 2022

	Note	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**70,987**	(8,452)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**4,488**	(116)
Income tax effect		**(30)**	–
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**4,458**	(116)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**75,445**	(8,568)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(164,223)**	(125,783)
Loss attributable to:			
Owners of the parent		**(199,933)**	(113,063)
Non-controlling interests		**(39,735)**	(4,152)
		(239,668)	(117,215)
Total comprehensive loss attributable to:			
Owners of the parent		**(125,312)**	(121,631)
Non-controlling interests		**(38,911)**	(4,152)
		(164,223)	(125,783)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB(0.46)**	RMB(0.26)

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**258,092**	142,237
Right-of-use assets		**92,823**	108,510
Goodwill		**1,404,358**	519,711
Other intangible assets		**1,005,285**	304,744
Investments in associates		**71,801**	76,184
Deferred tax assets		**112,015**	8,170
Equity investments designated at fair value through other comprehensive income		**87,517**	16,194
Financial assets at fair value through profit or loss		**270,735**	477,155
Prepayments, other receivables and other assets		**23,566**	16,930
Total non-current assets		**3,326,192**	1,669,835
CURRENT ASSETS			
Inventories		**106,331**	90,519
Trade receivables	11	**336,260**	302,096
Prepayments, other receivables and other assets		**124,674**	89,232
Pledged deposits		**4,778**	2,563
Cash and cash equivalents		**2,435,122**	2,955,212
Total current assets		**3,007,165**	3,439,622
CURRENT LIABILITIES			
Trade payables	12	**29,306**	8,751
Lease liabilities		**12,560**	17,727
Other payables and accruals		**248,414**	144,732
Interest-bearing bank borrowings	13	**429,276**	4,900
Government grants		**14,993**	14,993
Contract liabilities		**4,387**	2,845
Refund liabilities		**15,015**	14,106
Tax payable		**8**	480
Total current liabilities		**753,959**	208,534

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Note	June 30, 2022 (Unaudited) RMB'000	December 31, 2021 (Audited) RMB'000
NET CURRENT ASSETS		**2,253,206**	3,231,088
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,579,398**	4,900,923
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	**495,377**	–
Other payables and accruals		**367,811**	167,480
Lease liabilities		**38,741**	48,148
Deferred tax liabilities		**209,428**	53,451
Government grants		**420**	–
Total non-current liabilities		**1,111,777**	269,079
Net assets		**4,467,621**	4,631,844
EQUITY			
Equity attributable to owners of the parent			
Share capital		**441,012**	441,012
Reserves		**3,979,306**	4,104,618
		4,420,318	4,545,630
Non-controlling interests		**47,303**	86,214
Total equity		**4,467,621**	4,631,844

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

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

* These reserve accounts comprise the consolidated reserves of RMB3,979,306,000 in the condensed consolidated statement of financial position as at 30 June 2022.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent								
	Share capital 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	Total equity RMB'000
At 1 January 2021 (audited)	422,969	3,938,987	268,195	(30,814)	(37,190)	(746,723)	3,815,424	41,611	3,857,035
Loss for the period	–	–	–	–	–	(113,063)	(113,063)	(4,152)	(117,215)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	(8,452)	–	(8,452)	–	(8,452)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(116)	–	–	(116)	–	(116)
Total comprehensive loss for the period	–	–	–	(116)	(8,452)	(113,063)	(121,631)	(4,152)	(125,783)
Issue of placing shares	18,043	1,187,853	–	–	–	–	1,205,896	–	1,205,896
Share issue expenses	–	(14,564)	–	–	–	–	(14,564)	–	(14,564)
At 30 June 2021 (unaudited)	441,012	5,112,276	268,195	(30,930)	(45,642)	(859,786)	4,885,125	37,459	4,922,584

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Note	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(246,406)	(117,211)
Adjustments for:			
Finance costs		18,271	984
Bank interest income		(8,635)	(24,105)
Impairment of trade and other receivables		3,595	3,195
Loss on termination of a lease		581	–
Depreciation of items of property, plant and equipment		12,399	5,439
Depreciation of right-of-use assets		8,851	6,755
Amortisation of other intangible assets		33,301	9,643
Loss on disposal of items of property, plant and equipment, net	6	453	8
(Reversal of write-down)/write-down of inventories to net realisable value	6	(2,227)	731
Fair value gain on a derivative financial instrument		–	(10,014)
Fair value (gains)/losses, net:			
Financial assets at fair value through profit or loss – mandatorily classified as such		(630)	931
Share of losses of associates		14,593	6,523
Foreign exchange differences, net		(46,820)	17,662
		(212,674)	(99,459)
Increase in inventories		(13,585)	(7,036)
Increase in trade receivables		(37,748)	(114,004)
Increase in prepayments and other assets		(21,317)	(4,631)
Increase in other receivables		(15,436)	(24,256)
Decrease in pledged time deposits		1,012	–
Increase in trade payables		20,555	2,419
(Decrease)/increase in other payables and accruals		(3,490)	9,302
Increase in contract liabilities		1,542	314
Increase in refund liabilities		909	7,075
Increase in government grants		420	750
Cash used in operations		(279,812)	(229,526)
Interest received		8,635	24,105
Net income tax refunded/(paid)		6,990	(863)
Net cash flows used in operating activities		(264,187)	(206,284)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(128,987)	(23,661)
Purchases of other intangible assets	(62,210)	(2,782)
Acquisition of a subsidiary	(944,691)	–
Increase in time deposits with original maturity of over three months	(298,995)	–
Purchase of equity investment designated at fair value through other comprehensive income	(66,835)	(6,511)
Repayments of loans to third parties	3,000	–
Interest received	53	–
Purchases of financial assets at fair value through profit or loss	–	(81,041)
Investment in associates	–	(51,342)
Proceeds from disposal of financial assets at fair value through profit or loss	–	54,142
Net cash flows used in investing activities	(1,498,665)	(111,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	879,447	–
Repayment of bank borrowings	(900)	–
Principal portion of lease payments	(9,192)	(9,368)
Interest portion of lease payments	(874)	(984)
Interest paid	(16,088)	–
Capital contribution from non-controlling shareholders	–	22,500
Proceeds from issue of placing shares	–	1,191,332
Net cash flows from financing activities	852,393	1,203,480

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(910,459)	886,001
Cash and cash equivalents at beginning of period	2,955,212	2,708,170
Effect of foreign exchange rate changes, net	76,514	(14,397)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,121,267	3,579,774
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,049,280	3,579,774
Non-pledged time deposits	385,842	–
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	2,435,122	3,579,774
Time deposits with original maturity of over three months when acquired	(313,855)	–
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	2,121,267	3,579,774

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2022, the Company and its subsidiaries (the "Group") were principally engaged in the research and development, and the manufacturing and sale of bioprosthetic heart valves.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 10 December 2019.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised IFRSs are described below: (continued)

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Mainland China	**195,940**	233,688
Others	**14,025**	5,581
Total	**209,965**	239,269

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

(b) Non-current assets

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Mainland China	**562,238**	477,893
United States of America ("USA")	**59,496**	31,692
Israel	**803,899**	134,740
Total	**1,425,633**	644,325

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

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue from contracts with customers		
Sale of medical devices	**209,965**	239,269

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Geographical markets		
Mainland China	**195,940**	233,688
Other countries/regions	**14,025**	5,581
Total revenue from contracts with customers	**209,965**	239,269
Timing of revenue recognition		
Goods transferred at a point in time	**209,965**	239,269

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of inventories sold	**44,082**	48,794
Impairment of trade receivables	**3,582**	3,154
Impairment of other receivables	**13**	41
(Reversal of write-down)/write-down of inventories to net realisable value	**(2,227)**	731
Loss on disposal of items of property, plant and equipment, net	**453**	8
Foreign exchange differences, net	**(46,820)**	17,662

7. INCOME TAX

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Company, since it was recognised as a High and New Technology Enterprise on 4 December 2019 and was entitled to a preferential tax rate of 15% (2021: 15%).

USA

Pursuant to the relevant tax laws of the USA, federal corporation income tax was levied at the rate of 21% (2021: 21%) on the taxable income arising in the USA.

Israel

Pursuant to the relevant tax laws of Israel, the corporate income tax was levied at 23% (2021: 23%) on the taxable income arising in Israel.

7. INCOME TAX (continued)

United Kingdom ("UK")

Pursuant to the relevant tax laws of the UK, the principal federal tax was levied at the rate of up to 19% (2021: up to 19%) on the taxable income arising in the UK.

Netherlands ("NL")

Pursuant to the relevant tax laws of the NL, the corporate income tax was levied at the rate of up to 25% (2021: up to 25%) on the taxable income arising in the NL.

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax – PRC		
Charge for the period	**65**	1,125
Current tax – USA		
Charge for the period	**1**	14
Current tax – Israel		
Charge for the period	**23**	–
Current tax – UK		
Charge for the period	**–**	7
Current tax – NL		
Charge for the period	**–**	87
Deferred tax	**(6,827)**	(1,229)
	(6,738)	4

8. DIVIDEND

The Board does not recommend the payment of any dividend in respect for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 436,986,462 (six months ended 30 June 2021: 438,220,338) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	**199,933**	113,063

	Number of shares For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Shares		
Weighted average number of shares in issue during the period	**436,986,462**	438,220,338

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount at beginning of period/year	**142,237**	69,295
Additions	**119,426**	86,415
Acquisition of a subsidiary	**10,158**	1,231
Depreciation provided during the period/year	**(12,399)**	(14,844)
Disposals	**(496)**	(62)
Exchange realignment	**(834)**	202
Carrying amount at end of period/year	**258,092**	142,237

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 6 months	**204,729**	184,308
7 to 12 months	**74,450**	92,884
1 to 2 years	**57,020**	24,664
Over 2 years	**61**	240
	336,260	302,096

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	28,461	7,812
3 to 6 months	274	685
6 to 12 months	287	172
Over 12 months	284	82
	29,306	8,751

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Current				
Bank loans – unsecured	1-year LPR plus 0.45%	2023	100,104	–
Bank loan – secured United States dollars ("USD") 23,000,000 bank loan (note (a))	LIBOR plus 3.50%	2022	154,362	–
Bank loans – unsecured	1-year LPR plus 2.15%	2022	–	500
Bank loan – unsecured	3.85%	2023	50,000	–
Current portion of long-term bank loan – secured USD90,000,000 bank loan (note (b))	LIBOR plus 3.65%	2023	120,805	–
Current portion of long-term bank loan – secured (note (c))	1-year LPR plus 0.60%	2022	4,005	4,400
			429,276	4,900
Non-current				
Bank loan – secured USD90,000,000 bank loan (note (b))	LIBOR plus 3.65%	2024-2025	483,221	–
Bank loans – secured (note (d))	5-year LPR minus 0.10%	2026-2036	12,156	–
			495,377	–
			924,653	4,900

13. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	429,276	4,900
In the second year	181,208	–
In the third to fifth years, inclusive	314,169	–
	924,653	4,900

Notes:

(a) The Company has guaranteed the bank loan up to USD23,000,000 plus default interest to one of its subsidiaries, Venus Medtech (Hong Kong) Limited.

(b) The bank loan of USD90,000,000 is secured by:

(i) credit guarantee from the Company;

(ii) mortgages over the Group's equity interests in certain of its subsidiaries, Venus Medtech (Hong Kong) Limited, Athena Medtech Holding Ltd. and Mitraltech Holdings Ltd.; and

(iii) the pledge of certain of the Group's time deposits amounting to approximately RMB1,878,000 at the end of the reporting period.

(c) The bank loan of RMB4,005,000 (31 December 2021: RMB4,400,000) is secured by the previous controlling shareholder of one of the Group's subsidiaries, Hangzhou Nuocheng Medical Technology Co., Ltd..

(d) The bank loan of RMB12,156,000 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 RMB30,100,000.

(e) Except for the bank loans of USD23,000,000 and USD90,000,000 which are denominated in USD, all loans are in RMB.

14. BUSINESS COMBINATION

On 25 January 2022, the Group acquired a 94.38% equity interest in Mitraltech Holdings Ltd. ("MTH", together with its subsidiaries, the "MTH Group"), which is a private company incorporated in Israel engaged in the design, development and commercialisation of medical devices, at a consideration of USD195,489,000 (equivalent to RMB1,246,161,000). The acquisition was made as part of the Group's strategy to further improve the Group's research and development business and expand the business of the Group's medical services.

The acquisition was completed on 25 January 2022 when the Group obtained control of the operating and financial activities of MTH Group.

14. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of MTH Group as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition RMB'000 (Unaudited)
Cash and bank balances		38,167
Pledged deposits		3,230
Other receivables		4,788
Property, plant and equipment	10	10,158
Other intangible assets		667,421
Deferred tax assets		98,596
Trade payables		(5,519)
Other payables and accruals		(172,542)
Deferred tax liabilities		(153,507)
Total identifiable net assets at fair value		490,792
Goodwill on acquisition		755,369
		1,246,161
Satisfied by:		
Cash consideration paid during the six months ended 30 June 2022		982,858
Contingent considerations payables as at 30 June 2022		263,303
		1,246,161

14. BUSINESS COMBINATION (continued)

The assessment of the fair value of the identifiable assets and liabilities of MTH Group is still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional at the date of the interim condensed consolidated financial information. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2022.

The fair value of the other receivables as at the date of acquisition amounted to RMB4,788,000 and the gross contractual amount of the other receivables was RMB4,788,000.

The Group incurred transaction costs of RMB3,864,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

The goodwill of RMB755,369,000 recognised above is due to the new markets entered into by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore it does not meet the criteria for recognition as intangible assets under IAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the share purchase agreement, contingent consideration is payable, which is dependent on the occurrence of milestone events, including the achievement of either the National Medical Products Administration of China (the "NMPA") approval, Food and Drug Administration (the "FDA") approval or CE Marking and medical device registration of MTH Mitral Valve Product ("Milestone 1"), the achievement of either the NMPA approval, the FDA approval or CE mark and medical device registration of MTH Tricuspid Valve Product ("Milestone 2") and the achievement of certain successful implantation and survival of patients in mainland China using the two product mentioned above ("Milestone 3"). The initial amount recognised was USD41,305,000 (equivalent to RMB263,303,000) which was determined using the discounted cash flow model and is within Level 3 fair value measurement. At the date of approval of this financial information, no further significant changes to the consideration are expected.

14. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000 (Unaudited)
Cash consideration	(982,858)
Cash and bank balances acquired	38,167
Net outflow of cash and cash equivalents included in cash flows from investing activities	(944,691)
Transaction costs of the acquisition included in cash flows from operating activities	(3,864)
	(948,555)

Since the acquisition, MTH Group has not contributed any revenue to the Group and has caused loss of RMB62,189,000 to the Group's consolidated loss for the six months ended 30 June 2022.

Had the combination taken place at the beginning of the period, the revenue of the Group and the loss of the Group for the period would have been RMB209,965,000 and RMB249,834,000, respectively.

15. COMMITMENTS

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	13,947	22,251
Purchases of other intangible assets	2,343	2,343
Capital consideration to purchase a subsidiary	–	121,138
Capital contribution payable to purchase limited partnership interests	–	63,757
	16,290	209,489

16. RELATED PARTY TRANSACTIONS

(a) The Group had no transactions with related parties during the period (six months ended 30 June 2021: Nil).

(b) The Group had no outstanding balances with related parties as at the end of the reporting period (31 December 2021: Nil).

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Salaries, bonuses, allowances and benefits in kind	4,007	4,601
Pension scheme contributions	80	60
Total compensation paid to key management personnel	4,087	4,661

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:

As at 30 June 2022

Financial assets

	Financial assets at amortised cost (Unaudited) RMB'000	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total (Unaudited) RMB'000
		Equity instruments (Unaudited) RMB'000	Mandatorily classified as such (Unaudited) RMB'000	
Equity investments designated at fair value through other comprehensive income	–	87,517	–	87,517
Financial assets at fair value through profit or loss	–	–	270,735	270,735
Trade receivables	336,260	–	–	336,260
Financial assets included in prepayments, other receivables and other assets	58,220	–	–	58,220
Pledged deposits	4,778	–	–	4,778
Cash and cash equivalents	2,435,122	–	–	2,435,122
	2,834,380	87,517	270,735	3,192,632

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)

As at 30 June 2022 (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	–	29,306	29,306
Financial liabilities included in other payables and accruals	–	120,264	120,264
Interest-bearing bank borrowings	–	924,653	924,653
Contingent consideration payables	444,695	–	444,695
	444,695	1,074,223	1,518,918

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)

As at 31 December 2021

Financial assets

	Financial assets at amortised cost (Audited) RMB'000	Financial assets at fair value through other comprehensive income: Equity instruments (Audited) RMB'000	Financial assets at fair value through profit or loss: Mandatorily classified as such (Audited) RMB'000	Total (Audited) RMB'000
Equity investments designated at fair value through other comprehensive income	–	16,194	–	16,194
Financial assets at fair value through profit or loss	–	–	477,155	477,155
Trade receivables	302,096	–	–	302,096
Financial assets included in prepayments, other receivables and other assets	42,330	–	–	42,330
Pledged deposits	2,563	–	–	2,563
Cash and cash equivalents	2,955,212	–	–	2,955,212
	3,302,201	16,194	477,155	3,795,550

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)

As at 31 December 2021 (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	–	8,751	8,751
Financial liabilities included in other payables and accruals	–	103,022	103,022
Interest-bearing bank borrowings	–	4,900	4,900
Contingent consideration payables	167,480	–	167,480
	167,480	116,673	284,153

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

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors twice a year for interim and annual financial reporting.

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

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

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

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 discounted cash flow method for unlisted debt investments measured as financial assets at fair value through profit or loss, and an unlisted equity investment measured as a financial asset at fair value through other comprehensive income. The fair value measurement of these financial instruments may involve unobservable inputs such as risk-free rate and discount rate. The Group periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial assets in Level 3.

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

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2022 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.

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:

As at 30 June 2022

	Fair value measurement using			
	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	Total (Unaudited) RMB'000
Equity investments designated at fair value through other comprehensive income	–	70,469	17,048	87,517
Financial assets at fair value through profit or loss				
Unlisted debt investments	–	–	270,735	270,735
	–	70,469	287,783	358,252

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)

As at 31 December 2021

	Fair value measurement using			
	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	Total (Audited) RMB'000
Equity investments designated at fair value through other comprehensive income	–	16,194	–	16,194
Financial assets at fair value through profit or loss				
Unlisted debt investments	–	330,310	146,845	477,155
	–	346,504	146,845	493,349

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)

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

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Financial assets at fair value through other comprehensive income:		
At 1 January	–	–
Transfer from Level 2	16,194	–
Total gains recognised in profit or loss included in other income	854	–
At 30 June	17,048	–
Financial assets at fair value through profit or loss:		
At 1 January	146,845	64,473
Transfer from Level 2	110,349	81,041
Total gains/(losses) recognised in profit or loss included in other income	13,541	(931)
At 30 June	270,735	144,583

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)

Liabilities measured at fair value:

As at 30 June 2022

	Fair value measurement using			
	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	Total (Unaudited) RMB'000
Contingent consideration payables	–	–	444,695	444,695

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)

Liabilities measured at fair value: (continued)

As at 31 December 2021

	Fair value measurement using			
	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	Total (Unaudited) RMB'000
Contingent consideration payables	–	–	167,480	167,480

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 2021: Nil) and no transfer of fair value measurements into or out of Level 3 for financial liabilities (six months ended 30 June 2021: Nil).

Definitions

"ANVISA"	Brazil's National Health Surveillance Agency
"AS"	Aortic Stenosis
"Audit Committee"	the audit committee of the Board
"BGMP"	Brazil Good Manufacture Practice
"Board"	the board of directors of the Company
"CE Marking"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CEP"	cerebral embolic protection, the function of the devices designed to capture or deflect emboli traveling to the brain during TAVR procedures in order to protect the supra-aortic vessels from embolic debris
"cGMP"	Current Good Manufacture Practice
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
"CIT"	Chinese Interventional Therapeutics
"Company"	Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司), a limited liability company incorporated in the PRC on July 3, 2009 and converted into a joint stock limited liability company incorporated in the PRC on November 29, 2018, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 2500)
"Core Product(s)"	VenusA-Valve, VenusA-Plus and VenusP-Valve, the designated "core product" as defined under Chapter 18A of the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules

"COVID-19"	an infectious disease caused by a newly discovered coronavirus, the outbreak of which began in December 2019
"Directors"	the director(s) of the Company
"EU"	the European Union
"FDA"	U.S. Food and Drug Administration
"FIM"	First In Man
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group" or "we/our/us"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars
"HCM"	hypertrophic cardiomyopathy
"HK$"	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
"InterValve"	InterValve Medical Inc., a company incorporated in Delaware, the U.S, on November 18, 2016 and is indirectly wholly-owned by the Company as of the date of announcement
"Keystone"	Keystone Heart Ltd. and its subsidiaries

Definitions

"KOLs"	acronym for Key Opinion Leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"Listing Rules"	the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LVOT"	left ventricular outflow tract, the anatomic structure through which the left ventricular stroke volume passes towards the aorta
"MDR"	Regulation (EU) 2017/745
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"PI"	principle investigator
"Prospectus"	the prospectus published by the Company on November 28, 2019 in relation to its Hong Kong public offering
"R&D"	research and development
"RDN"	renal artery denervation
"Reporting Period"	the six months period from January 1, 2022 to June 30, 2022
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of China
"RVOT"	right ventricular outflow tract, an infundibular extension of the ventricular cavity which connects to the pulmonary artery
"RVOTD"	the dysfunction of RVOT
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each

"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
"TAP treatment"	Transannular patching, a type of treatment for ToF that involves closing the ventricular septal defect and placing a transannular patch (a patch across the pulmonary valve connective tissue to enlarge the pulmonary annulus), which helps blood flow from the pulmonary valve
"TAV8"	TAV8 Balloon Aortic Valvuloplasty Catheter, one of our balloon transluminal aortic valvuloplasty catheter system products
"TAVR"	transcatheter aortic heart valve replacement, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open-chest surgery to correct severe aortic stenosis
"TMVR"	transcatheter mitral valve replacement, catheter-based technique to implant a new mitral valve in a minimally invasive procedure that does not involve open-chest surgery
"ToF"	tetralogy of fallot, a congenital abnormality of the heart characterized by pulmonary stenosis, an opening in the interventricular septum, malposition of the aorta over both ventricles, and hypertrophy of the right ventricle
"TPVR"	transcatheter pulmonary valve replacement, a catheter-based technique to implant a new pulmonary valve in a minimally invasive procedure that does not involve open-chest surgery
"TriGUARD3"	TriGUARD3 Cerebral Embolic Protection Device, our CEP product candidate

Definitions

"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in a minimally invasive procedure that does not involve open-chest surgery
"U.S." or "USA"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"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
"US$"	United States dollars, the lawful currency of the United States of America
"V8"	V8, one of our balloon transluminal aortic valvuloplasty catheter system products
"Venus-PowerX"	Venus PowerX Valve, one of our TAVR product candidates
"Venus-Vitae"	Venus Vitae Valve, one of our TAVR product candidates
"VenusA-Plus"	VenusA-Plus System, one of our TAVR products
"VenusA-Valve"	VenusA-Valve System, our TAVR product
"VenusP-Valve"	VenusP-Valve System, our TPVR product

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.