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杭州启明醫療器械股份有限公司

Venus Medtech (Hangzhou) Inc.

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

(Stock Code: 2500)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE

I. INTRODUCTION

During the Relevant Period, the Company had made Mr. Zi Loans. Prior approvals of the Board and independent Shareholders (if applicable) should have been obtained for the Mr. Zi Loans. The maximum amount including interest outstanding at any given time in the Relevant Period was approximately RMB360,595,248.17. As at the date of this announcement, the principal amount and the interest for the Mr. Zi Loans have been repaid.

During the year 2022, the Company had made Mr. Zeng Loans. Prior approvals of the Board should have been obtained for the Mr. Zeng Loans. The maximum amount including interest outstanding at any given time during the year 2022 was approximately RMB268,253,544.15. As at the date of this announcement, the principal amount and the interest for the Mr. Zeng Loans have been repaid.

II. PROVISION OF FINANCIAL ASSISTANCE TO MR. ZI

The details of Mr. Zi Loans are as follows:

Serial number	Amount of borrowing	Date of lending	Date of repayment
1.	RMB30,000,000.00	June 17, 2021	December 31, 2021
2.	RMB30,000,000.00	July 27, 2021	December 31, 2021
3.	HKD10,000.00	December 14, 2021	December 22, 2021
4.	HKD179,990,000.00	December 15, 2021	December 22, 2021
5.	RMB120,000,000.00	January 1, 2022	December 31, 2022; From March 28 to March 31, 2023
6.	RMB50,000,000.00	January 4, 2022	December 30, 2022
7.	RMB50,000,000.00	January 4, 2022	December 30, 2022; December 31, 2022
8.	HKD150,000,000.00	January 12, 2022	April 7, 2022
9.	USD2,000,000.00	January 12, 2022	April 7, 2022
10.	RMB3,000,000.00	January 25, 2022	December 31, 2022
11.	HKD100,000,000.00	June 1, 2022	July 22, 2022; December 31, 2022
12.	RMB4,140,000.00	June 23, 2022	June 24, 2022; June 27, 2022
13.	RMB500,000.00	June 30, 2022	December 31, 2022
14.	RMB5,000,000.00	August 29, 2022	December 31, 2022
15.	RMB9,990,000.00	September 20, 2022	September 26, 2022
16.	RMB5,510,000.00	September 20, 2022	December 31, 2022; From March 28 to March 31, 2023
17.	RMB250,000,000.00	January 1, 2023	From March 28 to March 31, 2023

An interest equivalent to 3% per annum is charged on the Mr. Zi Loans. Such interest was determined with reference to prevailing market rates. The Mr. Zi Loans were unsecured with no fixed term of repayment. The provision of the Mr. Zi Loans were financed by the internal resources of the Group and no part of the proceeds from Listing or subsequent fund raising activities of the Company had been applied for the provision of the Mr. Zi Loans.

As at the date of this announcement, the total principal amount and the total accrued interest of the Mr. Zi Loans have been repaid to the Company.

III. PROVISION OF FINANCIAL ASSISTANCE TO MR. ZENG

The details of Mr. Zeng Loans are as follows:

Serial number	Amount of borrowing	Date of lending	Date of repayment
1.	USD15,000,000.00	January 4, 2022	December 24, 2022; December 28, 2022; December 29, 2022
2.	HKD100,000,000.00	January 4, 2022	December 30, 2022; December 31, 2022
3.	HKD20,000,000.00	January 7, 2022	December 31, 2022
4.	HKD7,841,613.10	March 14, 2022	December 29, 2022
5.	HKD20,000,000.00	April 25, 2022	December 31, 2022
6.	USD638,749.07	June 27, 2022	November 1, 2022
7.	USD2,061,210.95	July 21, 2022	December 31, 2022

An interest equivalent to 3% per annum is charged on the Mr. Zeng Loans. Such interest was determined with reference to prevailing market rates. The Mr. Zeng Loans were unsecured with no fixed term of repayment. The provision of the Mr. Zeng Loans were financed by the internal resources of the Group and no part of the proceeds from Listing or subsequent fund raising activities of the Company had been applied for the provision of the Mr. Zeng Loans.

As at the date of this announcement, the total principal amount and the total accrued interest of the Mr. Zeng Loans have been repaid to the Company.

IV. INFORMATION OF THE PARTIES

The Company is principally engaged in the transcatheter heart valve market in China and globally. Its products and product candidates are designed for transcatheter implantation to replace dysfunctional heart valves mainly associated with aortic stenosis and pulmonic, mitral and tricuspid regurgitation.

As at the date of this announcement, Mr. Zi is a PRC resident; Mr. Zeng is a U.S. citizen and each of them is a Director.

V. REASONS AND BENEFITS OF THE TRANSACTION

Mr. Zi, who is an executive Director and a substantial Shareholder, and Mr. Zeng, who is the Chairman, an executive Director and a substantial Shareholder have played a pivotal and irreplaceable role in the Group since the founding of the Group up to present. Under their leadership, the Company completed its initial public offering in Hong Kong in 2019 and full circulation of domestic shares in 2022. It is necessary for the Group to support and retain key management personnel, in particular Mr. Zi and Mr. Zeng, so that they can continue to lead and make valuable contribution to the Group in future.

The Mr. Zi Loans and Mr. Zeng Loans can appropriately increase the efficiency of the use of some idle funds. It was expected that the relevant interest income may bring stable income and cash flows to the Group which may further increase the overall revenue of the Group.

The Directors are of the view that neither the Mr. Zi Loans nor the Mr. Zeng Loans had any material adverse impact on the financial position of the Group.

VI. IMPLICATIONS UNDER THE LISTING RULES

1. Mr. Zi Loans

As at the date of this announcement, Mr. Zi is an executive Director and a substantial shareholder of the Company. As such, Mr. Zi is a connected person of the Company, and the provision of the Mr. Zi Loans constituted connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Mr. Zi Loans, on an aggregate basis, are more than 5%, the provision of the Mr. Zi Loans were subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios in respect of the Mr. Zi Loans, on an aggregate basis, are more than 5% but less than 25%, the Mr. Zi Loans also constituted discloseable transactions for the Company and were subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Mr. Zi Loans constituted loans to an entity under Rule 13.13 of the Listing Rules. In January 2022, on an aggregate basis, the asset ratio had exceeded 8% and therefore the provision of the Mr. Zi Loans was subject to the announcement requirement under Rules 13.13 and 13.15 of the Listing Rules. In addition, in January 2023, on an aggregate basis, the Company was required to disclose the details of the relevant loans pursuant to Rules 13.14 and 13.15 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other transactions, which would be, together with the Mr. Zi Loans, aggregated under Rule 14A.81 of the Listing Rules.

2. Mr. Zeng Loans

As at the date of this announcement, Mr. Zeng is an executive Director and a substantial Shareholder of the Company. As such, Mr. Zeng is a connected person of the Company, and the provision of the Mr. Zeng Loans constituted connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Mr. Zeng Loans, on an aggregate basis, are more than 0.1% but less than 5%, the provision of the Mr. Zeng Loans was subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other transactions, which would be, together with the Mr. Zeng Loans, aggregated under Rule 14A.81 of the Listing Rules.

VII. BREACH OF CHAPTERS 13, 14 AND 14A OF THE LISTING RULES

1. Breaches relating to Mr. Zi Loans

The applicable percentage ratios for the first four tranches of the Mr. Zi Loans had exceeded 0.1% but were less than 5% in aggregate. Therefore, the aforesaid loans then constituted connected transactions of the Company and shall be subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements. The Company had omitted to comply with such requirements and failed to announce the aforesaid loans when the same were conducted in 2021.

Immediately after the fifth tranche of the Mr. Zi Loans in the amount of RMB120,000,000.00 in January 2022, the applicable percentage ratios for such fifth tranche of loan, when aggregated with the previous tranches of loans in 2021, had exceeded 5%. Therefore, the aforesaid fifth tranche of loan, together with other subsequent tranches of loans under the Mr. Zi Loans, (i) constituted discloseable transactions of the Company under Chapter 14 of the Listing Rules and were subject to the reporting and announcement requirements; and (ii) connected transactions and were subject to the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had omitted to comply with the above requirements and failed to obtain independent shareholders' approval and announce the Mr. Zi Loans when the same was conducted in January 2022.

Immediately after the eighth tranche of the Mr. Zi Loans in the amount of HKD150,000,000.00 in January 2022, the asset test for such eighth tranche of the Mr. Zi Loans, when aggregated with the previous tranches of the Mr. Zi Loans, exceeded 8%. Therefore, the Mr. Zi Loans constituted loans to an entity under Rules 13.13 and 13.15 of the Listing Rules. The Company failed to announce the Mr. Zi Loans in accordance with Rules 13.13 and 13.15 of the Listing Rules.

Immediately after the 17th tranche of the Mr. Zi Loans in the amount of RMB250,000,000.00 in January 2023, the asset test for such 17th tranche of the Mr. Zi Loans, when aggregated with the previous tranches of the Mr. Zi Loans, the amount of the increase is more than 3%. Therefore, the Mr. Zi Loans constituted loans to an entity under Rules 13.14 and 13.15 of the Listing Rules. The Company failed to announce the Mr. Zi Loans in accordance with Rules 13.14 and 13.15 of the Listing Rules.

2. Breaches relating to the Mr. Zeng Loans

The applicable percentage ratios for the Mr. Zeng Loans had exceeded 0.1% but were less than 5% in aggregate. Therefore, the Mr. Zeng Loans constituted connected transactions for the Company under Chapter 14A of the Listing Rules and were subject to the reporting and announcement requirements, but were exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had omitted to comply with the above requirements and failed to announce the Mr. Zeng Loans when the same was conducted in 2022.

VIII. REMEDIAL MEASURES

Regrettably, the Company failed to comply with these Listing Rules requirements due to its oversight. In particular, the non-executive Directors and independent non-executive Directors of the Company were unaware of the Mr. Zi Loans and Mr. Zeng Loans. As at the date of this announcement, the principal amount and the interest for the Mr. Zi Loans were fully repaid. As at the date of this announcement, the principal amount and the interest for the Mr. Zeng Loans were repaid. An independent financial adviser has been engaged to advise the independent board committee on the fairness and reasonableness of the term of the connected transactions as soon as practicable and the opinion of the independent financial adviser will be disclosed in the circular to be despatched to the Shareholders. It is expected that the circular will be issued more than 15 business days after the publication of this announcement, as more time is needed for the preparation of certain information to be included in the circular.

In order to ensure proper compliance of the Listing Rules in the future, the Company is taking the following remedial measures:

- (i) The Company has engaged an internal control consultant, Zhonghui Anda Risk Services Limited, to review and identify any deficiencies in the design and implementation of the Company's financial reporting procedures and internal control policies, make recommendations based on any deficiencies identified, further review the Company's remedial measures, and issue a final report after such further review.
- (ii) The audit committee of the Company consisting of three independent non-executive Directors will be entrusted with the responsibility to review and improve the internal control system and financial reporting system of the Company.
- (iii) The Company will modify its existing procedures in monitoring connected transactions and discloseable transactions of the Group under Chapters 14 and 14A of the Listing Rules in accordance with the recommendations of the internal control consultant of the Company. The Company will also designate a specific personnel with professional knowledge to oversee and review the nature of transactions between the Group and its connected persons on an ongoing basis. The designated personnel will also periodically provide the management of the Company with a list of the connected persons of the Company, their corresponding relationships with the Group and details of any transactions with such connected persons and will notify the Board before any proposed transactions are entered into between the Group and such connected persons.

- (iv) The Group will issue relevant guidance and training materials, in particular, on how to identify notifiable and connected transactions under the Listing Rules, to the Directors, senior management and the relevant staff of the Group. The Group will also arrange training sessions on compliance requirements for notifiable and connected transactions so as to improve the standard of corporate governance and operating management of the Company.
- (v) The Company will seek legal advice and/or other professional advice from time to time as and when it is necessary to ensure proper compliance with the relevant requirement of the Listing Rules by the Group.
- (vi) The Company undertakes that it will not make any loans, advances or guarantees to any of the Directors or their respective associates.

The Company expects to complete the above remedial measures by the end of June 2023.

IX. DEFINITIONS

Unless otherwise defined, the following expressions in this announcement shall have the following meanings:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“Company”	Venus Medtech (Hangzhou) Inc., a joint stock company incorporated in the PRC with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange on December 10, 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zeng”	Mr. Min Frank Zeng (曾敏), an executive Director, a substantial Shareholder and the Chairman

“Mr. Zeng Loans”	a number of tranches of loans made by the Company to Mr. Zeng or his designated entities, details of which are set out in the section headed “Provision of financial assistance to Mr. Zeng” in this announcement
“Mr. Zi”	Mr. Zhenjun Zi (訾 振 軍), an executive Director and a substantial shareholder
“Mr. Zi Loans”	a number of tranches of loans made by the Company to Mr. Zi or his designated entities, details of which are set out in the section headed “Provision of financial assistance to Mr. Zi” in this announcement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Relevant Period”	the period from June 2021 to January 2023 during which the Mr. Zi Loans were made
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.0 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“USD”	the US dollars, the lawful currency of the United States of America
“%”	per cent

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

Hangzhou, May 8, 2023

As at the date of this announcement, the executive Directors are Mr. Min Frank Zeng, Mr. Zhenjun Zi and Ms. Meirong Liu; the non-executive Director is Mr. Ao Zhang; and the independent non-executive Directors are Mr. Ting Yuk Anthony Wu, Mr. Wan Yee Joseph Lau and Mr. Chi Wai Suen.