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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)**

**(1) KEY FINDINGS OF THE INDEPENDENT INTERNAL CONTROL REVIEW;  
AND  
(2) CLARIFICATION ON THE FINANCIAL REPORTS AND  
THE RESULTS ANNOUNCEMENTS**

This announcement is published by Venus Medtech (Hangzhou) Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated May 8, 2023 in relation to, amongst others, the Mr. Zi Loans and the Mr. Zeng Loans and the discloseable and connected transactions in relation to the provision of financial assistance contemplated thereunder (the “**Announcement**”). Unless otherwise stated, capitalized terms used in this announcement shall bear the same meanings as those defined in the Announcement.

**(1) KEY FINDINGS OF THE INDEPENDENT INTERNAL CONTROL REVIEW**

**Background**

As disclosed in the Announcement, the Mr. Zi Loans which were made during the Relevant Period, and the Mr. Zeng Loans which were made during the year 2022, resulted in breaches of Rules 13.14, 13.15 and Chapter 14A of the Listing Rules by the Company. In order to ensure proper compliance of the Listing Rules in the future, the Company has taken the number of remedial measures, including without limitation, engaging Zhonghui Anda Risk Services Limited (“**Zhonghui Anda**”) as an internal control consultant to (i) review and identify any deficiencies in the design and implementation of the Company’s financial reporting procedures and internal control policies; (ii) make recommendations based on any deficiencies identified; and (iii) further review the Company’s remedial measures (the “**Internal Control Review**”).

The purpose of this section of the announcement is to provide a summary of the key findings, recommendations made by Zhonghui Anda and the remedial actions taken by the Group, if any, based on the report issued by Zhonghui Anda setting forth its findings under the Internal Control Review (the “**Internal Control Review Report**”).

<b>Subject</b>	<b>Summary of key findings of the Internal Control Review and/or, if any, remedial actions undertaken by the Company</b>
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**Internal control procedures at the material time of the Mr. Zi Loans and the Mr. Zeng Loans**

**(i) Connected Transaction Management Rules**

The Company had internal control procedures in place at the material time to address any loans and/or advances made to directors which constituted connected transactions under the Listing Rules.

According to the Connected Transaction Management Rules, connected transactions which are fully-exempted under Chapter 14A of the Listing Rules were subject to approval by the general manager of the Company, and shall be reported in writing to the general manager by the department which first came to be aware of any such transactions. Connected transactions which are partially-exempted under Chapter 14A of the Listing Rules were to be reported to the Board by the general manager or director who first came to be aware of any such transactions, and shall subsequently be subject to the Board’s consideration and approval. Connected transactions which are non-exempted under Chapter 14A of the Listing Rules shall require Board approval, followed by independent Shareholders’ approval.

**(ii) Information Disclosure Management Rules**

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

The revised Information Disclosure Management Rules, which came into effect on June 19, 2023, was distributed by way of an announcement to all employees of the Company on June 26, 2023. The Information Disclosure Management Rules now stipulate timely disclosure of details in announcement(s) as required by Chapter 13 of the Listing Rules, such as information about the nature of transactions, events leading to transactions, identities of debtors, interest rates, repayment terms and collateral involved. It also provides that, in the case of any non-exempt grant of indemnity, guarantee or provision of financial assistance by the Company, relevant percentage ratios shall be computed in accordance with Rule 14.07 of the Listing Rules and, where appropriate, the Company shall observe the relevant compliance requirements under Rule 14.33 of the Listing Rules.

**(iii) Internal approval procedures**

Despite assessments for credit risk and loan repayment ability were undertaken in respect of Mr. Zi and Mr. Zeng before each Loan to Director was made, the Loans to Directors were not approved in accordance with the internal management system of the Company and the relevant requirements of the Listing Rules, and the Company did not retain the relevant credit risk and loan repayment ability assessment records during the approval process of the Mr. Zi Loan and Mr. Zeng Loan.

**(iv) List of connected persons**

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

As a remedial measure, the updated list of connected persons which has been reviewed by the compliance adviser of the Company was circulated to all Directors, chief executives of the Company and key employees of the finance department of the Company on June 28, 2023. Furthermore, since June 2023, the legal department has been routinely responsible for the daily maintenance and timely update of such list.

(v) **Procedures for review of financial statements**

Throughout the material period, financial statements of the Company's domestic and offshore subsidiaries have been mainly collected by the general ledger team and presented to the financial controller for review every month. After the financial statements of members of the Group have been handed over to the finance department, the Group's monthly, quarterly, half-yearly and annual consolidated financial statements would be prepared by the finance department, after which, the working papers will be passed onto the then-Chief Financial Officer for preliminary review or approval. The interim results announcement and interim report materials would be prepared by the finance department, and initially reviewed by the then-Chief Financial Officer before being presented to the audit committee of the Company (the "**Audit Committee**") and the Board for approval. The annual results announcement and annual report materials would similarly be prepared by the finance department, initially reviewed by the then-Chief Financial Officer, audited by the Company's auditors, and finally approved by the Audit Committee and the Board.

Despite the finance department compiled consolidated financial statements on a monthly basis at the material time, the Internal Control Review found that such financial statements were not provided for review by the Board every month. Without being able to review such information on a monthly basis, the Board did not receive "a balanced and understandable assessment of the issuer's performance, position and prospects" to the extent necessary for compliance with the requirements in Code Provision D.1.2 of Appendix 14 to the Listing Rules.

**Review of disclosure in  
financial reports of the  
Company**

(i) **Insufficient information disclosure management**

The Internal Control Review identified that, at the material time, there were no relevant management rules in place covering the scope of the now-effective, revised Information Disclosure Management Rules (in effect from June 19, 2023). The Information Disclosure Management Rules (in effect from June 19, 2023) was distributed by way of an announcement to all employees of the Company on June 26, 2023. Such Information Disclosure Management Rules now stipulate timely disclosure details in interim reports as required by Chapter 13 of the Listing Rules, including information on the nature of transactions, events leading to transactions, identities of debtors, interest rates, repayment terms and collateral involved.

(ii) **Insufficient understanding of the Listing Rules**

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

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

As a remedial measure, the Company has engaged Somerley Capital Limited ("**Somerley**") as the compliance adviser on June 14, 2023 and conducted training on the relevant obligations under the Listing Rules for its directors, senior management, supervisors and personnel from the finance and legal departments on June 26 and June 27, 2023. Furthermore, the Company has made reference to "Corporate Governance Guide for Boards and Directors" issued by the Stock Exchange and established a "whistle blowing policy", and such policy was distributed to all employees of the Company by email on June 29, 2023.

**(iii) Financial reports and results announcements approval procedures**

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

Given the complexity of various adjustments and information asymmetry resulting from the preparation of the consolidated financial statements, the Loans to Directors were not reflected in the relevant consolidated financial statements, and thus the then-Chief Financial Officer was not given the opportunity to identify the non-compliance issue at the material time. Therefore, the relevant Financial Reports and the Results Announcements (defined below) did not reflect the outstanding balance of the Loan to Director and neither did the Audit Committee and the Board have the opportunity to be aware of, consider and approve the relevant Loans to Directors.

**(iv) Reporting channel to the Audit Committee**

The Company had in place at the material time a hotline and mailbox in accordance with the Procedural Requirements for Internal Investigations, but did not have a suitable channel for direct reporting to the members of the Audit Committee. The Company has, in light of the findings of the Internal Control Review, revised the Procedural Requirements for Internal Investigations on June 20, 2023 to include a direct channel for reporting to the members of the Audit Committee for timely discovery of instances of non-compliance. Furthermore, as disclosed in the section headed “(ii) Insufficient understanding of the Listing Rules” in this announcement, the Company has established a “whistle blowing policy” and distributed the same to all employees of the Company.

## **Opinions of the Audit Committee and the Board**

Having considered the Internal Control Review, the Internal Control Review Report and the measures implemented by the Group, both the Audit Committee of the Company and the Board are of the opinion that the measures recommended by Zhonghui Anda in the Internal Control Review Report have been implemented and are adequate to address the findings in the Internal Control Review. Both the Audit Committee and the Board believed that the Group has strengthened the key internal controls in processing connected transactions, and considered that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules.

## **(2) CLARIFICATION ON THE FINANCIAL REPORTS AND THE RESULTS ANNOUNCEMENTS**

Under sections headed “Compliance with the Corporate Governance Code” in the periodic results announcements and financial reports of the Company for (i) the twelve months ended December 31, 2021; (ii) the six months ended June 30, 2022; and (iii) the twelve months ended December 31, 2022 (collectively, the “**Financial Reports and the Results Announcements**”), it was stated that the Company has complied with the mandatory code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the corresponding period. In light of the findings of the Internal Control Review under the sub-section headed “**Review of disclosure in financial reports of the Company**” in this announcement, the Company would like to clarify the following additional deviation from the CG Code during each relevant financial reporting period of the Financial Reports and the Results Announcements.

### **Deviation from Code Provision D.1.2 of the CG Code**

Under Code Provision D.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

During the relevant financial reporting period of the Financial Reports and the Results Announcements, since the finance department of the Company did not fully understand the requirement under Code Provision D.1.2 of Appendix 14 to the Listing Rules, such financial statements (despite being compiled and consolidated on a monthly basis at the material time) were not provided for review by the Board every month. Without being able to review such information on a monthly basis, the Board did not receive “a balanced and understandable assessment of the issuer’s performance, position and prospects” to the extent necessary for compliance with the requirements in Code Provision D.1.2 of Appendix 14 to the Listing Rules.

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

- (i) conducted training on the relevant obligations under the Listing Rules for its directors, senior management, supervisors and personnel of the Group;
- (ii) established a whistle blowing policy as disclosed in the section headed “(ii) Insufficient understanding of the Listing Rules” in this announcement; and
- (iii) since June 2023, in light of the recommendations given under the Internal Control Review, provided to all members of the Board the financial statements on a monthly basis to reflect the financial position and business performance of the Group, in order to enable the Directors to receive sufficiently detailed information to give a balanced and understandable assessment of the performance of the Group, and discharge their respective duties under Rule 3.08 and Chapter 13 of the Listing Rules in accordance with Code Provision D.1.2 of Appendix 14 to the Listing Rules.

### **General**

The Directors recognized the importance of accurate and complete disclosure of the statement of compliance of the code provisions set out in the CG Code and the considered reasons and explanations for any deviations from the code provisions. Going forward, the Company endeavours to conduct routine checks on compliance with CG Code on a half-yearly basis, and to ensure that continuing education and/or training on CG Code requirements are being offered to the internal financial reporting staff of the Company.

Save as disclosed in this announcement, the above clarification does not affect other information contained in the Financial Reports and the Results Announcements and the remaining content thereof remain unchanged.

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

Hangzhou, August 4, 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.*