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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) UPDATE ON HISTORICAL USE OF PROCEEDS DISCLOSURE; AND
(2) CHANGE IN USE OF PROCEEDS FROM THE INITIAL GLOBAL OFFERING**

Reference is made to (i) the section headed “Future Plans and Use of Proceeds” in the prospectus of Venus Medtech (Hangzhou) Inc. (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated November 28, 2019 (the “**Prospectus**”); (ii) the announcements issued by the Company dated September 3, 2020 and September 10, 2020, respectively (collectively, the “**September 2020 Placing Announcements**”) in relation to, among others, the placement of 18,500,000 new H Shares by the Company in September 2020 (the “**September 2020 Placing**”); (iii) the announcements issued by the Company dated January 22, 2021 and January 29, 2021, respectively (collectively, the “**January 2021 Placing Announcements**”) in relation to, among other things, the placement of 18,042,500 new H Shares by the Company under general mandate in January 2021 (the “**January 2021 Placing**”, together with the September 2020 Placing, the “**Placings**”); (iv) the announcement issued by the Company dated March 14, 2022 in relation to, among others, the use of proceeds of the Placings (the “**March 2022 Announcement**”, together with the September 2020 Placing Announcements and the January 2021 Placing Announcements, the “**Placing Announcements**”); (v) the section headed “Issuance of Shares and Utilization of Proceeds” of the annual report of the Company for the year ended December 31, 2023 (the “**2023 Annual Report**”) issued by the Company on April 29, 2024; and (vi) the section headed “Issuance of Shares and Utilization of Proceeds” of the interim report of the Company for the six months ended June 30, 2024 (the “**2024 Interim Report**”) issued by the Company on September 27, 2024.

Reference is also made to the announcements of the Company dated (i) May 8, 2023 in relation to, amongst others, the Disclosed Fund Flows (the “**May 2023 Announcement**”); (ii) February 23, 2024 in relation to the key findings of the Forensic Investigation about the Unauthorized Transactions (the “**Announcement of Key Findings of Forensic Investigation**”); (iii) September 2, 2024 in relation to the key findings of the Use of Proceeds Review (the “**Use of Proceeds Review Announcement**”), and (iv) November 22, 2024 in relation to the fourth quarterly update on the Company’s resumption progress.

Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Prospectus, the Placing Announcements, the 2023 Annual Report, the 2024 Interim Report, the Announcement of Key Findings of Forensic Investigation and the Use of Proceeds Review Announcement.

UPDATE ON HISTORICAL USE OF PROCEEDS DISCLOSURE

As disclosed in the 2024 Interim Report, as the use of proceeds (the “**Proceeds**”) from the Initial Global Offering and the Placings would require further adjustments, as necessary, based on the findings on the historical utilization of the Proceeds, additional time was needed for the Company to carry out and complete the relevant work and to provide the information required under paragraph 11(8) of Appendix D2 to the Listing Rules for the six months ended June 30, 2024 (the “**Reporting Period**”) by way of a separate announcement or in subsequent periodical report(s). Such work has now been completed, and hence the Board would like to, by way of this announcement, provide (i) the information required under paragraph 11(8) of Appendix D2 to the Listing Rules for the Reporting Period; and (ii) clarifications on its historical use of Proceeds disclosures based on findings from the Use of Proceeds Review and the Supplementary Use of Proceeds Review (defined below).

A. Summary of the Supplementary Use of Proceeds Review

Following the Use of Proceeds Review, the Company’s current management conducted a supplementary use of Proceeds review (the “**Supplementary Use of Proceeds Review**”) for the purposes of confirming and providing accurate disclosure of the use of Proceeds to all stakeholders. An external accounting consultant was engaged to assist the Company with (a) reviewing the methodology designed and its implementation by the management team of the Company; and (b) objectively and independently implementing agreed-upon procedures to assess the process and results of the Supplementary Use of Proceeds Review.

The Supplementary Use of Proceeds Review did not involve, directly or indirectly, the previous finance management team (who were responsible for the historical use of Proceeds disclosures and who no longer hold any position within the Group), and was designed to be objective and independent. Its scope and methodology comprised:

- a review for each fiscal year ended December 31, 2019, 2020, 2021, 2022 and 2023, and the six months ended June 30, 2024 (each a “**Relevant Historical Period**”);
- a review of all transactions and expenses of the Group during the Relevant Historical Periods; and
- the systematic tracking of all transactions and classification of expenses across different categories of the use of Proceeds by the Company’s management.

Upon the completion of this Supplementary Use of Proceeds Review, after excluding the identified Unauthorized Transactions, the Company’s current management would like to provide the updated use of Proceeds disclosure as of June 30, 2024 as follows and confirm that the historical disclosures of the use of Proceeds materially reflected the actual deployment of funds across the intended categories during the Relevant Historical Periods.

Having considered the findings of the Supplementary Use of Proceeds Review, the Board is of the view that the historical financial position of the Company has now been ascertained definitively, and no adjustment or clarification of prior year results will be required beyond this announcement.

B. Use of Proceeds as of June 30, 2024

Use of proceeds from the Initial Global Offering

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

As of June 30, 2024, the Group had used the net proceeds from the Initial Global Offering for the following purposes:

Use of proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Amount of net proceeds available to be utilized as of January 1, 2024 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2024 (RMB million)	Amount of proceeds unutilized as of June 30, 2024 (RMB million)
(A) For our Core Products:	35.00	895.30	22.87	22.87	895.3	–
(i) ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries	5.00	127.90	–	–	127.9	–
(ii) ongoing and planned R&D and commercial launches of VenusA-Plus	12.00	307.00	–	–	307.00	–
(iii) ongoing and planned R&D and commercial launches of VenusP-Valve	18.00	460.40	22.87	22.87	460.40	–
(B) Allocated to our other products and product candidates:	30.00	767.40	75.62	1.63	693.41	73.99
(i) ongoing and planned R&D and marketing of CEP device	17.00	434.90	6.36	1.38	429.92	4.98
(ii) ongoing and planned R&D of VenusA-Pilot	3.00	76.70	69.26	0.25	7.69	69.01
(iii) ongoing and planned R&D of mitral valve products	2.00	51.20	–	–	51.20	–
(iv) R&D of tricuspid valve products	2.00	51.20	–	–	51.20	–
(v) ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8	2.00	51.20	–	–	51.20	–
(vi) ongoing and planned R&D of other product candidates	4.00	102.20	–	–	102.20	–
(C) Payment of considerations and other transaction expenses related to acquisition of Keystone⁽¹⁾	10.00	255.80	201.19	–	54.61	201.19
(D) Our continued expansion of product portfolio through internal research and/or potential acquisition	15.00	383.70	–	–	383.70	–
(E) Working capital and other general corporate purposes	10.00	255.80	–	–	255.80	–
TOTAL	100.00	2,558.00	299.68	24.50	2,282.82	275.18

Note:

- The amount of unutilized proceeds from the Initial Global Offering for this purpose represents the amount of certain contingent milestone payment of consideration related to the acquisition of Keystone. Pursuant to the share purchase agreement of Keystone, contingent consideration had been payable depending on the occurrence of certain milestone events for TriGUARD3, which includes, among others, authorization and clearance by the FDA to market and sell TriGUARD3 in the U.S. Given the marketing application of TriGUARD3, which was contemplated under the share purchase agreement of Keystone and filed with the FDA, was suspended in September 2021, the Board is of the opinion that such contingent consideration is no longer payable according to the share purchase agreement. The Board has resolved to reallocate the unutilized Proceeds amounting to RMB201.19 million for working capital and other general corporate purposes. Please refer to the section below headed “Change in Use of Proceeds from the Initial Global Offering” for details.

Use of proceeds from September 2020 Placing

The net proceeds received by the Company from the September 2020 Placing were approximately HK\$1,173.0 million (equivalent to RMB1,034.01 million) (after deducting the expenses of the placing).

As of January 1, 2024, the Group had fully utilized the net proceeds from the September 2020 Placing in accordance with the intended purpose as stated in the September 2020 Placing Announcements and March 2022 Announcement: (i) RMB471.30 million for investments in upstream and downstream companies; and (ii) RMB562.71 million for working capital and other general corporate purposes.

Use of proceeds from the January 2021 Placing

The net proceeds received by the Company from the January 2021 Placing were approximately HK\$1,427 million (equivalent to RMB1,191.00 million) after deducting the expenses of the placing. Pursuant to the March 2022 Announcement, the Company changed the intended use of proceeds from the January 2021 Placing.

As of June 30, 2024, the Group had used the net proceeds from the January 2021 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, 2024 (RMB million)	Amount of net proceeds utilized during the Reporting Period (RMB million)	Actual amount of proceeds utilized as of June 30, 2024 (RMB million)	Amount of net proceeds available to be utilized as of June 30, 2024 (RMB million)
(i) Expanded Development and Research	714.60	25.20	25.20	714.60	–
(ii) Investments	238.20	–	–	238.20	–
(iii) General Working Capital	238.20	–	–	238.20	–
TOTAL	1,191.00	25.20	25.20	1,191.00	–

C. Clarifications on historical use of Proceeds disclosures

Reference is made to (i) the Announcement of Key Findings of Forensic Investigation, where the Company has announced its key findings regarding the Unauthorized Transactions through the Forensic Investigation with a Review Period of December 1, 2019 to November 24, 2023; and (ii) the Use of Proceeds Review Announcement where the Company has announced its key findings of the Use of Proceeds Review conducted by the Forensic Consultant to analyze, among others, whether the Proceeds were used to fund the Unauthorized Transactions during the period of December 1, 2019 to December 31, 2023.

The Board would like to provide the following clarifications on the historical use of Proceeds as follows:

Correction to certain statements in the May 2023 Announcement

As disclosed in the Use of Proceeds Review Announcement, Proceeds were used to fund certain Unauthorized Transactions.

In light of the findings of the Use of Proceeds Review, the Board wishes to clarify that certain statements disclosed in the May 2023 Announcement, namely (i) “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”, and (ii) “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” were not accurate. The Board wishes to clarify that certain Proceeds were used temporarily to fund both the Mr. Zi Loans and the Mr. Zeng Loans.

Clarification on historical use of Proceeds disclosure

As disclosed in the Use of Proceeds Review Announcement, the Forensic Consultant identified three Unauthorized Transactions totalling approximately RMB5.2 million, which were funded by the Proceeds and were previously wrongly disclosed under “working capital and other general corporate purposes” in the annual report of the Company for the year ended December 31, 2021. The Board wishes to clarify that these transactions have been reclassified with no material impact on the use of Proceeds disclosure.

D. No material impact on historical period-end use of Proceeds and prior year results

As disclosed in the announcement of the Company dated April 16, 2024 and the 2024 Interim Report, the Unauthorized Transactions have been fully repaid or released, except for the unauthorized loan to Jiangsu Wuzhong amounting to RMB80 million, which the Company is still attempting to recover but has not succeeded in doing so yet. Based on the findings of the Use of Proceeds Review, this unauthorized loan was not funded by the Proceeds.

Given the repayment of Unauthorized Transactions, despite the temporary utilization of the Proceeds to fund some of the Unauthorized Transactions during certain Relevant Historical Periods, the Board considers that the impact of the Unauthorized Transactions on the historical opening and closing balance of utilized and unutilized Proceeds and other receivables/payables was not material. As a result, no prior year adjustment is required with respect to the fund flows related to Mr. Zi and Mr. Zeng or the relevant entities related to them.

The Company's annual financial statements for the year ended 31 December 2023 were audited by the external auditors, Zhonghui Anda, without a restatement of prior year financials, and the annual report was issued on April 26, 2024.

CHANGE IN USE OF PROCEEDS FROM THE INITIAL GLOBAL OFFERING

As of the date of this announcement and with reference to the above table on the utilization of proceeds from the Initial Global Offering, RMB201.19 million was originally planned to fund the payment of contingent consideration and other transaction expenses related to the acquisition of Keystone.

Reference is made to the annual report for the year ended December 31, 2021 issued by the Company on April 25, 2022. Pursuant to the share purchase agreement for the acquisition of Keystone (the "SPA"), contingent consideration was payable on the occurrence of certain milestone events related to the TriGUARD3 cerebral embolic protection device (the "**Keystone Product**"), including authorisation and clearance by the FDA to market and sell the Keystone Product in the USA. The application for FDA 510 (k) clearance for the Keystone Product in the USA was filed in March 2021 and suspended in September 2021. Given the ongoing suspension of the marketing application for FDA 510 (k) clearance in the USA for Keystone Product, the Board considers that the agreed milestone events have not been achieved and, as such, the contingent consideration is no longer payable pursuant to the SPA.

Having considered (1) the suspension of the marketing application for Keystone Product since 2021 and the relevant contingent consideration as disclosed above; (2) the daily operational cash needs of the Group; and (3) the prevailing financing conditions of the capital market, the Board has resolved to change the use of unutilized proceeds from the Initial Global Offering.

The following table sets out the details of the reallocation of unutilized proceeds from the Initial Global Offering:

Use of proceeds	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (RMB million)	Actual amount of proceeds utilized as of June 30, 2024 (RMB million)	Amount of proceeds unutilized as of June 30, 2024 before reallocation (RMB million)	Amount of proceeds unutilized as of June 30, 2024 after reallocation ^{Note} (RMB million)
(A) For our Core Products:	895.30	895.3	–	–
(i) ongoing sales and marketing of VenusA-Valve in China and planned commercialization of VenusA-Valve in other countries	127.90	127.9	–	–
(ii) ongoing and planned R&D and commercial launches of VenusA-Plus	307.00	307.00	–	–
(iii) ongoing and planned R&D and commercial launches of VenusP-Valve	460.40	460.40	–	–
(B) Allocated to our other products and product candidates:	767.40	492.22	73.99	73.99
(i) ongoing and planned R&D and marketing of CEP device	434.90	228.73	4.99	4.99
(ii) ongoing and planned R&D of VenusA-Pilot	76.70	7.69	69.01	69.01
(iii) ongoing and planned R&D of mitral valve products	51.20	51.20	–	–
(iv) R&D of tricuspid valve products	51.20	51.20	–	–
(v) ongoing and planned R&D of valvuloplasty balloon products such as V8 and TAV8	51.20	51.20	–	–
(vi) ongoing and planned R&D of other product candidates	102.20	102.20	–	–
(C) Payment of considerations and other transaction expenses related to acquisition of Keystone	255.80	255.80	201.19	
(D) Our continued expansion of product portfolio through internal research and/or potential acquisition	383.70	383.70	–	–
(E) Working capital and other general corporate purposes	255.80	255.80	–	201.19
TOTAL	<u>2,558.00</u>	<u>2,282.82</u>	<u>275.18</u>	<u>275.18</u>

Note:

The amount of proceeds from the Initial Global Offering unutilized as of December 31, 2024 will be disclosed in the annual report of the Company for the year ended December 31, 2024, which will be published in due course.

The Board is of the view that the reallocation of the unutilized Proceeds from the Initial Global Offering will replenish the working capital of the Group and deploy the Group's financial resources in a more efficient manner. As such, the Board believes that this change of use of Proceeds from the Initial Global Offering will not have any material adverse effect on the Group's existing business and operations and is in the best interests of the Company and its shareholders as a whole.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on November 23, 2023 and will remain suspended pending the fulfillment of the Resumption Guidance as specified by the Stock Exchange.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Venus Medtech (Hangzhou) Inc.
Mr. Lim Hou-Sen (Lin Haosheng)
Executive Director

Hangzhou, January 13, 2025

As at the date of this announcement, the executive Directors are Mr. Lim Hou-Sen (Lin Haosheng), Mr. Liqiao Ma and Ms. Meirong Liu; the non-executive Directors are Mr. Ao Zhang and Mr. Wei Wang; and the independent non-executive Directors are Mr. Ting Yuk Anthony Wu, Mr. Chi Wai Suen and Mr. John Junhua Gu.