MicroPort CardioFlow Medtech Corporation
微创心通医疗科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2160)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2024 KEWEI DISTRIBUTION FRAMEWORK AGREEMENT

AND

CONNECTED TRANSACTION IN RELATION TO THE KEWEI LOAN AGREEMENT

2024 KEWEI DISTRIBUTION FRAMEWORK AGREEMENT

On July 19, 2024 (after trading hours), MP CardioFlow and Kewei Medical entered into the 2024 Kewei Distribution Framework Agreement, pursuant to which, for a term commencing from July 19, 2024 to December 31, 2025 (both day inclusive), Kewei Medical agreed to grant an exclusive right to MP CardioFlow to distribute the Distribution Products in China.

KEWEI LOAN AGREEMENT

On July 19, 2024 (after trading hours), MP CardioFlow and Kewei Medical entered into the Kewei Loan Agreement, pursuant to which, MP CardioFlow, as the Lender, agreed to grant Kewei Medical, as the Borrower, the Loan facility in a principal amount of RMB10.0 million, at an interest rate equivalent to the one-year LPR on the date of the Kewei Loan Agreement. The Loan facility shall be secured by the pledge of security given by Kewei Medical under certain equipment and facilities of Kewei Medical with an aggregate net value of approximately RMB17.1 million in favour of MP CardioFlow.

LISTING RULES IMPLICATIONS

As of the date of this announcement, through its wholly-owned subsidiary Shanghai MicroPort, MicroPort® was indirectly interested in approximately 46.13% of the total issued share capital of our Group. Kewei Medical is a subsidiary of MicroPort®. Therefore, Kewei Medical is a connected person of the Company. Moreover, pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2024 Kewei Distribution Framework Agreement and the Kewei Loan Agreement should be aggregated.

As the highest of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the transaction under the 2024 Kewei Distribution Framework Agreement and the Kewei Loan Agreement when aggregated are more than 0.1% but less than 5%, the transactions under the 2024 Kewei Distribution Framework Agreement and the Kewei Loan Agreement are subject to reporting, annual review and announcement requirements, but exempt from the circular (including the appointment of an independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On July 19, 2024 (after trading hours), MP CardioFlow and Kewei Medical entered into Kewei Agreements. The principal terms of the Kewei Agreements are summarized below:

2024 KEWEI DISTRIBUTION FRAMEWORK AGREEMENT

On July 19, 2024 (after trading hours), MP CardioFlow and Kewei Medical entered into the 2024 Kewei Distribution Framework Agreement, pursuant to which, for a term commencing from July 19, 2024 to December 31, 2025 (both day inclusive), Kewei Medical agreed to grant an exclusive right to MP CardioFlow to distribute the Distribution Products in China. The principal terms of the 2024 Kewei Distribution Framework Agreement are summarized as follows:

Date

July 19, 2024

Parties

(1) MP CardioFlow; and

(2) Kewei Medical.

Duration

From July 19, 2024 to December 31, 2025 (both day inclusive).

Payment Terms

Payment arrangements will be negotiated by the parties and stated in individual implementation agreements.

Scope of Transactions

Subject to the terms and conditions set forth in the 2024 Kewei Distribution Framework Agreement, Kewei Medical will grant an exclusive right to MP CardioFlow to distribute the Distribution Products in China. MP CardioFlow shall procure the Distribution Products from Kewei Medical and promote and sell the Distribution Products in China.

The actual amounts, specific Distribution Products and unit purchase price will be subject to individual implementation agreements entered into between MP CardioFlow and Kewei Medical.

Pricing Policy

The purchase price of each of the Distribution Products shall be mutually negotiated between MP CardioFlow and Kewei Medical with reference to the (i) the cost of production, including the cost of raw materials related to the Distribution Products, (ii) the prevailing market gross margin for distributing similar products in China, and (iii) the prevailing market price of similar products in China.

The finance department of our Group (the "**Finance Department**") will exert reasonable efforts to obtain at least two market quotations from Independent Third Party suppliers (if available) for products comparable to the Distribution Products in China and constantly research into prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions to ensure that the purchase prices, the profit margin for distributing the Distribution Products and the terms provided by Kewei Medical are fair and reasonable, and are determined on normal commercial terms or on terms no less favorable to MP CardioFlow than the terms available from Independent Third Parties. Regularly, the Company will review and reassess the sales prices of the Distribution Products, making necessary adjustments in response to significant shifts in production costs, market demand, or prevailing market conditions. Should direct comparisons be infeasible, our Group will approve the purchase price proposed by Kewei Medical provided it meets our target profit margins, thereby ensuring profitability from the distribution of these products.

Historical Transaction Amount

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the historical transactions amount from distribution of relevant Distribution Products from the Company was nil.

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the 2024 Kewei Distribution Framework Agreement are set out below:

	2024	**2025**
Proposed Annual Cap *(RMB in million)*	3.0	6.0

The proposed annual caps for the transactions contemplated under the 2024 Kewei Distribution Framework Agreement have been established based on a combination of crucial factors: (i) the pricing policy of the Distribution Products from Kewei Medical, which is determined through an in-depth evaluation of both cost structures and market conditions to ensure competitiveness and maintain profitability; (ii) sales volume projections that are supported by detailed market analyses, historical sales data of the Distribution Products overseas and that of comparable products in China, and anticipated market demand within China; (iii) Kewei Medical's production capacity, logistical capabilities, and supply chain dynamics, ensuring that operational capacities align with sales expectations; and (iv) an assessment of the competitive landscape and our Group's sales channels and marketing capabilities.

Internal Control Policies

Save as discussed above, in order to ensure that the transactions contemplated under the 2024 Kewei Distribution Framework Agreement will be conducted on normal commercial terms or better, our Group has adopted the following measures:

(i) the Company places great importance on the management of connected transactions and takes the initiative to actively update the list of connected persons. In order to identify connected persons comprehensively and accurately, the Company conducts penetration management of substantial Shareholders to achieve effective collection of data related to connected transactions. To meet the management requirements of the Stock Exchange in relation to connected transactions, the Company has formulated internal guidelines for connected transactions based on the applicable requirements under the Listing Rules, which further clarify the duties of each functional department with respect to the connected transactions so as to ensure that all the connected transactions of the Company are effectively monitored and supervised and all relevant connected transactions are in the interests of the Company and the Shareholders as a whole;

(ii) the internal audit department of our Group will supervise and monitor the individual agreements to be entered into between MP CardioFlow and Kewei Medical to ensure that they will be entered into in accordance with the pricing policy under the 2024 Kewei Distribution Framework Agreement and the prices under the individual agreements are fair and reasonable and are in the interest of our Company and our Shareholders as a whole;

(iii) our Group will comply with the annual review requirements in respect of the transactions contemplated under the 2024 Kewei Distribution Framework Agreement in accordance with Chapter 14A of the Listing Rules, such as engaging the Company's auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under such agreements and give opinions/confirmations in the Company's annual reports in accordance with Chapter 14A of the Listing Rules;

(iv) the Board will arrange internal trainings for the senior management of our Group and responsible staff on the compliance requirements for continuing connected transactions;

(v) the Finance Department will monitor the transactions amount under the 2024 Kewei Distribution Framework Agreement by preparing designated management accounts for the continuing connected transactions therein on a half-yearly basis to make sure that the actual transaction amount do not exceed the relevant annual caps. If it is expected that the transaction amount of any continuing connected transaction that is or will be incurred in the financial year will reach or exceed the relevant annual caps, the Finance Department shall report to the management and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with. The Company will re-comply with the requirements of the Listing Rules if there is material change to the terms of the continuing connected transactions or the annual caps are exceeded; and

(vi) if any revision or adjustment on the terms (including without limitation, the purchase price of the Distribution Products) of the individual agreement under the 2024 Kewei Distribution Framework Agreement is necessary, provided such revision or adjustment is in compliance with the 2024 Kewei Distribution Framework Agreement, an approval application will be made by the total solutions promotion department of our Group and approved by, among others, the board secretary office of our Group.

KEWEI LOAN AGREEMENT

On July 19, 2024 (after trading hours), MP CardioFlow and Kewei Medical entered into the Kewei Loan Agreement. The principal terms of the Kewei Loan Agreement are summarized as follows:

Date:

July 19, 2024

Parties:

(1) MP CardioFlow, as the Lender; and

(2) Kewei Medical, as the Borrower.

Principal amount of the Loan Facility:

RMB10.0 million.

Term:

Two years from the date of drawdown.

Interest Rate:

The interest rate for the Loan shall be equivalent to the one-year LPR on the date of the Kewei Loan Agreement.

Repayment and Interest Payment

Under the Kewei Loan Agreement, the Borrower is required to repay the outstanding principal and accrued interest on the first calendar day following the maturity date of the Kewei Loan Agreement. Should this day fall on a non-Business Day, the repayment will be postponed to the subsequent Business Day. Furthermore, any delay in the repayment date is permissible only if mutually agreed upon by both the Borrower and the Lender at least 30 days before the maturity date, subject to the requirements under the Listing Rules.

Default

Pursuant to the Kewei Loan Agreement, should the Borrower fail to make timely payment of any due amount, the Lender is entitled to impose an interest rate that is 50% higher than the original rate on the overdue principal or interest, effective from the date the payment is due.

Security

Subject to the Kewei Loan Agreement, on July 19, 2024, the Borrower entered into a pledge contract (the "**Pledge Contract**") with the Lender to secure all obligation under the Kewei Loan Agreement and shall register the right of pledge thereunder. Under the Pledge Contract, the Borrower will pledge its certain equipment and facilities with an aggregate net value of approximately RMB17.1 million to the Lender to secure the repayment obligations of the Borrower under the Kewei Loan Agreement, including the principal amount together with any interest and other expenses incurred pursuant to the Kewei Loan Agreement and the Pledge Contract.

Purpose

The Loan shall be used by the Borrower to optimize the operations and refinement of the Distribution Products and such use shall not be changed without the written consent from the Lender.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE KEWEI AGREEMENTS

Our Group is engaged in the highly competitive and rapidly evolving medical device industry, with a particular focus on the challenging segment of structural heart disease. The Company entered into the Kewei Agreements in order to further strengthen its market position. The arrangements under the Kewei Agreements are pivotal in enhancing the Company's competitive edge in the specialized area of transcatheter treatment of congenital heart diseases (CHD) within the PRC. By integrating Kewei's innovative technologies and products, the Company aims to broaden its strategic initiatives, ultimately delivering comprehensive, state-of-the-art solutions for the treatment of structural heart diseases.

2024 Kewei Distribution Framework Agreement

The Distribution Products are the Evermend™ series occluder products featured with better biocompatibility, precise positioning and easy deployment, including:

(i) **Evermend™ ASD occluder.** The Evermend™ ASD occluder is designed for the percutaneous, transcatheter occlusion of secundum atrial septal defect or patients who have to close their Fontan fenestration. The frame of the occluder uses Nitinol wire as material that is shaped into two discs. A waist that fits the size of the defect connects the two discs. Three polyester fabrics are inserted to help close the hole and provide a foundation for growth of tissue over the occluder after placement. Low profile and well shaping are considered as two essential parameters in the design of Evermend™ occluder. High quality Nitinol material alone with intensive heat processing, ensures the excellent ability of shape memorizing, which enables its smooth delivery and complete deployment when released. The Evermend™ ASD occluder was certified by the NMPA in 2005.

(ii) **Evermend™ VSD occluder.** Evermend™ VSD occluder is designed for the percutaneous, transcatheter occlusion of ventricular septal defect (VSD). According to the variety of ventricular septum in thickness, Evermend™ VSD occluder is worked out as pre-membranous VSD occluder and muscular VSD occluder. The frame of the product is made of quality nitinol wire, sewn with three pieces of polyester fabric. The Evermend™ pre-membranous VSD occluder allows occlusion of the defects using a percutaneous transcatheter procedure instead of surgery and the muscular VSD occluder has two concentric discs and a wide waist to accommodate the thicker portion of the ventricular septum. The Evermend™ VSD occluder was certified by the NMPA in 2015.

(iii) **Evermend™ PDA occluder.** The Evermend™ PDA occluder is a percutaneous, transcatheter device especially designed for occluder of normally located patent ductus arteriosus (PDA). The occluder is made of a nitinol wire mesh shaped into a cylindrical plug with a flange to secure the occluder in the right position. Three pieces of polyester fabric sewn inside help close the hole and provide a foundation for growth of tissue over the occluder after placement. The Evermend™ PDA occluder was approved by the NMPA in 2005.

(iv) **Delivery systems for Evermend™ occluders.** Delivery system is designed to deliver therapeutic devices for congenital heart disease. There are two types of delivery systems: delivery system via chest minimal invasion and delivery system via peripheral vessel. The delivery system for Evermend™ occluders was approved by the NMPA in 2015.

The nitinol wire and patches of Evermend™ series occluder products are provided by top international manufacturers. The superior materials not only minimize the adverse reactions, but also accelerate the coverage of endothelial. Animal experiments showed that endothelial cells in Evermend™ series occluder products grew massively five days post implant. 98% of the occluders were entirely covered with cardiac endothelial tissue at the 30 days post implant. In addition, the precise heating treatment gives Evermend™ series occluder products an excellent shape memory ability. The front disc of the occlude can be completely stretched which increases the success rate of deployment, avoiding the need to use overly large occluders. The Evermend™ series occluder products all hold registration certificates in the PRC, while currently are mainly commercialized overseas, with approval obtained in Brazil, Ecuador, Mexico, Kazakhstan and other South and Latin American regions. The products are also sold in India through an OEM model. In addition, Evermend™ series occluder products are subsequently approved in Argentina in October 2023 and is applying for registration certificates in Russia and other countries. By entering into the 2024 Kewei Distribution Framework Agreement, our Group will promote the commercialization of the Evermend™ series occluder products in the PRC, one of the largest CHD (congenital heart diseases) markets worldwide.

The 2024 Kewei Distribution Framework Agreement presents a strategic opportunity for the Company to venture into new and burgeoning markets within the structural heart disease field, recognized for their high growth potential. This expansion is in line with our strategic goal to diversify revenue streams and reinforce our commitment to pioneering comprehensive solutions for structural heart diseases. The agreement is expected to leverage synergies between the Company's existing products and Kewei's Distribution Products, enhancing our market presence and enabling us to capture a larger share of the market. This strategic move not only boosts our competitiveness but also enhances our sustainability in the industry by aligning with our mission to provide accessible, advanced solutions for structural heart diseases globally.

Kewei Loan Agreement

The decision to enter into the Kewei Loan Agreement was driven by a strategic need for enhanced coordination and interaction between our Group and Kewei Medical. This arrangement is a cornerstone of our broader business strategy aimed at fostering deeper collaboration with Kewei Medical. Through the capital provided under the Kewei Loan Agreement, Kewei Medical will be able to allocate additional resources to optimize the operations and refinement of the Distribution Products. These products are not only complementary to our existing product pipeline but are also crucial in expanding our offerings in the market. Additionally, the Kewei Loan Agreement establishes a solid foundation for future collaborative ventures between our Group and Kewei Medical. The financial terms of the Kewei Loan Agreement were negotiated at arm's length, ensuring alignment with current market interest rates and best practices, affirming that the agreement supports our financial health and operational stability without introducing significant risks.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Kewei Agreements (including the proposed annual caps thereof) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are conducted in the ordinary and usual course of business of our Group and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE PARTIES INVOLVED IN THE KEWEI AGREEMENTS

MP CardioFlow is a limited liability company established in the PRC. MP CardioFlow is the principal operating subsidiary of our Group through which our Group conducted its business primarily. The Company is a medical device company focusing on the R&D and commercialization of innovative transcatheter solutions for structural heart diseases, dedicated to providing universal access to state-of-the-art total solutions to physicians and patients for the treatment of structural heart diseases. Our Group is a medical device group primarily focusing on the R&D, manufacturing and sale of medical devices treating structural heart diseases.

Kewei Medical is a limited liability company established in the PRC on April 15, 1993 primarily focusing on the R&D and commercialization on medical devices in the field of CHD (congenital heart diseases) and a wholly owned subsidiary of MicroPort Surgical. MicroPort Surgical is a limited liability company established in the PRC on September 17, 2015 held as to 58.44% and 41.56% by MicroPort Sinica and other ten Independent Third Parties, respectively. MicroPort Sinica is a company established in the PRC with limited liability, which is wholly owned by MicroPort®.

LISTING RULES IMPLICATIONS

As of the date of this announcement, through its wholly-owned subsidiary Shanghai MicroPort, MicroPort® was indirectly interested in approximately 46.13% of the total issued share capital of our Group. Kewei Medical is a subsidiary of MicroPort®. Therefore, Kewei Medical is a connected person of the Company. Moreover, pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2024 Kewei Distribution Framework Agreement and the Kewei Loan Agreement should be aggregated.

As the highest of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the transaction under the 2024 Kewei Distribution Framework Agreement and the Kewei Loan Agreement when aggregated are more than 0.1% but less than 5%, the transactions under the 2024 Kewei Distribution Framework Agreement and the Kewei Loan Agreement are subject to reporting, annual review and announcement requirements, but exempt from the circular (including the appointment of an independent financial adviser) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

Mr. Chen Guoming, Ms. Wu Xia and Mr. Jonathan H. Chou, who are Directors appointed by MicroPort® or hold director's positions in the Retained MicroPort® Group, are deemed to have interest in the Kewei Agreements, and thus had abstained from approving the relevant Board resolutions in relation to the Kewei Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Kewei Agreements which would require them to abstain from voting on the relevant Board resolutions.

DEFINITIONS

"2024 Kewei Distribution Framework Agreement"	the 2024 Kewei distribution framework agreement dated July 19, 2024 between MP CardioFlow and Kewei Medical, pursuant to which, for a term commencing from July 19, 2024 to December 31, 2025 (both day inclusive), Kewei Medical agreed to grant an exclusive right to MP CardioFlow to distribute the Distribution Products in China
"Board"	the board of directors of our Company
"Business Day(s)"	a day other than a statutory holiday or a rest day in the PRC
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and unless otherwise indicated, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

"Company" or "our Company"	MicroPort CardioFlow Medtech Corporation (微创心通医疗科技有限公司), a company with limited liability incorporated under the laws of the Cayman Islands on January 10, 2019
"connected person"	has the meaning as defined in the Listing Rules
"continuing connected transaction"	has the meaning as defined in the Listing Rules
"controlling shareholder"	has the meaning as defined in the Listing Rules
"Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"Distribution Products"	the self-owned products of Kewei Medical, namely Evermend™ ASD (atrial septal defect) occluder, Evermend™ VSD (ventricular septal defect) occluder, Evermend™ PDA (patent ductus arteriosus) occluder and delivery systems for Evermend™ occluders
"Group", "our Group", or "our"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	persons who are not the connected person(s) of our Group
"Kewei Agreements"	the 2024 Kewei Distribution Framework Agreement and the Kewei Loan Agreement
"Kewei Loan Agreement"	the Kewei loan agreement dated July 19, 2024 entered into between MP CardioFlow and Kewei Medical, pursuant to which, MP CardioFlow, as the Lender, agreed to grant Kewei Medical, as the Borrower, the Loan facility in a principal amount of RMB10.0 million

"Kewei Medical" or "Borrower"	Dongguan Kewei Medical Instrument Co., Ltd. (東莞科威醫療器械有限公司), a limited liability company established in the PRC on April 15, 1993
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange, as amended or supplemented from time to time
"MicroPort®"	MicroPort Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 00853)
"MicroPort Sinica"	MicroPort Sinica Co., Ltd. (微創投資控股有限公司), (formerly known as MicroPort Group Co., Ltd. (上海微創投資控股有限公司)), a limited liability company established in the PRC on April 9, 2013 and a wholly-owned subsidiary of MicroPort®
"MicroPort Surgical"	Shenzhen MicroPort Surgical (Group) Co., Ltd. (深圳微創外科(醫療)集團有限公司), a limited liability company established in the PRC on September 17, 2015 held as to 58.44% and 41.56% interests by MicroPort Sinica and other ten Independent Third Parties, respectively
"MP CardioFlow" or "Lender"	Shanghai MicroPort CardioFlow Medtech Co., Ltd. (上海微創心通醫療科技有限公司), a limited liability company established in the PRC on May 21, 2015 and a wholly-owned subsidiary of our Company
"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), including its sub-division, such as the Center for Medical Device Evaluation (國家藥品監督管理局醫療器械技術審評中心)
"one-year LPR"	one-year loan prime rate, i.e. the one-year loan prime rate announced by the National Interbank Funding Center (全國銀行間同業拆借中心) of the PRC on the 20th day of each month (or the next Business Day in case of holidays)
"R&D"	research and development
"Retained MicroPort® Group"	MicroPort® and its subsidiaries, excluding our Group
"RMB"	the lawful currency of the PRC

"Share(s)"	ordinary share(s) in the share capital of our Company of US$0.000005 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

By Order of the Board
MicroPort CardioFlow Medtech Corporation
Chen Guoming
Chairman

Shanghai, PRC, July 19, 2024

As of the date of this announcement, the executive Directors are Mr. Jeffrey R Lindstrom, Mr. Zhao Liang and Ms. Yan Luying, the non-executive Directors are Mr. Chen Guoming, Mr. Zhang Junjie and Ms. Wu Xia, and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Ding Jiandong and Ms. Sun Zhixiang.