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Shanghai Bio-heart Biological Technology Co., Ltd.
上海百心安生物技術股份有限公司

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

(Stock Code: 2185)

CONNECTED TRANSACTION
ACQUISITION OF MINORITY EQUITY INTERESTS
AND
CAPITAL INJECTION IN A MEDICAL DEVICE DEVELOPER

ACQUISITION

On June 21, 2022, HK Bio-heart (a wholly-owned subsidiary of the Company), the SPV, and the Target Company entered into the SPA, pursuant to which HK Bio-heart will acquire, and the SPV will sell to HK Bio-heart, 8.66% equity interest in the Target Company at the consideration of RMB8,657,660 (equivalent to approximately HK\$10,166,107).

Upon completion of the Acquisition, HK Bio-heart will hold 8.66% equity interest in the Target Company.

CAPITAL INJECTION

Further, on June 21, 2022, the Company, the Target Company and shareholders of the Target Company (including the SPV) have entered into the Capital Injection Agreement, pursuant to which the Company has agreed to make a Capital Injection of RMB16,000,000 (equivalent to approximately HK\$18,787,722) into the Target Company in exchange for RMB308,500 of the registered capital of the Target Company, and the remaining RMB15,691,500 shall be credited as reserved capital of the Target Company.

Upon completion of the Capital Injection, the registered capital of the Target Company would be increased from RMB3,865,670 to RMB4,165,200, and the Company's direct equity interests in the enlarged registered capital of the Target Company would be 7.41%. Together with the equity interest acquired from the Acquisition, the Group will hold an aggregate 15.42% interest in the Target Company upon completion of the Acquisition and the Capital Injection.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Hong, the spouse of Mr. Wang, an executive Director and controlling shareholder of the Company, holds 11.09% in the Target Company. Therefore, Ms. Hong is deemed to be an associate of a controller under Rule 14A.28(2) of the Listing Rules. Further, as the SPV's sole shareholder and director Mr. Shao is Mr. Wang's nephew, each of Mr. Shao and the SPV is a deemed connected person of the Company under Rule 14A.21(1). As such, the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Transactions (whether on a stand-alone basis or aggregated) is more than 0.1% but all are less than 5%, the Transactions are therefore subject to the reporting and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Completion of the Acquisition and the Capital Injection is subject to fulfilment of the conditions precedents set out in the SPA and the Capital Injection Agreement, and the Acquisition and the Capital Injection may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

ACQUISITION

On June 21, 2022, HK Bio-heart (a wholly-owned subsidiary of the Company), the SPV, and the Target Company entered into the SPA, pursuant to which HK Bio-heart will acquire, and the SPV will sell to HK Bio-heart, 8.66% equity interest in the Target Company at the consideration of RMB8,657,660 (equivalent to approximately HK\$10,166,107).

Principal Terms of the SPA

Date	June 21, 2022
Parties	(1) HK Bio-heart; (2) the SPV; and (3) the Target Company.

Ms. Hong is the spouse of Mr. Wang, an executive Director and the controlling shareholder of the Company, and directly holds 11.09% equity interest in the Target Company as at the date of this announcement.

The sole shareholder and director of the SPV is Mr. Shao, a nephew of Mr. Wang.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Target Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter The SPV agreed to sell and HK Bio-heart agreed to acquire 8.66% equity interest in the Target Company at the consideration of RMB8,657,660.

Basis of the consideration The consideration of RMB8,657,660 to the SPV was determined after arm's length negotiations between HK Bio-heart and the SPV taking into account the book value of the Target Company's net assets, and the research and development progress of the Target Company.

The consideration will be satisfied by the internal resources of the Group.

According to the SPV, the original cost of acquisition of the 8.66% equity interest in the Target Company was approximately RMB8,657,660.

Completion The consideration shall be paid to the SPV within five business days after signing of the SPA.

Completion of the Acquisition is subject to the due registration of the transfer of the 8.66% equity interest in the Target Company to HK Bio-heart with the relevant administration of industry and commerce within 25 business days from the date of signing the SPA.

It is currently expected that completion of the Acquisition under the SPA will take place on or around July 31, 2022.

Upon completion of the Acquisition, HK Bio-heart will hold 8.66% equity interest in the Target Company.

CAPITAL INJECTION

On June 21, 2022, the Company, the Target Company and shareholders of the Target Company (including the SPV) have entered into the Capital Injection Agreement, pursuant to which the Company has agreed to make a Capital Injection of RMB16,000,000 (equivalent to approximately HK\$18,787,722) into the Target Company in exchange for RMB308,500 of the registered capital of the Target Company, and the remaining RMB15,691,500 shall be credited as reserved capital of the Target Company.

Principal terms of the Capital Injection Agreement

Date	June 21, 2022
Parties	(1) the Company; (2) HK Bio-heart; (3) the Target Company; (4) Ms. Hong; and (5) the Other Shareholders.

Subject matter As at the date of this announcement, the registered capital of the Target Company is RMB3,856,700, which has been fully paid up. Pursuant to the Capital Injection Agreement, the Company has agreed to make the Capital Injection of RMB16,000,000 into the Target Company in exchange for RMB308,500 of the registered capital in the Target Company and the remaining RMB15,691,500 shall be credited as reserved capital of the Target Company. After completion of the Capital Injection, the registered capital of the Target Company will increase from RMB3,865,670 to RMB4,165,200, and the Company's direct equity interests in the enlarged registered capital of the Target Company would be 7.41%. Together with the equity interest acquired from the Acquisition, the Group will hold an aggregate 15.42% interest in the Target Company upon completion of the Acquisition and the Capital Injection.

The Capital Injection will be utilized for the Target Company's research and development of its pipeline products, and as its business development and general working capital.

Pursuant to the Capital Injection Agreement, the Company shall have the right to nominate one representative as a director of the Target Company after completion of the Capital Injection.

**Basis of the
Consideration
and payment
terms**

The total consideration of RMB16,000,000 (equivalent to approximately HK\$18,787,722) will be payable in the following manner:

First stage capital injection – RMB8,000,000 shall be paid in cash by the Company to the Target Company within five business days upon fulfillment of, inter alia, the following conditions:

1. the Target Company's pipeline product, paclitaxel coronary DCB, passes the registration system verification by the Medical Device System Inspection Center of the Shanghai Medical Products Administration (上海藥品監督管理局醫療器械體系核查中心), with no finding of major non-compliance during the inspection process;
2. the Capital Injection (including the waiver of pre-emptive rights) has been approved by the shareholders in general meeting of the Target Company; and
3. there has been no material adverse change in the financial position, results of operations, assets or business of the Target Company.

Second stage capital injection – RMB8,000,000 shall be paid in cash by the Company to the Target Company within five business days upon fulfillment of customary closing conditions, including a confirmation from the Target Company confirming that its operations, business, products, clinical trials and registration are in compliance with relevant laws.

The total consideration of RMB16,000,000 was determined after arm's length negotiations between the parties to the Capital Injection Agreement with reference to the unaudited net asset value of the Target Company as at December 31, 2021 and the research and development progress of the Target Company, and will be satisfied by the internal resources of the Group.

**Conditions
precedent and
completion**

Completion is subject to the fulfillment (or waiver where applicable) of all the conditions precedent under the Capital Injection Agreement, including fulfillment of the conditions stated above.

The Acquisition and the Capital Injection are not inter-conditional with each other.

INFORMATION OF THE SPV

The SPV is a limited liability company incorporated in Hong Kong on November 25, 2020 and is an investment holding company. The SPV is established by Mr. Shao who is the sole director and sole shareholder of the SPV. Mr. Shao is also a nephew of Mr. Wang. Mr. Shao is a businessman principally engaged in investment and project management business.

INFORMATION OF THE TARGET COMPANY

The Target Company is founded in 2017 by Mr. Sheng, the chairperson of the board of directors and the largest shareholder of the Target Company. Mr. Sheng has extensive experience in the research and development of cardiovascular medical devices. The Target Company is a pre-revenue medical device developer dedicated to the research and development of interventional non-implantation cardiovascular devices. At present, the Target Company has four DCB products at clinical stage in its pipeline, with the registration application for paclitaxel coronary DCB submitted to the National Medical Product Administration (國家藥品監督管理局) for approval, and the patient enrollment process for the clinical trial of rapamycin coronary DCB completed. It is currently expected that the products will complete their respective trials between 2022 and 2023. Compared to the commonly used stents in clinical practice, DCB products are able to offer treatment without implanting foreign objects into human bodies, thereby achieving the concept of “intervention without implantation”. The Target Company aims to enrich its multi-dimensional pipelines through in-house research and development.

According to the unaudited consolidated management accounts of the Target Company, the net loss (before and after taxation) of the Target Company for the two financial years immediately preceding the Transactions are as follows:

	Year ended December 31 2020 (RMB)	Year ended December 31 2021 (RMB)
Net loss ⁽¹⁾	<u>7,245,605.37</u>	<u>14,113,228.84</u>

Note:

(1) The Target Company was not subject to any tax.

According to the unaudited consolidated management accounts of the Target Company, the total assets and net assets of the Target Company as at December 31, 2021 are as follows:

	As at December 31, 2021 (RMB)
Total assets	8,408,514.12
Net assets	<u>10,111,121.15</u>

Shareholding Structure of the Target Company

The following table sets out the shareholder structure of the Target Company: (i) as at the date of this announcement; (ii) after completion of the Acquisition but before completion of the Capital Injection; and (iii) after completion of the Acquisition and Capital Injection.

Shareholders	As at the date of this announcement		After Acquisition and Before Capital Injection		After Acquisition and Capital Injection	
	Registered capital (RMB)	Approximate Percentage of Shareholding	Registered capital (RMB)	Approximate Percentage of Shareholding	Registered capital (RMB)	Approximate Percentage of Shareholding
The SPV	333,900	8.66%	0.00	0%	0.00	0%
The Company ⁽¹⁾	0.00	0%	333,900	8.66%	642,400	15.42%
Ms. Hong ⁽²⁾	427,900	11.09%	427,900	11.09%	427,900	10.27%
Other Shareholders:						
Mr. Sheng	1,013,900	26.29%	1,013,900	26.29%	1,013,900	24.34%
Suzhou Chenzhide ⁽³⁾	736,400	19.09%	736,400	19.09%	736,400	17.68%
Tibet Hetai Zhengding Venture Capital Partnership (Limited Partnership)* (西藏和泰正鼎創業投資合夥企業(有限合夥)) ⁽⁴⁾	736,400	19.09%	736,400	19.09%	736,400	17.68%
Shanghai Yougu Biotechnology Partnership (Limited Partnership)* (上海有谷生物技術合夥企業(有限合夥)) ⁽⁵⁾	118,300	3.07%	118,300	3.07%	118,300	2.84%
Shanghai Yuanfu Enterprise Service Center (Limited Partnership)* (上海垣涪企業服務中心(有限合夥)) ⁽⁶⁾	64,400	1.67%	64,400	1.67%	64,400	1.55%
Hu Xi (胡璽)	77,000	2.00%	77,000	2.00%	77,000	1.85%
Gongqingcheng Tongkang Investment Partnership (Limited Partnership)* (共青城通康投資合夥企業(有限合夥)) ⁽⁷⁾	348,500	9.04%	348,500	9.04%	348,500	8.37%
	<u>385.67</u>	<u>100.00%</u>	<u>385.67</u>	<u>100.00%</u>	<u>4,165,200</u>	<u>100.00%</u>

- (1) Including the equity interest in the Target Company directly held by HK Bio-heart upon completion of the Acquisition and the equity interest in the Target Company directly held by the Company upon completion of the Capital Injection.
- (2) Ms. Hong is the spouse of Mr. Wang, an executive Director and the controlling shareholder of the Company.
- (3) As at the date of this announcement, Suzhou Chenzhide holds approximately 4.08% of the Shares, and together with CMV HK Limited hold approximately 4.63% of the Shares. Suzhou Chenzhide is an investment vehicle of CD Capital, a venture capital firm specialized in life sciences and medical technology industries. Mr. Ji Chen, a non-executive Director, is the chief investment officer of Suzhou Chenzhide. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Suzhou Chenzhide and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.
- (4) Tibet Hetai Zhengding Venture Capital Partnership (Limited Partnership)* (西藏和泰正鼎創業投資合夥企業(有限合夥)) is a limited partnership established in the PRC, principally engaged in investing in entities with high grow potential. Its executive partner is Founder Hesheng Investment Co., Ltd. (方正和生投資有限責任公司).
- (5) Shanghai Yougu Biotechnology Partnership (Limited Partnership)* (上海有谷生物技術合夥企業(有限合夥)) is a limited partnership established in the PRC, principally engaged in technology development. Its executive partner and largest limited partner are both Xia Dingming (夏鼎銘).
- (6) Shanghai Yuanfu Enterprise Service Center (Limited Partnership)* (上海垣涪企業服務中心(有限合夥)) is a limited partnership established in the PRC, principally engaged in business consulting. Its executive partner is Shanghai Yingpai Management Consulting Co., Ltd.* (上海鷹湃管理諮詢有限公司), a company owned by Li Yaoqi (李堯琦) and Li Xiujuan (李秀娟). Shanghai Yuanfu Enterprise Service Center (Limited Partnership) has 14 limited partners, with Li Yaoqi (李堯琦) being the largest limited partner holding 22.2% of the partnership interest.
- (7) Gongqingcheng Tongkang Investment Partnership (Limited Partnership)* (共青城通康投資合夥企業(有限合夥)) is a limited partnership established in the PRC. Its executive partner and largest limited partner are both Mr. Sheng. It is principally engaged in project investment.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Other Shareholders and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

INFORMATION OF THE GROUP

The Group is a leading innovative interventional cardiovascular device company in China focusing on bioresorbable scaffold (BRS) therapy and renal denervation (RDN) therapy. Founded in 2014, the Company has been dedicated to developing innovative medical devices to address the unmet medical needs of vascular disease and hypertension patients in China.

INFORMATION OF HK BIO-HEART

HK Bio-heart is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is an investment holding company.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND CAPITAL INJECTION

As disclosed in the prospectus of the Company dated December 13, 2021, the Group strives to identify promising research and development projects and companies that are complementary to, and can contribute to the expansion of its product portfolio. The Acquisition and Capital Injection are consistent with the Group's strategy to seek opportunities for external partnerships, strategic investments and acquisitions to broaden the Group's existing pipeline. The Target Company's focus on drug coated balloon (DCB) products is in line with the Company's vision to provide innovative therapy solutions that can realize the principle of "intervention without implantation".

In addition, the Target Company's research and development needs and its expansion of production capacity require a large amount of capital. Through the Capital Injection, the Target Company can obtain funding for the implementation and execution of its development plans and realize its growth opportunities.

Upon completion of the Acquisition and the Capital Injection, the Group will be interested in an aggregate of 15.42% of the Target Company's equity interest and will become the third largest shareholder. While the Target Company will not become a subsidiary and its financials will not be consolidated into the Group's accounts, the Group will benefit from its financial results after the Target Company successfully commercializes its products. The Board believes that the Transactions will bring long-term and strategic benefits to the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of each of the SPA and the Capital Injection Agreement and the Transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Hong, the spouse of Mr. Wang, an executive Director and controlling shareholder of the Company, holds 11.09% in the Target Company. Therefore, Ms. Hong is deemed as an associate of a controller under Rule 14A.28(2) of the Listing Rules. Further, as the SPV's sole shareholder and director Mr. Shao is Mr. Wang's nephew, each of Mr. Shao and the SPV is a deemed connected person of the Company under Rule 14A.21(1). As such, the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Transactions (whether on a stand-alone basis or aggregated) is more than 0.1% but all are less than 5%, the Transactions are therefore subject to the reporting and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For good corporate governance purpose, Mr. Wang (being the spouse of Ms. Hong, one of the shareholders of the Target Company) and Mr. Ji Chen (being a director of the Target Company, and the chief investment officer of Suzhou Chenzhide, one of the shareholders of the Target Company) have abstained from voting on the resolutions in relation to the SPA, Capital Injection Agreement and the Transactions.

Save as disclosed above, none of the Directors who attended the Board meeting are considered to have a material interest nor is required to abstain from voting in respect of the relevant Board resolutions.

DEFINITIONS

Unless the context requires otherwise, the capitalized terms used herein shall have the following meanings:

“Acquisition”	the acquisition of the 8.66% equity interest of the Target Company from the SPV by HK Bio-heart pursuant to the SPA
“Board”	the Board of Directors
“Capital Injection”	the injection of capital of RMB16,000,000 into the Target Company by the Company in accordance with the Capital Injection Agreement
“Capital Injection Agreement”	the agreement dated June 21, 2022 entered into between the Company, Ms. Hong, the SPV, the Other Shareholders and the Target Company in relation to the Capital Injection
“Company”	Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability, the issued H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2185)
“connected person”	has the meaning ascribed to it under the Listing Rules
“DCB”	drug coated balloon
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK Bio-heart”	Hong Kong Bio-heart Biological Technology Co., Limited (香港百心安生物技術有限公司), a company incorporated in Hong Kong on April 7, 2021, a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Shao”	Mr. William Weiyi Shao, the sole director and shareholder of the SPV
“Mr. Sheng”	Mr. Weiwen Sheng (盛衛文), founder, chairperson of the board of directors and the largest shareholder of the Target Company and an Independent Third Party
“Mr. Wang”	Mr. Philip Li Wang (汪立), the chairman of the Board, the general manager, executive Director and controlling shareholder of the Company
“Ms. Hong”	Ms. Jiaqi Hong (洪家琪), the spouse of Mr. Wang
“Other Shareholders”	the shareholders of the Target Company after the Acquisition but before the Capital Injection other than Ms. Hong, the Company and HK Bio-heart, namely Suzhou Chenzhide, Tibet Hetai Zhengding Venture Capital Partnership (Limited Partnership) (西藏和泰正鼎創業投資合夥企業(有限合夥)), Gongqingcheng Tongkang Investment Partnership (Limited Partnership) (共青城通康投資合夥企業(有限合夥)), Shanghai Yougu Biotechnology Partnership (Limited Partnership) (上海有谷生物技術合夥企業(有限合夥)), Hu Xi (胡璽), Shanghai Yuanfu Enterprise Service Center (Limited Partnership) (上海垣涪企業服務中心(有限合夥)), and Mr. Sheng
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the shares of the Company
“Shareholder(s)”	the holders of Shares
“SPA”	the sale and purchase agreement dated June 21, 2022 entered into between HK Bio-heart, the SPV and the Target Company in respect of the Acquisition
“SPV”	Synapes Medical Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Suzhou Chenzhide”	Suzhou Chenzhide Investment L.P. (Limited Partnership)* (蘇州辰知德投資合夥企業(有限合夥)), a shareholder of the Company and the Target Company
“Target Company”	Shanghai Xinzhi Medical Technology Co., Ltd.* (上海心至醫療科技有限公司), a company established in the PRC with limited liability
“Transactions”	the transactions contemplated under the SPA and the Capital Injection Agreement
“%”	per cent

By order of the Board
Shanghai Bio-heart Biological Technology Co., Ltd.
Philip Li WANG
Chairman and executive director

Shanghai, the People’s Republic of China, June 21, 2022

As at the date of this announcement, the Board of the Company comprises Mr. Philip Li WANG as chairman and executive director, Mr. Yunqing WANG as executive director, Ms. Li CAI, Mr. Quan ZHOU, Mr. Ji CHEN and Mr. Jie YIN as non-executive directors, and Mr. Charles Sheung Wai CHAN, Mr. Xubo LU and Mr. George Chien Cheng LIN as independent non-executive directors.

* *For identification purposes only*