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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 TRANSACTIONS

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On January 17, 2023 (after trading hours), MP CardioFlow and MicroPort Sinica entered into the (i) Catering Services Framework Agreement, which sets out the principal terms for the provision of catering services and beverages by the MicroPort Sinica Group at its staff canteens and other internal dining areas to the Group; and (ii) the Property Management Services Framework Agreement, which sets out the principal terms for the provision of property management services by the MicroPort Sinica Group to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, MicroPort®, through its wholly-owned subsidiary Shanghai MicroPort Limited, is indirectly interested in approximately 46.19% of the total issued share capital of the Company, and MicroPort Sinica is a wholly-owned subsidiary of MicroPort®. Therefore, MicroPort Sinica is a connected person of the Company under the Listing Rules, and the transactions contemplated under each of the Catering Services Framework Agreement and Property Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of the highest amount of the annual caps under each of the Catering Services Framework Agreement and Property Management Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under each of the Catering Services Framework Agreement and Property Management Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On January 17, 2023 (after trading hours), MP CardioFlow and MicroPort Sinica entered into (i) the Catering Services Framework Agreement, which sets out the principal terms for the provision of catering services and beverages by the MicroPort Sinica Group at its staff canteens and other internal dining areas to the Group; and (ii) the Property Management Services Framework Agreement, which sets out the principal terms for the provision of property management services by the MicroPort Sinica Group to the Group.

Catering Services Framework Agreement

The principal terms of the Catering Services Framework Agreement are set out below:

Date:	January 17, 2023
Parties:	(i) MP CardioFlow; and (ii) MicroPort Sinica.
Scope of service:	Provision of catering services and beverages by the MicroPort Sinica Group and/or any third party engaged by the MicroPort Sinica Group at its staff canteens and other internal dining areas to the employees and guests of the Group such as (i) provision of breakfast, lunch, dinner and beverages; and (ii) provision of catering services for conferences, banquets and business meals.
Term:	From the date of the Catering Services Framework Agreement to December 31, 2025 (both dates inclusive).
Pricing policy:	The service fees to be charged by the MicroPort Sinica Group under the Catering Services Framework Agreement will be determined with reference to the prevailing market prices.
Historical transaction amounts:	The MicroPort Sinica Group has provided the catering services to the Group since June 2022. For the year ended December 31, 2022, the historical transaction amount of the procurement of catering services was approximately RMB0.7 million.

Annual caps: Pursuant to the Catering Services Framework Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the three years ended December 31, 2025 are expected not to exceed as follows:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Annual cap	3,000,000	3,500,000	4,000,000

The proposed annual caps for the transactions contemplated under the Catering Services Framework Agreement were determined after considering the following factors:

- (i) the aforesaid historical transaction amounts of the procurement of catering services for the year ended December 31, 2022 and the expected increase of the procurement amounts due to the increase of the numbers of employees;
- (ii) the number of employees and guests of the Group and the expected increase in such number; and
- (iii) the expected increase in costs such as the increase in the catering service personnel, labour costs and raw material costs.

Payment terms: The Group shall pay the service fee on a monthly basis to the MicroPort Sinica Group, provided that the MicroPort Sinica Group shall issue the valid value-added tax invoice to the Group in a timely manner, and the Group shall pay the same amount within 15 working days upon receipt and verification of the valid value-added tax invoice issued legally by the MicroPort Sinica Group.

Property Management Services Framework Agreement

The principal terms of the Property Management Services Framework Agreement are set out below:

Date: January 17, 2023

Parties:

- (i) MP CardioFlow; and
- (ii) MicroPort Sinica.

Scope of service: Provision of property management services for the production facilities and offices of the Group including but not limited to (i) common areas management and maintenance services; (ii) public facilities management and maintenance services (excluding settlement of utility fees in these common areas such as (i) water; (ii) electricity; and (iii) industrial gas); and (iii) purification plant equipment and facilities maintenance and repair services.

Term: From the date of the Property Management Services Framework Agreement to December 31, 2025 (both dates inclusive).

Pricing policy: The service fees to be charged by the MicroPort Sinica Group under the Property Management Services Framework Agreement will be determined with reference to (i) the prevailing market prices considering the location and condition of the properties; (ii) the scope of property management services and (iii) the expected costs of property management services, including but not limited to, the labour, administrative and material costs.

Historical transaction amounts: For each of the years ended December 31, 2020, 2021 and 2022, the historical transaction amount of the procurement of property management services was approximately RMB0.1 million, RMB0.1 million and RMB1.9 million, respectively.

Annual caps: Pursuant to the Property Management Services Framework Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the three years ended December 31, 2025 are expected not to exceed as follows:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Annual cap	4,000,000	4,000,000	4,000,000

The proposed annual caps for the transactions contemplated under the Property Management Services Framework Agreement were determined after considering the factors including:

- (i) the aforesaid historical transaction amounts of the procurement of property management services for the years ended December 31, 2020, 2021 and 2022 and the expected increase of the procurement amounts due to the expansion of the properties for production and office space;

- (ii) the number and areas of production facilities and offices of the Group that require such property management services;
- (iii) the labour, administrative and material costs to be incurred for maintenance; and
- (iv) the nature, age, infrastructure features, geographical location and neighbourhood profile of the production facilities and offices.

Payment terms: The Group shall pay the service fee on a quarterly basis to the MicroPort Sinica Group, provided that the MicroPort Sinica Group shall issue the valid value-added tax invoice to the Group in a timely manner, and the Group shall pay the same amount within 30 working days upon receipt and verification of the valid value-added tax invoice issued legally by the MicroPort Sinica Group.

INTERNAL CONTROL MEASURES

The pricing policies for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

Pricing policies for the Catering Services Framework Agreement

As a general principle, the service fees to be charged by the MicroPort Sinica Group under the Catering Services Framework Agreement will be determined in accordance with the following pricing principles:

- (i) breakfast, lunch, dinner and beverages shall be charged at a fixed fee according to the price menu provided by the MicroPort Sinica Group, which are determined with reference to the cost of the raw materials and labour cost and compared against prices charged by restaurants and canteens nearby for similar menus; and
- (ii) prices for catering services for conferences, banquets and business meals shall be determined with reference to the needs of the Group, the total cost to be incurred and prevailing market prices offered by restaurants and canteens nearby for similar services. Apart from the total cost to be incurred, factors such as the number of employees and guests of the Group required to be served, food type and quality, service requirement and quality, hygiene and food safety will affect such prices.

In determining the price menu for breakfast, lunch, dinner and beverages, the Group will conduct market price research on a half-yearly basis through obtaining similar menus from at least two restaurants and canteens nearby.

In determining the price for catering services for conferences, banquets and business meals, the Group will obtain at least two quotations from restaurants and canteens nearby on an ad-hoc basis.

Catering services and beverages will be provided by the MicroPort Sinica Group under the Catering Services Framework Agreement only when the prices and terms offered by the MicroPort Sinica Group are not less favourable to the Group as compared with those offered by other Independent Third Party(ies). The Group will keep negotiating with the MicroPort Sinica Group to ensure the prices and terms of an offer from the MicroPort Sinica Group are no less favorable to the Group than those available from Independent Third Party(ies).

Pricing policies for the Property Management Services Framework Agreement

As a general principle, the service fees to be charged by the MicroPort Sinica Group under the Property Management Services Framework Agreement will be determined in accordance with the following pricing principles:

- (i) where there are prices prescribed by the PRC government in relation to similar property management services, such government prescribed prices shall apply to the services provided by the MicroPort Sinica Group. Where there are available or applicable government guiding price standards, the prices charged by the MicroPort Sinica Group shall be within the range of the government guided prices;
- (ii) where there are no government-prescribed prices or guiding prices available or applicable, the price for property management services shall be based on the market price of comparable services and the price offered by the MicroPort Sinica Group to Independent Third Parties for comparable services; and
- (iii) prevailing market price for the similar services for the similar type of property management services with similar areas and quality in the vicinity generally offered by other independent service providers to the Group as well as the Company's comparable historical transactions with Independent Third Party(ies) (if available).

As at the date of this announcement, and to the best knowledge, understanding and belief of the Directors, the property management services provided under the Property Management Services Framework Agreement are not subject to any applicable government-prescribed prices or government-guided prices.

In determining the service fees chargeable and terms for property management services under the Property Management Services Framework Agreement, the prices and terms offered by the MicroPort Sinica Group will be reviewed and evaluated by the relevant personnel of the finance department and the management of the Group and to be compared against the prices obtained through the half-yearly regular price research conducted by the Group from at least two quotations provided by Independent Third Party(ies) for comparable transactions and the comparable historical transactions with the Independent Third Party(ies) (if available). Where the prices and terms of an offer from the MicroPort Sinica Group are not less favourable to the Group than those offered by other Independent Third Party(ies), the Group may enter into a separate agreement for such property management services with the MicroPort Sinica Group. The Group will keep negotiating with the MicroPort Sinica Group to ensure the prices and terms of an offer from the MicroPort Sinica Group are no less favourable to the Group than those available from Independent Third Party(ies) before entering into a separate agreement.

The Directors consider that the above relevant procedures conducted by the Group in determining the service fees chargeable and terms under the separate agreement can ensure the transactions contemplated under the Catering Services Framework Agreement and Property Management Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the Shareholders.

The relevant personnel and management of the Group will review and assess the terms before payments and/or entering into the separate agreements to ensure they are consistent with the principles and provisions set out in the Catering Services Framework Agreement and Property Management Services Framework Agreement.

The finance department of the Company will closely monitor the aggregate transaction amounts and notify the management if the aggregate transaction amounts become close to the annual caps. Regular checks will be conducted on a half-yearly basis to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of the respective agreements and the price charged for a specific transaction is fair and reasonable in accordance with the aforesaid pricing policies.

The independent non-executive Directors will continue to review the management's annual review reports on the transactions contemplated under the Catering Services Framework Agreement and Property Management Services Framework Agreement and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Catering Services Framework Agreement and Property Management Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The entering into of the Catering Services Framework Agreement allows the Group to provide subsidized quality food and beverage services for its employees as part of their benefit package and to ensure quality food to be offered to the guests of the Group during its business functions. Besides, the Group requires property management services for its premises. The entering into of the Property Management Services Framework Agreement can ensure a safe working environment for the employees of the Group.

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

INFORMATION OF THE PARTIES

MicroPort Sinica

MicroPort Sinica is a company established in the PRC with limited liability. Its principal business scope includes but not limited to investment, property management and catering management. MicroPort Sinica is wholly owned by MicroPort Scientific Corporation, whose shares are listed on the Main Board of the Stock Exchange (stock code: 853).

MP CardioFlow

MP CardioFlow is a limited liability company established in the PRC. MP CardioFlow is the principal operating subsidiary of the Group through which the Group conducted its business primarily. The Group is a medical device Group focusing on the research and development, manufacturing and commercialization of innovative transcatheter and surgical solutions for structural heart diseases.

LISTING RULES IMPLICATIONS

MicroPort[®], through its wholly-owned subsidiary Shanghai MicroPort Limited, is indirectly interested in approximately 46.19% of the total issued share capital of our Group, and MicroPort Sinica is a wholly-owned subsidiary of MicroPort[®]. Therefore, MicroPort Sinica is a connected person of the Company under the Listing Rules, and the transactions contemplated under each of the Catering Services Framework Agreement and Property Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of the highest amount of the annual caps under each of the Catering Services Framework Agreement and Property Management Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under each of the Catering Services Framework Agreement and Property Management Services Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BOARD APPROVAL

Each of Dr. Luo Qiyi (羅七一), Mr. Zhang Junjie (張俊傑), Ms. Wu Xia (吳夏) and Mr. Jonathan H. Chou (周嘉鴻), who holds positions in MicroPort[®] or its subsidiaries, has abstained from approving the relevant Board resolutions of the Company in relation to the Catering Services Framework Agreement and Property Management Services Framework Agreement. Save as disclosed above, to the best knowledge, belief and information of the Company and having made all reasonable enquiries, none of the Directors has any material interest or is required to abstain from voting on the relative Board resolution approving the same.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“Board”	the board of Directors
“Catering Services Framework Agreement”	the catering services framework agreement dated January 17, 2023 entered into between MP CardioFlow and MicroPort Sinica
“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 ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Group and its connected persons and their respective ultimate beneficial owner(s) or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 wholly-owned subsidiary of Microport®
“MicroPort Sinica Group”	MicroPort Sinica, its subsidiaries, associates and joint ventures
“MP CardioFlow”	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 the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall not include Hong Kong, Macau Special Administrative Region and Taiwan
“Property Management Services Framework Agreement”	the property management services framework agreement dated January 17, 2023 entered into between MP CardioFlow and MicroPort Sinica
“RMB”	the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

By order of the Board
MicroPort CardioFlow Medtech Corporation
Luo Qiyi
Chairman

Shanghai, PRC, January 17, 2023

As at the date of this announcement, the executive Directors are Mr. Chen Guoming, Mr. Zhao Liang and Ms. Yan Luying, the non-executive Directors are Dr. Luo Qiyi, 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.