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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
CAPITAL INCREASE IN
SHANGHAI XINZHI MEDICAL TECHNOLOGY CO., LTD.

INTRODUCTION

On April 14, 2023, the Company, HK Bio-heart, Xinzhi Medical, Ms. Hong and the Other Shareholders have entered into the Capital Increase Agreement, pursuant to which the Company has agreed to make a capital increase of RMB15,000,000 into Xinzhi Medical in exchange for RMB361,144 of the registered capital of Xinzhi Medical, and the remaining RMB14,638,856 shall be credited as capital reserve of Xinzhi Medical.

Upon completion of the Capital Increase, the registered capital of Xinzhi Medical would be increased from RMB4,165,200 to RMB4,526,344, and the Company's direct interests in the enlarged registered capital of Xinzhi Medical would be approximately 14.79%. Together with the equity interest in Xinzhi Medical directly held by HK Bio-heart, the Group will hold an aggregate of approximately 22.18% interest in Xinzhi Medical upon completion of the Capital Increase, and Xinzhi Medical will remain as an associate of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Hong, who holds approximately 10.27% of Xinzhi Medical's equity interest, is the spouse of Mr. Wang, an executive Director and controlling shareholder of the Company. Therefore, Ms. Hong is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Transaction constitutes a connected transaction 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 Transaction is more than 0.1% but all are less than 5%, the Transaction is 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 Capital Increase is subject to fulfillment of the conditions precedents set out in the Capital Increase Agreement, and the Capital Increase may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On April 14, 2023, the Company, HK Bio-heart, Xinzhi Medical, Ms. Hong and the Other Shareholders have entered into the Capital Increase Agreement, pursuant to which the Company has agreed to make a capital increase of RMB15,000,000 into Xinzhi Medical in exchange for RMB361,144 of the registered capital of Xinzhi Medical, and the remaining RMB14,638,856 shall be credited as capital reserve of Xinzhi Medical.

THE CAPITAL INCREASE AGREEMENT

Set out below is a summary of the principal terms of the Capital Increase Agreement:

Date	April 14, 2023
Parties	(1) the Company; (2) HK Bio-heart; (3) Xinzhi Medical; (4) Ms. Hong; and (5) the Other Shareholders.
Subject matter	As at the date of this announcement, the registered capital of Xinzhi Medical is RMB4,165,200, which has been fully paid up. Pursuant to the Capital Increase Agreement, the Company has agreed to make a capital increase of RMB15,000,000 into Xinzhi Medical in exchange for RMB361,144 of the registered capital in Xinzhi Medical and the remaining RMB14,638,856 shall be credited as capital reserve of Xinzhi Medical. After completion of the Capital Increase, the registered capital of Xinzhi Medical will increase from RMB4,165,200 to RMB4,526,344, and the Company's direct equity interests in the enlarged registered capital of Xinzhi Medical would be 14.79%. Together with the equity interest in Xinzhi Medical directly held by HK Bio-heart, the Group will hold an aggregate of approximately 22.18% interest in Xinzhi Medical upon completion of the Capital Increase, and Xinzhi Medical will remain as an associate of the Company.

The Capital Increase will be utilized for Xinzhi Medical's business development and general working capital and other purposes determined by the budget plan and business proposal as approved by the board of directors of Xinzhi Medical.

**Basis of the
Capital Increase and
payment terms**

The capital increase of RMB15,000,000 will be paid in cash by the Company to Xinzhi Medical within five business days upon fulfillment of, *inter alia*, the following conditions:

1. there are no applicable laws, courts arbitration institutions or relevant government authorities that restrict, prohibit or cancel the Transaction, nor are there any pending or potential lawsuits, arbitrations, judgments, rulings, decisions or injunctions that have or will have an adverse impact on the Transaction;
2. the Capital Increase (including the waiver of pre-emptive rights) has been approved by the shareholders in general meeting and the board of directors of Xinzhi Medical; and
3. there has been no material adverse change in the financial position, results of operations, assets or business of the Xinzhi Medical.

The capital increase amount of RMB15,000,000 was determined after arm's length negotiations between the parties to the Capital Increase Agreement with reference to the unaudited net asset value of Xinzhi Medical as at March 31, 2023 and the research and development progress of Xinzhi Medical, 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 Increase Agreement, including fulfillment of the conditions stated above.

INFORMATION OF XINZHI MEDICAL

Xinzhi Medical is founded in 2017 by Mr. Sheng, the chairperson of the board of directors and the largest shareholder of Xinzhi Medical. Mr. Sheng has extensive experience in the research and development of cardiovascular medical devices. Xinzhi Medical is a pre-revenue medical device developer dedicated to the research and development of interventional non-implantation cardiovascular devices. At present, Xinzhi Medical has two 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 product will complete the trial by the end of 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”. Xinzhi Medical aims to enrich its multi-dimensional pipelines through in-house research and development.

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

	Year ended December 31 2021 (RMB)	Year ended December 31 2022 (RMB)
Net loss ^(Note)	<u>14,113,228.84</u>	<u>12,591,312.69</u>

Note: Xinzhi Medical was not subject to any tax.

According to the unaudited consolidated management accounts of Xinzhi Medical, the total assets and net assets of Xinzhi Medical as at March 31, 2023 are as follows:

	As at March 31, 2023 (RMB)
Total assets	8,507,835.64
Net assets	<u>10,552,878.52</u>

Shareholding Structure of Xinzhi Medical

The following table sets out the shareholder structure of Xinzhi Medical: (i) as at the date of this announcement; and (ii) after completion of the Capital Increase.

Shareholders	As at the date of this announcement		After the Capital Increase	
	Registered capital (RMB)	Approximate Percentage of shareholding	Registered capital (RMB)	Approximate Percentage of shareholding
The Company ⁽¹⁾	642,400	15.42%	1,003,544	22.18%
Ms. Hong ⁽²⁾	427,900	10.27%	427,900	9.45%
Other Shareholders:				
Mr. Sheng	1,013,900	24.34%	1,013,900	22.40%
Suzhou Chenzhide ⁽³⁾	736,400	17.68%	736,400	16.27%
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	17.68%	736,400	16.27%
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	2.84%	118,300	2.61%
Shanghai Yuanfu Enterprise Service Center (Limited Partnership)* (上海垣涪企業服務 中心(有限合夥)) ⁽⁶⁾	64,400	1.55%	64,400	1.42%
Hu Xi (胡璽)	77,000	1.85%	77,000	1.70%
Gongqingcheng Tongkang Investment Partnership (Limited Partnership)* (共青城通康投資合夥 企業(有限合夥)) ⁽⁷⁾	348,500	8.37%	348,500	7.70%
	<u>4,165,200</u>	<u>100.00%</u>	<u>4,526,344</u>	<u>100.00%</u>

Notes:

- (1) Including the equity interest in Xinzhi Medical directly held by HK Bio-heart and the equity interest in Xinzhi Medical directly held by the Company.
- (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 specializing 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 is 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 27.7% 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 Third Parties.

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 CAPITAL INCREASE

As disclosed in the announcement of the Company dated June 21, 2022, Xinzhi Medical's research and development needs and its expansion of production capacity require a large amount of capital. Through the Capital Increase, Xinzhi Medical can obtain funding for the implementation and execution of its development plans and realize its growth opportunities.

Upon completion of the Capital Increase, the Group will be interested in an aggregate of approximately 22.18% of Xinzhi Medical's equity interest and will become its second largest shareholder. While Xinzhi Medical will not become a subsidiary and will remain as an associate of the Company upon completion of the Capital Increase, the Group will benefit from its financial results after Xinzhi Medical successfully commercializes its portfolio of DCB products. The Board believes that the Transaction will bring long-term and strategic benefits to the Group through further enhancing cooperation and achieving synergy between Xinzhi Medical's DCB products and the Company's own pipeline products.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement and the Transaction 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 its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Hong, who holds approximately 10.27% of Xinzhi Medical's equity interest, is the spouse of Mr. Wang, an executive Director and controlling shareholder of the Company. Therefore, Ms. Hong is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Transaction constitutes a connected transaction 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 Transaction (whether on a stand-alone basis or aggregated) is more than 0.1% but all are less than 5%, the Transaction is 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 Xinzhi Medical) and Mr. Ji Chen (being a director of Xinzhi Medical, and the chief investment officer of Suzhou Chenzhide, one of the shareholders of Xinzhi Medical) abstained from voting on the resolutions of the Board in relation to the Transaction.

Save as disclosed above, none of the Directors who attended the Board meeting was considered to have a material interest nor was 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:

“Board”	the Board of Directors
“Capital Increase Agreement”	the agreement dated April 14, 2023 entered into by the Company, Ms. Hong, HK Bio-heart, the Other Shareholders and Xinzhi Medical in relation to the Capital Increase
“Capital Increase”	the capital increase of RMB15,000,000 into Xinzhi Medical by the Company in accordance with the Capital Increase Agreement
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Sheng”	Mr. Weiwen Sheng (盛衛文), founder, chairperson of the board of directors and the largest shareholder of Xinzhi Medical 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 Xinzhi Medical 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
“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 Xinzhi Medical
“Transaction”	the transaction contemplated under the Capital Increase Agreement
“Xinzhi Medical”	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
“%”	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, April 14, 2023

As at the date of this announcement, the Board comprises Mr. Philip Li WANG as Chairman and executive Director, Mr. Yunqing WANG and Ms. Peili WANG as executive Directors, Mr. Quan ZHOU and Mr. Ji CHEN 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*