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If you have sold or transferred all your shares in **MicroPort CardioFlow Medtech Corporation**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO
2023 DISTRIBUTION FRAMEWORK AGREEMENT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board containing information on, among other things, the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement is set out on pages 7 to 42 of this circular. A letter from the Independent Board Committee in respect of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement is set out on pages 43 to 44 of this circular. A letter of advice from Gram Capital Limited, the Independent Financial Adviser, in respect of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 82 of this circular.

The Extraordinary General Meeting of MicroPort CardioFlow Medtech Corporation will be held on Friday, December 29, 2023 at 10:00 a.m.. at No. 1661 Zhangdong Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, China. For details, please refer to the notice of the EGM dated December 12, 2023.

December 12, 2023

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following terms or expressions shall have the following meanings:

“2022 Service Procurement Framework Agreement”	the 2022 Service Procurement Framework Agreement dated June 7, 2022 between MP CardioFlow (for itself and on behalf of its subsidiaries) and MicroPort [®] (for itself and on behalf of its subsidiaries other than the Group), pursuant to which we agreed to, among others, procure (i) promotion services; and (ii) patient health management services from Retained MicroPort [®] Group for a term commencing from June 22, 2022 till December 31, 2023
“2023 Distribution Framework Agreement”	the 2023 Distribution Framework Agreement dated December 6, 2023 between the Company (for itself and on behalf of its subsidiaries) and MicroPort [®] (for itself and on behalf of its subsidiaries other than the Group), pursuant to which we agreed to, among other things, grant a non-exclusive right to the Retained MicroPort [®] Group to market and distribute the Group’s products overseas for a term commencing from January 1, 2024 till December 31, 2026
“2023 Master Raw Materials Procurement Agreement”	the 2023 Master Raw Materials Procurement Agreement dated December 6, 2023 between the Company (for itself and on behalf of its subsidiaries) and MicroPort [®] (for itself and on behalf of the Retained MicroPort [®] Group and its joint ventures and associates), pursuant to which we agreed to, among others, procure raw materials from the Retained MicroPort [®] Group and its joint ventures and associates for a term commencing from January 1, 2024 till December 31, 2026
“2023 Promotion and Patient Health Management Service Procurement Framework Agreement”	the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement dated December 6, 2023 between the Company (for itself and on behalf of its subsidiaries) and MicroPort [®] (for itself and on behalf of its subsidiaries other than the Group), pursuant to which we agreed to, among others, procure promotion and health management services from the Retained MicroPort [®] Group for a term commencing from January 1, 2024 till December 31, 2026

DEFINITIONS

“AccuSniper™”	AccuSniper™ double-layer balloon catheter
“Alwide® Plus”	Alwide® Plus balloon catheter
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this circular and unless otherwise indicated, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“CICC Kangrui”	CICC Kangrui I (Ningbo) Equity Investment Limited Partners (Limited Partnership) (中金康瑞壹期(寧波)股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC and our pre-IPO investor
“Class III medical device(s)”	the medical device(s) recognized by the China National Medical Products Administration with high risk level, the safety and effectiveness of which can be ensured through strict control and administration with special measures
“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
“Director(s)”	the director(s) of the Company, including all executive, non-executive and independent non-executive directors
“Distribution Products”	the products and product candidates referred to in the section headed “Letter from the Board — 2023 Distribution Framework Agreement — Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules”

DEFINITIONS

“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on Friday, December 29, 2023 at 10:00 a.m. at No. 1661 Zhangdong Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, China or any adjournment thereof. For details, please refer to the notice of the EGM dated December 12, 2023.
“Group”, “we”, “us”, or “our”	the Company and all of its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the 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 Board Committee”	the independent committee of the Board, consisting of the independent non-executive Directors who are not the directors of MicroPort [®] , established to provide advice to Independent Shareholders in respect of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder
“Independent Financial Adviser” “Gram Capital” or “Gram Capital Limited”	“Gram Capital Limited”, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders of the Company, excluding MicroPort [®] and Shanghai MicroPort
“Independent Third Party(ies)”	persons who are not the connected person(s) of the Group

DEFINITIONS

“KOL(s)”	doctors that influence their peers’ medical practice, including but not limited to prescribing behavior
“Latest Practicable Date”	December 6, 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Date”	February 4, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in our Shares first commenced on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
“Master Raw Materials Procurement Agreement”	the Master Raw Materials Procurement Agreement dated January 21, 2021, between the Company (for itself and on behalf of its subsidiaries) and Shanghai MicroPort Medical (for itself and on behalf of its subsidiaries), pursuant to which the Group will procure certain raw materials, such as evacuation tubes, outer tubes, inner tubes, nitinol tubes and PTFE (polytetrafluoroethylene) sheathes, from the Retained MicroPort [®] Group for a term commencing from Listing Date till December 31, 2023
“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 [®] Group”	MicroPort [®] and its subsidiaries

DEFINITIONS

“MP CardioFlow”	Shanghai MicroPort CardioFlow Medtech Co., Ltd. (上海微创心通医疗科技有限公司), a limited liability company established in the PRC on May 21, 2015 and a wholly-owned subsidiary of the Company
“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)
“non-exempt continuing connected transaction”	has the meaning as defined in the Listing Rules
“Prospectus”	the prospectus issued by the Company on January 26, 2021
“R&D”	research and development
“Retained MicroPort [®] Group”	MicroPort [®] and its subsidiaries, excluding the Group
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai MicroPort”	Shanghai MicroPort Limited, a company incorporated in the BVI with limited liability on January 8, 2019, a wholly-owned subsidiary of MicroPort [®] and one of the controlling shareholders of the Company
“Shanghai MicroPort Medical”	Shanghai MicroPort Medical (Group) Co., Ltd. (上海微创醫療器械(集團)有限公司), a limited liability company established in the PRC on May 15, 1998 and a wholly owned subsidiary of MicroPort [®]
“Share(s)”	ordinary share(s) in the share capital of the Company of US\$0.000005 each
“Shareholder(s)”	holder(s) of the Share(s) from time to time

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Market(s)”	Countries and regions including Mexico, Colombia, Brazil, Argentina, Saudi Arabia, Egypt, India, Pakistan, Iran, Turkey, Kazakhstan, Russia, Korea, Thailand, Malaysia, Indonesia, Australia, Japan, Belarus, Azerbaijan, Lebanon, Chile, Hong Kong and European Union
“TAVI”	transcatheter aortic heart valve implantation, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open-chest surgery to correct severe aortic stenosis
“TMV”	transcatheter mitral valve, which refers to treatment methods for mitral valve diseases through transcatheter approach
“TTV”	transcatheter tricuspid valve, which refers to treatment methods for tricuspid valve diseases through transcatheter approach
“VitaFlow [®] ”	unless the context indicates otherwise, “VitaFlow [®] ” refers to the VitaFlow [®] transcatheter aortic valve implantation system, which comprises of a PAV (prosthetic aortic valve), a motorized delivery system and certain procedural accessories
“VitaFlow Liberty [®] ”	unless the context indicates otherwise, “VitaFlow Liberty [®] ” refers to the VitaFlow Liberty [®] transcatheter aortic valve implantation system, which comprises of a PAV (prosthetic aortic valve), a motorized delivery system and the tip-preshaped super stiff guidewire Angelguide [®]
“%”	per cent



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)

Executive Directors:

Mr. Jeffrey R Lindstrom
Mr. Zhao Liang
Ms. Yan Luying

Non-Executive Directors:

Mr. Chen Guoming (*Chairman of the Board*)
Mr. Zhang Junjie
Ms. Wu Xia

Independent non-executive Directors:

Mr. Jonathan H. Chou
Ms. Sun Zhixiang
Dr. Ding Jiandong

Registered office:

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

***Head office and principal place
of business in the PRC:***

No. 1661 Zhangdong Road
Zhangjiang Hi-Tech Park
Pudong New District
Shanghai, PRC

***Principal place of business
in Hong Kong:***

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

December 12, 2023

To the Shareholders

Dear Sir/Madam,

- (1) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
2023 DISTRIBUTION FRAMEWORK AGREEMENT**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement dated December 6, 2023 in relation to, among other things, the renewal of the existing continuing connected transactions (being (i) the 2023 Master Raw Materials Procurement Agreement and (ii) the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement) and the entering into of continuing connected transaction (being the 2023 Distribution Framework Agreement) and the respective transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its commendations; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

RENEWAL OF THE MASTER RAW MATERIALS PROCUREMENT AGREEMENT

Background

Reference is made to the Prospectus in relation to, inter alia, the Master Raw Materials Procurement Agreement entered into by the Company (for itself and on behalf of its subsidiaries) and Shanghai MicroPort Medical (for itself and on behalf of its subsidiaries) on January 21, 2021, pursuant to which the Group procured certain raw materials, such as evacuation tubes, outer tubes, inner tubes, nitinol tubes and PTFE (polytetrafluoroethylene) sheathes, from the Retained MicroPort[®] Group.

The Master Raw Materials Procurement Agreement has an initial term commencing from the Listing Date till December 31, 2023. Subject to compliance with Listing Rules and applicable laws and regulations, the Master Raw Materials Procurement Agreement may be renewed for a further term of three years from time to time, unless either party notifies the other party to the contrary with one month's written notice prior to the expiry of the agreement's term. Upon renewal of the Master Raw Materials Procurement Agreement, the parties may amend the terms of the agreement based on the then prevailing circumstances.

At the time of the listing of the Shares on the Stock Exchange in January 2021, the Stock Exchange granted a waiver to the Company in respect of, inter alia, the non-exempt continuing connected transaction under the Master Raw Materials Procurement Agreement from strict compliance with the announcement and independent shareholders' approval requirements under

LETTER FROM THE BOARD

Chapter 14A of the Listing Rules. Pursuant to the waiver, the transaction under the Master Raw Materials Procurement Agreement is subject to the respective annual caps for the three years ending December 31, 2023.

Since the Listing Date, the Company has been conducting certain continuing connected transactions under the Master Raw Materials Procurement Agreement in ordinary and usual course of its business on normal commercial terms. The Company has closely monitored the transactions contemplated under the Master Raw Materials Procurement Agreement and the actual transaction amounts did not exceed the annual cap for the years ended December 31, 2021 and 2022. As of the Latest Practicable Date, the actual transaction amounts for the transaction under the Master Raw Materials Procurement Agreement did not exceed the annual cap for the year ending December 31, 2023.

2023 Master Raw Materials Procurement Agreement

To continue the transactions under the Master Raw Materials Procurement Agreement after December 31, 2023, the Company (for itself and on behalf of its subsidiaries) and MicroPort[®] (for itself and on behalf of the Retained MicroPort[®] Group and its joint ventures and associates) entered into the 2023 Master Raw Materials Procurement Agreement on December 6, 2023 for a term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive), pursuant to which, the Company will procure raw materials (the “**Raw Materials**”) from the Retained MicroPort[®] Group and its joint ventures and associates. The principal terms of the 2023 Master Raw Materials Procurement Agreement are summarized below:

Date

December 6, 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) MicroPort[®] (for itself and on behalf of the Retained MicroPort[®] Group and its joint ventures and associates)

Duration

Subject to approval by the Independent Shareholders at the EGM, the 2023 Master Raw Materials Procurement Agreement will commence from January 1, 2024 and end on December 31, 2026 (both days inclusive), unless otherwise terminated in accordance with the terms thereunder.

LETTER FROM THE BOARD

Payment Terms

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

Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Master Raw Materials Procurement Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

Nature of the Transactions

The Company will procure Raw Materials from the Retained MicroPort® Group and its joint ventures and associates. Such Raw Materials mainly include stability shafts, integrated sheathes, outer tubes, inner tubes, flat laminates, nitinol tubes, PTFE (polytetrafluoroethylene) sub-lite-wall extruded tubing, inner core shafts, FEP (fluorinated ethylene propylene) heat shrink tubes, PO (polyolefin) heat shrink tubes, balloon tubes, repair clamp kits, AR (aortic regurgitation) fixed head kits and protective liner kits.

Pricing Policy

The prices of the Raw Materials will be determined through arm's length negotiation primarily based on the production cost, R&D cost and our procurement volume, with reference to a number of factors applicable to all suppliers, including but not limited to the market price of the products, quantity and method of procurement, specifications of the products, the fees charged for historical transactions of similar nature and the prevailing market price of such Raw Materials of the same quality.

Reasons for and Benefits of the Transactions

We plan to procure the Raw Materials from the Retained MicroPort® Group and its joint ventures and associates as the prices are more favorable as compared to other third-party suppliers. The production of the Raw Materials requires specialized production line, facilities and personnel. The Retained MicroPort® Group and its joint ventures and associates currently have such production capacity and offers to provide customization of such products for Independent Third Parties, while we do not have or plan to build up such production capacity. Thus, it is commercially sensible to procure the Raw Materials from the Retained MicroPort® Group and its joint ventures and associates or Independent Third Parties instead of building up our own production capacity. The Raw Materials produced by Retained MicroPort® Group and its joint

LETTER FROM THE BOARD

ventures and associates with high quality, stable and quick delivery in reasonable prices could satisfy and ensure the efficient commercialized production of our products and further product candidates.

Each of the Raw Materials under the 2023 Master Raw Materials Procurement Agreement can be readily sourced from third-party suppliers. We have been identifying alternative suppliers for the Raw Materials and the Group will engage the Retained MicroPort[®] Group and its joint ventures and associates to provide such Raw Materials if they are provided to the Group on normal commercial terms or better when compared with other third-party suppliers. The Company therefore believes that our procurement of the Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates does not constitute any undue reliance on it.

Our procurements of the Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates have been and will be conducted in the ordinary and usual course of business of the Group, on an arm's length basis and on normal commercial terms or better. Furthermore, the risk of the Retained MicroPort[®] Group and its joint ventures and associates terminating the connected transactions is remote as the parties under the relevant agreements have limited termination rights and the termination would not be in the commercial interest of the Retained MicroPort[®] Group and its joint ventures and associates in commercial aspect. In an unlikely event that the Retained MicroPort[®] Group and its joint ventures and associates terminate any connected transactions with us, we do not consider that such termination will materially or adversely affect our business.

We are of the view that the terms of the 2023 Master Raw Materials Procurement Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole and will be beneficial to the Group.

LETTER FROM THE BOARD

Historical Transaction Amount

The following table sets forth the historical transaction amount we procured from the Retained MicroPort[®] Group and its joint ventures and associates:

For the Year ended December 31,		For the Ten Months ended
2021	2022	October 31,
<i>RMB'000</i>	<i>RMB'000</i>	2023
		<i>RMB'000</i>
		<i>(Unaudited)</i>
485	4,158	11,115

Note: The historical annual caps for the years ended December 31, 2021 and 2022 and the year ending December 31, 2023 were RMB23,000,000, RMB38,000,000 and RMB39,000,000, respectively. The utilization rates of the historical annual caps for the years ended December 31, 2021 and 2022 and the year ending December 31, 2023 are approximately 2.11%, 10.94% and 28.50% (representing the historical transaction amounts for the ten months ended October 31, 2023 divided by the annual cap for the year ending December 31, 2023), respectively.

The main reasons leading to the low utilization rates of the historical annual caps during 2021 to October 31, 2023 are set out below:

- (i) the rapid iteration of our products exceeded our original commercialization plan. Our historical annual caps were calculated assuming that the transition between our first-generation product (VitaFlow[®]) and second-generation products (including VitaFlow Liberty[®] system and Alwide[®] Plus balloon catheter) will be smooth and our first-generation products will be the mainstay during 2021 to 2023. However, subsequent to the launch of our second-generation products in August 2021, one of our second-generation products, VitaFlow Liberty[®], equipped with a motorized retrievable delivery system, which provides physicians with improved ease of use and procedure safety, rapidly outperformed our first-generation products and contributed the main part of sales. As a result, the demand for raw materials for the first-generation products dropped significantly, while the demand for our second-generation products which require completely different outer tubes, inner tubes, stability shafts and other raw materials increased. As our second-generation products are Class III medical devices, the NMPA has strict requirements on the raw materials of such products which are clearly specified on the registration certificates. It took the Retained MicroPort[®] Group and its joint ventures and associates a period longer than we originally expected to customize, develop and manufacture the new raw materials for our second-generation products. Moreover, COVID-19 has adversely affected the R&D and production capacity of the Retained MicroPort[®] Group and its joint ventures and associates. As a result, the

LETTER FROM THE BOARD

Retained MicroPort® Group and its joint ventures and associates were not able to timely support the raw materials needs for our second-generation products in 2022 and the first half of 2023, and the Group had to turn to other independent third party suppliers; and

- (ii) the outbreaks and spread of Covid-19 throughout 2021 and 2022 adversely affected the production, marketing and sales of our products. The actual market penetration and sales of our products were lower than our original estimation, which in turn affected our demand for raw materials.

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the 2023 Master Raw Materials Procurement Agreement are set out below:

Proposed annual cap for the year ending December 31,		
2024	2025	2026
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
37,000	45,000	67,000

Reasons for the Proposed Annual Caps and Basis of Determination

The proposed annual caps were in line with the development and manufacturing plan of the Group. Considering the nature of the transactions under the 2023 Master Raw Materials Procurement Agreement, the transaction amounts for such transactions are also expected to increase along with the development and commercialization of our products and product candidates.

The proposed annual caps were estimated with reference to, amongst others, (i) the historical purchase volume of the Raw Materials by the Group from the Retained MicroPort® Group and its joint ventures and associates; (ii) the unit price of such Raw Materials; (iii) anticipated increasing demand for such Raw Materials from the Retained MicroPort® Group and its joint ventures and associates which is primarily driven by the R&D, registration and commercialization progress of our product candidates and the estimated increasing production volume of the commercialized products of our Group; (iv) the expected increase in the production and supply capacity of the Retained MicroPort® Group and its joint ventures and associates; and (v) the potential price fluctuation of the Raw Materials.

LETTER FROM THE BOARD

Mainly due to the following reasons, the annual caps for the three years ending December 31, 2026 are significantly higher than the actual historical transaction amounts for the two years ended December 31, 2021 and 2022 and the ten months ended October 31, 2023:

- (i) the Company expects to advance the sales of VitaFlow[®], VitaFlow Liberty[®] (including procedural accessories as supporting supply), Alwide[®] Plus and AccuSniper[™] in the near future;
- (ii) the Company currently expects that several of our products such as VitaFlow[®] III will be registered and be subsequently commercially launched in China and overseas in the three years ending December 31, 2026;
- (iii) as the supply capacity of the Retained MicroPort[®] Group and its joint ventures and associates for certain Raw Materials such as outer tubes, inner tubes, nitinol tubes and PTFE (polytetrafluoroethylene) sub-lite-wall extruded tubing increases recently and the prices offered by the Retained MicroPort[®] Group and its joint ventures and associates are more competitive as compared to other independent third-party suppliers, the Company intends to procure larger quantities of certain Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates to satisfy our production requirements; and
- (iv) although the Retained MicroPort[®] Group and its joint ventures and associates did not satisfy our needs for certain raw materials for second-generation products from 2021 to 2023, the Retained MicroPort[®] Group and its joint ventures and associates recently built up its production capacity of certain new raw materials needed for our R&D and production in the next three years, such as FEP (fluorinated ethylene propylene) heat shrink tubes, PO (polyolefin) heat shrink tubes, balloon tubes, repair clamp kits, AR (aortic regurgitation) fixed head kits and protective liner kits which are needed by the Group for our expanded production. In addition, the raw material production technology of the Retained MicroPort[®] Group and its joint ventures and associates have been recently upgraded, which enables the Retained MicroPort[®] Group and its joint ventures and associates to timely supply the new raw materials that we require for our product iteration from time to time in the future. The Company used to procure such Raw Materials mainly from other independent third party suppliers, most of whom are overseas suppliers. As (a) the prices of such Raw Materials offered by the Retained MicroPort[®] Group and its joint ventures and associates are more favorable, (b) such Raw Materials are produced by the Retained MicroPort[®] Group and its joint ventures and associates with high quality; and (c) the stable and quick delivery offered by the Retained MicroPort[®] Group and its joint ventures and associates could satisfy and

LETTER FROM THE BOARD

ensure the efficient commercialized production of our products, the Company plans to procure such raw materials mainly from the Retained MicroPort[®] Group and its joint ventures and associates.

RENEWAL OF THE 2022 SERVICE PROCUREMENT FRAMEWORK AGREEMENT

Background

References are made to the supplemental circular and announcement dated June 7, 2022 in relation to, inter alia, 2022 Service Procurement Framework Agreement entered into by MP CardioFlow (for itself and on behalf of its subsidiaries) and MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group) on June 7, 2022, pursuant to which the Group will procure (i) promotion services and (ii) patient health management services from the Retained MicroPort[®] Group for a term ending December 31, 2023. Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2022 Service Procurement Framework Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of the 2022 Service Procurement Framework Agreement based on the then prevailing circumstances.

The Company has been conducting certain continuing connected transactions under the 2022 Service Procurement Framework Agreement in ordinary and usual course of its business on normal commercial terms. The Company has closely monitored the transaction contemplated under the 2022 Service Procurement Framework Agreement and the actual transaction amounts did not exceed the annual cap for the year ended December 31, 2022. As of the Latest Practicable Date, the actual transaction amounts for the transaction under the 2022 Service Procurement Framework Agreement did not exceed the annual cap for the year ending December 31, 2023.

2023 Promotion and Patient Health Management Service Procurement Framework Agreement

To continue the transactions under the 2022 Service Procurement Framework Agreement after December 31, 2023, the Company (for itself and on behalf of its subsidiaries) and MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group) entered into the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement on December 6, 2023 for a term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive), pursuant to which the Group will procure promotion and health management services from the Retained MicroPort[®] Group. The principal terms of the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement are summarized below:

LETTER FROM THE BOARD

Date

December 6, 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) MicroPort® (for itself and on behalf of its subsidiaries other than the Group)

Duration

Subject to approval by the Independent Shareholders at the EGM, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement will commence from January 1, 2024 and end on December 31, 2026 (both days inclusive), unless otherwise terminated in accordance with the terms thereunder.

Payment Terms

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

Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

Nature of the Transactions

Procurement of promotion services

The Group will procure promotion services from the Retained MicroPort® Group. Such promotion services mainly include promoting the products of the Group through, among others, (i) organizing online and offline marketing activities and (ii) identifying potential patients of the Group's products.

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Procurement of patient health management services

The Group will procure patient health management services from the Retained MicroPort® Group. Such patient health management services mainly include designing integrated patient supporting plan and providing relevant services for members of the Group at different levels, including (a) phone consultation services; (b) medical planning and precise medical consultation services; (c) customized insurance supporting services; (d) services in relation to assisting patients in handling insurance claims; (e) specialist appointment services; (f) accompanying services for medical treatment; (g) priority examination services; (h) round-the-clock health concierge services; (i) health record management services; (j) green channel services for medical procedures; and (k) pre-surgical and post-surgical health management consulting services. The Group provides the above services to our potential patients through three different types of one-time membership benefits, including (1) gold tier memberships (including services under items (a), (g), (h), (i) and (k)); (2) platinum tier memberships (including services under items (a), (b), (e), (g), (h), (i), (j) and (k)); and (3) diamond tier memberships (including services under all items from (a) to (k)).

Pricing Policy

The service fees of the promotion and health management services are determined based on the types of the relevant service, through arm's length negotiation primarily between the parties with reference to a number of factors applicable to all service providers, including but not limited to (i) the nature, complexity, and value of tasks completed by Retained MicroPort® Group under each work order; (ii) the fee rates for historical comparable transactions of similar nature by the Retained MicroPort® Group and other third party suppliers, if any; (iii) the available prevailing market rate of services on similar supply conditions as stated in the fee quotes provided by the other third party suppliers; and (iv) the overall cost (mainly the labor cost) the Group may incur for conducting similar promotion activities by its in-house sales and marketing personnel, especially identifying referrals of targeting patients.

It is expected that the transactions contemplated under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement will be determined mainly based on the available prevailing market rate of services on similar supply conditions as stated in the fee quotes provided by the other third party suppliers. The Group will further negotiate with the Retained MicroPort® Group in respect of the quotations if the quotations provided by Retained MicroPort® Group is higher than those provided by the other third party suppliers for comparable transactions.

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The final price of the transactions contemplated under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement will be, as the case may be, (i) no less favorable than those offered by Independent Third Parties for comparable transactions; or (ii) not higher than the overall cost (mainly the labor cost) the Group may incur for conducting similar promotion activities by the Group's in-house sales and marketing personnel.

Based on the above, the Board is of the view that the service fee rate is fair and reasonable, and it is commercially sensible for the Company and in the interest of the Company and the Shareholders as a whole to procure such services from the Retained MicroPort[®] Group without taking into consideration its shareholding in the Company. Moreover, if any of such services are readily available from third party suppliers with terms of supply that are more favorable for the Company, the Group will procure such services from such third party suppliers.

Implementation Agreements

Members of the Group and members of the Retained MicroPort[®] Group will enter into, from time to time and as necessary, individual implementation agreements to set out the specific terms and conditions in respect of the procurement of the services thereunder. Any such implementation agreements shall fall within the ambit of the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and shall not contravene the provisions of the same.

Reasons for and Benefits of the Transactions

The medical device industry which the Group operates in is intensely competitive and rapidly changing. The Company faces competition with major international medical device companies as well as domestic medical device companies which are developing heart valve disease solutions. In order to gain a higher market share in China and overseas TAVI markets, it is important for the Company to further strengthen the commercialization capabilities of the Company by, among others, leveraging the promotion services provided by external suppliers. Therefore, the services provided by the Retained MicroPort[®] Group under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement are essential to the commercialization process and can be a supplement to the in-house sales and marketing team of the Group.

The Company is a biotechnology medical device company. Therefore, the promotion of its products and the management of the eligible patients of the Group's products require sophisticated experience and knowledge that are better handled by service providers with such capabilities. The Retained MicroPort[®] Group has a proven record of successfully commercializing medical devices and has a well-established and experienced sales and marketing team familiar with the Group's products with not only a broad coverage of the Group's target departments of domestic hospitals but also global outreach. Further, the Retained MicroPort[®] Group has been very familiar with the

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Group's requirements and has been providing us with various satisfying services in a timely and cost-efficient manner. Therefore, it is believed that engaging the Retained MicroPort[®] Group to provide the promotion services will be beneficial for the Company to boost brand awareness, enhance the Group's influence, grasp market dynamics and increase the penetration rate of the Group's products. In addition, in line with the Group's globalization strategy, with the support from the overseas sales and marketing team of the Retained MicroPort[®] Group, the Company will further advance its global commercialization process which will enable the Company to expeditiously establish an advantageous position in market share in the relevant overseas markets.

The Group's procurements of services from the Retained MicroPort[®] Group have been and will be conducted in the ordinary and usual course of business of the Group, on an arm's length basis and on normal commercial terms or better. Furthermore, the risk of the Retained MicroPort[®] Group terminating the connected transactions is remote as the parties under the relevant agreements have limited termination rights and the termination would not be in the commercial interest of the Retained MicroPort[®] Group in commercial aspect. Also taking into account that (i) most of the services provided by the Retained MicroPort[®] Group under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement can be easily procured from Independent Third Party service providers in the market at comparable terms; and (ii) if the services provided by the Retained MicroPort[®] Group have no other alternative suppliers readily available in the market, such promotion activities can also be done by the Company's own in-house commercialization team, in an unlikely event that the Retained MicroPort[®] Group terminates the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement or is unable to provide the relevant services to the Company, we do not consider that the business of the Company will be materially and adversely affected.

Our in-house developed product portfolio consists of four commercialized products — VitaFlow[®], VitaFlow Liberty[®] (including procedural accessories as supporting supply), Alwide[®] Plus and AccuSniper[™], and various TAVI products, TMV products, TTV products and procedural accessories at different development stages. In addition to our in-house developed product portfolio, we also collaborated with our business partners, with respect to certain TMV and TTV products, for which we own the exclusive commercial rights in China. The proposed annual caps as set out below are determined with reference to the estimated increasing demand for relevant services in line with the Group's business expansion and commercialization progress. The total cost of the Company is also expected to increase with a similar trend in 2024, 2025 and 2026. Based on the current best estimation of the Company, as a percentage of the total R&D costs, distribution costs, administrative expenses and other operating costs of the Company, the proposed annual caps are expected to remain relatively stable at less than 10 % in 2024, 2025 and 2026. Based on the above, the Company believes that the transactions under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement will not cause any undue reliance on the Retained MicroPort[®] Group.

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We are of the view that the terms of the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole and will be beneficial to the Group.

Historical Transaction Amount

The following table sets forth the historical transaction amount of the promotion services we procured from the Retained MicroPort® Group:

For the Year ended December 31, 2022	For the Ten Months ended October 31, 2023
<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
15,613	26,980

Note: The historical annual caps for the year ended December 31, 2022 and the year ending December 31, 2023 were RMB55,000,000 and RMB80,000,000, respectively. The utilization rates of the historical annual caps for the year ended December 31, 2022 and the year ending December 31, 2023 are approximately 28.39% and 33.73% (representing the historical transaction amounts for the ten months ended October 31, 2023 divided by the annual cap for the year ending December 31, 2023), respectively.

Proposed Annual Caps

The proposed annual caps for the transaction contemplated under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement are set out below:

Proposed new annual cap for the year ending December 31,		
2024	2025	2026
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
53,000	54,000	55,000

Reasons for the Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement were determined with reference to (i) the available historical fee rates or agreed future service fee rates charged by the

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Retained MicroPort[®] Group for providing such services; (ii) the estimated increasing demand for relevant services in line with the Group's business expansion and commercialization progress; and (iii) the Retained MicroPort[®] Group's ability of service supply.

Promotion Service Fees:

The estimated amount of promotion services fees, which account for approximately 6%-9% of the proposed annual caps, are mainly incurred from (i) organizing online and offline marketing activities (accounting from approximately 22%-39% of the estimated promotion service fees for 2024, 2025 and 2026); and (ii) identifying potential patients of the Group's products (accounting from approximately 61%-78% of the estimated promotion service fees for 2024, 2025 and 2026). The estimated amount of service fees for online and offline marketing activities were determined based on the estimated service fee for organizing each marketing activity which falls within the range of RMB10,000 to RMB60,000 and the estimated number of the online and offline marketing activities to be held by the Group based on its current marketing plan (20 events in 2024, 45 events in 2025 and 75 events in 2026). The estimated amounts of promotion service fees for identifying the eligible patients were determined based on the estimated number of eligible patients to be referred (2,000, 2,400 and 3,000 eligible patients for 2024, 2025 and 2026, respectively according to estimation) and the estimated referral fee for each eligible patient which falls within the range of RMB500 to RMB1,500.

Patient Health Management Service Fees:

Patient health management service fees, which account for approximately 91%-94% of the proposed annual caps, are mainly incurred from the patient health management services provided to our potential patients who enjoy our membership benefits. The proposed annual caps for the three years ending December 31, 2026 are calculated primarily based on the estimated patient health management service fees charged by the Retained MicroPort[®] Group for each member which falls within the range of RMB2,000 to RMB45,000 depending on the type of membership program that the patient enrolls and the estimated number of members enrolled in each membership program.

The estimated fees for the aforementioned patient health management services are lower than the quotations provided by other two independent third party suppliers. The estimated number of members enrolled in each membership program was determined after arm's length negotiation between the Group and the Retained MicroPort[®] Group with reference to the current number of potential patients in the database of the business partners of the Retained MicroPort[®] Group who meet the relevant selection criteria. For the avoidance of doubt, the Group has the access to the

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data relating to the eligible potential patients that may be treated with the Group's products and product candidates, rather than the entire database of the Retained MicroPort[®] Group and its business partners.

Based on the reasons below, the Company is of the view that the proposed annual caps are fair and reasonable despite that the annual caps for the three years ending December 31, 2026 are significantly higher than the historical transaction amounts for the year ended December 31, 2022 and ten months ended October 31, 2023:

- (1) compared with the global market, TAVI procedures start late in China. Limited awareness of aortic valve disease and TAVI therapy among physicians and patients have led to the low market penetration rate of TAVI therapy in China. As a leading TAVI player in China, the Company intends to continue to invest in patient education and identification. Our core product, VitaFlow Liberty[®], which was launched in the second half of 2021, is still in the process of expanding hospital admissions and requires continued investment of resources for promotion;
- (2) the Company plans to allocate more resources in the forthcoming years to enhance its commercialization capabilities to boost brand awareness, enhance the Group's influence, grasp market dynamics and increase the penetration rate of the Group's products. Considering the nature of the transactions under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement, the transaction amounts for such transactions are also expected to increase along with the commercialization of our products and product candidates. The increase in the proposed annual caps from 2024 to 2026 are in line with the commercialization plan and marketing budget of the Group;
- (3) there had been COVID-19 outbreaks in certain parts of China in 2022, which adversely affected the promotion activities of the Company and the Company's demand for patient health management services. The Company believes that the Company's total procurement amount for the relevant services will show a recovery trend from the impact of the COVID-19 pandemic and further increase in the three years ending 2026; and
- (4) the Retained MicroPort[®] Group has only started to provide and Company has only started to procure from the Retained MicroPort[®] Group the patient health management services and promotion services since 2021. Before that, the Company had been procuring certain services from other independent third party suppliers. As the fee rates for such services offered by the Retained MicroPort[®] Group are competitive as

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compared with other independent third party suppliers providing similar services, the Company considers it commercially sensible to source the relevant services mainly from the Retained MicroPort[®] Group in the forthcoming years.

The proposed annual caps for the three years ending 2024, 2025 and 2026 remain relatively stable as (i) the Company is in the process of reducing costs and improving profitability and will therefore strictly control the budget of marketing and promotion expenses, and (ii) the Company considers not necessary to continue expanding its marketing and promotion efforts considering the possible inclusion of the TAVI product of the Group in the medical insurance reimbursement list in more provinces in the coming years as the marketing and promotion fees could be appropriately reduced in the areas covered by the medical insurance reimbursement list according to the Company's previous experience.

2023 Distribution Framework Agreement

On December 6, 2023, the Company (for itself and on behalf of its subsidiaries) and MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group) entered into the 2023 Distribution Framework Agreement for a term of three years commencing from January 1, 2024 to December 31, 2026 (both days inclusive), pursuant to which the Company agreed to grant a non-exclusive right to the Retained MicroPort[®] Group to commercialize and distribute the Group's Distribution Products in the Target Markets. The principal terms of the 2023 Distribution Framework Agreement are summarized below:

Date

December 6, 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group)

Duration

Subject to approval by the Independent Shareholders at the EGM, the 2023 Distribution Framework Agreement will commence from January 1, 2024 and end on December 31, 2026 (both days inclusive), unless otherwise terminated in accordance with the terms thereunder.

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Payment Terms

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

Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Distribution Framework Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

Scope of Transactions

Subject to the terms and conditions set forth in the 2023 Distribution Framework Agreement, the Group will grant a non-exclusive right to the Retained MicroPort[®] Group to market and distribute the Distribution Products of the Group in the Target Markets. Certain members of Retained MicroPort[®] Group will be engaged as the Group's distributors in their respective territory with a duly signed authorization letter. The Retained MicroPort[®] Group shall procure Distribution Products from the Group and use its best efforts in the promotion and sale of the Distribution Products of the Group.

The Retained MicroPort[®] Group is obliged not to distribute any product similar or equal to the Distribution Products of the Group in the designated geographic regions and hospitals. The Retained MicroPort[®] Group shall not engage sub-distributors without the Group's written consent. The Group will be responsible for product manufacturing and product delivery to the relevant territory. The Retained MicroPort[®] Group is obliged to, at its own expense and consistent with the sales policies of the Group, conduct marketing activities in the relevant territory, including keeping regular contact with local hospitals. The local distributors shall also submit quarterly market research information to the Group, which will also set out their selling performance in the relevant territory.

The Retained MicroPort[®] Group is obligated to, among other things, (i) comply with the relevant laws and regulations; (ii) keep inventory and usage records of all Distribution Products; and (iii) store the products appropriately in accordance with the instructions set out in the product manual.

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The Group will ascertain a final price (the “**Final Price**”) to be charged by the Group in each purchase order based on the pricing policy set out below after considering the quantity of the order, the delivery schedule, the purpose for usage and the cost of transportation. In line with the industry practice, the Retained MicroPort® Group is not allowed to return Distribution Products unless there are quality defects or in the event of a product recall.

Pricing Policy

All the Distribution Products will be sold to the Retained MicroPort® Group directly without involving any dealers under the 2023 Distribution Framework Agreement. Apart from the Final Price, the Retained MicroPort® Group will not receive any further commission or distribution fee pursuant to the 2023 Distribution Framework Agreement.

The Final Price shall be consistent with the pricing policy for the same Distribution Products that Group offers to independent third party distributors and shall be determined by the parties after arm’s length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of such Distribution Products; (ii) the shipping cost; (iii) the prevailing market gross profit for the distributors to sell similar products in the relevant market; and (iv) the prevailing market prices (including but not limited to the comparable tender prices approved by local governments or hospitals) of similar products within the respective markets. The Directors will regularly review and re-assess the sales prices of the Distribution Products and delivery method semiannually and adjust if there are any significant changes in the production cost, demands or the prevailing market prices.

It is expected that the prices of the Distribution Products of the Company to be charged by the Group to the Retained MicroPort® Group shall not be more favorable to the Group than prices charged to Independent Third Party distributors, if any, for the same products under similar conditions in the relevant Target Market.

Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules

The Company believes that strict compliance with the requirements of Rule 14A.53 of the Listing Rules for setting monetary caps in relation to the 2023 Distribution Framework Agreement is unduly burdensome, impractical and not in the best interests of Shareholders for the following reasons:

- (i) **Commercially impractical:** the Distribution Products have not yet launched commercialization in the vast majority of the Target Markets, and there was almost no historical transaction between the Group and the Retained MicroPort® Group with

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respect of the sales of the Distribution Products. Moreover, the proposed distribution arrangement involves the sales and distribution of four products and product candidates at various commercialization and R&D stages targeting a broad range of potential patients in different Target Markets. Considering the specificity and specialization of the Distribution Products, customized pricing, marketing and sales strategy as well as market entry approach will be determined and adopted for each Distribution Product. Considering the complexity of the distribution arrangement, it is impractical for the Company to accurately estimate the amount of the payment to be received from the 2023 Distribution Framework Agreement as the revenue to be derived from the marketing and distribution of our Distribution Products depends on the detailed analysis of actual addressable market for each of our Distribution Products, which will in turn depend on various factors which are subject to frequent changes and over which the Company has no control, including without limitation: (i) the market size, competitive landscape and distribution practices of the market segment for each Distribution Product in each Target Market; (ii) the demand and sale volume of each Distribution Products in each Target Market; (iii) the progress of the filling, registration and approval (if needed) for each Distribution Product to commercialize in each Target Market; (iv) the relevant government policies and the acceptance of our Distribution Products by the customers in the Target Markets; (v) the effectiveness of our commercialization strategy in the Target Markets, especially the speed of entry into hospitals and our relationship with local key opinion leaders; (vi) the results of our continuing free-to-operate analysis which may result in short-term suspension or long-term obstacles of our distribution in certain Target Market; (vii) the fluctuation in gross profit levels of distributors for similar products in each Target Market; and (viii) other potential impact of objective factors, such as local political situation and foreign exchange policies. The Group has made great efforts to try to accurately estimate the monetary annual caps for the 2023 Distribution Framework Agreement in accordance with Rule 14A.53 of the Listing Rules, including engaging and consulting with the independent industry consultant. The industry consultant was able to forecast the overall market size of each Target Market but was unable to accurately forecast the local market share of the Company's Distribution Products which is largely subject to the aforementioned factors over which the Company has no control. As the Company has not yet commercialized its products in most Target Markets, the competitive landscape in each country is also continuously changing, the degree of acceptance of the Company's Target Products in each market cannot yet be predicted by the management of the Company even with the assistance of the expertise of external consultants, making it difficult to accurately predict the market share of the Company's Distribution Products. Moreover, as it is not possible to accurately predict the time when the Company's Distribution Products will be registered in each Target Market, nor the time when they will begin to be commercialized, the international sales for the next three years cannot be accurately forecasted. Accordingly,

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it is not commercially practical to accurately estimate the monetary annual caps under the 2023 Distribution Framework Agreement for the next three years, and any inaccurate estimation without solid basis and reasonable assumption may provide misleading and deceptive information and sales forecast to our Shareholders and potential investors;

- (ii) **Some of our Distribution Products are still at R&D stage:** as of the Latest Practicable Date, various TAVI products, TMV products, TTV products and procedural accessories of the Group were still at R&D stage and we may further launch and commercialize some of such Distribution Products in the near future and the Company is not in a position to give an accurate estimate of financial information, including the revenue forecasts. For example, we have designed and plan to complete NMPA registration in 2024, our third-generation TAVI product, VitaFlow[®] III which is equipped with an upgraded steerable delivery system in China, in order to enhance further the immediate and long-term therapeutic effects of TAVI procedures. We also expect to launch VitaFlow[®] III in the Target Markets. However, at this stage, we cannot accurately predict the timeline or progress for the registration and commercialization of VitaFlow[®] III in the Target Markets in the next three years.

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The list of the Distribution Products and their latest R&D and commercialization stage are set out below:

Distribution Product	R&D/Commercialization Stage
VitaFlow Liberty [®] (Retrievable)	Second-generation TAVI product
Angelguide [®] tip-preshaped super stiff guidewire	Second-generation TAVI product
Alwide [®] Plus balloon catheter	Second-generation product

As of the Latest Practicable Date, VitaFlow Liberty[®] has been registered in Argentina, Colombia, Thailand, Russia and Indonesia. Alwide[®] Plus balloon catheter has been registered in Argentina, Colombia, Thailand, Russia, Indonesia, Brazil and Hong Kong. Angelguide[®] tip-preshaped super stiff guidewire has been registered in Argentina, Colombia and Brazil. The NMPA marketing approval is recognized in Chile and Azerbaijan, and no additional registration procedures are required to start selling the second-generation products. The CE registration of VitaFlow Liberty[®] has also made progress and is expected to be approved in the near future. The registration of the three second-generation products in the remaining Target Markets is also progressing in an orderly manner.

Currently, we have begun selling in Brazil, Colombia, Argentina, and Thailand. The CE registration for the European Union (EU) market is expected to be completed by the end of 2023 or early 2024, and the commercialization in the EU market will be pushed forward subsequently. The Company will visit local agents and hospitals to confirm the terms of business cooperation before the local registration is completed, and commence other pre-sales preparation procedures, such as training of local sales and marketing team, simultaneously. The Company will complete the shipment of the first batch of orders as soon as possible after the relevant product is licensed.

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Distribution Product

R&D/Commercialization Stage

VitaFlow[®] III

Third-generation
TAVI product

VitaFlow[®] III is our third-generation TAVI product which is still at design stage and has not yet been commercialized. We will actively promote sales in overseas countries that recognize the NMPA certificate after approval, and simultaneously commence the registration in other relevant Target Markets. However, given that VitaFlow[®] III is still in the stage of design and finalization, there are many uncertainties in the registration process, and it is impossible to accurately predict when it will be able to be launched in the Target Markets.

VitaFlow[®] III is expected to complete NMPA registration in 2024 and begin commercialization in 2025. After the completion of NMPA registration, registration in the Target Markets will be accelerated, and commercialization in the Target Markets will be accelerated as well by leveraging the overseas sales experience of our second-generation products.

- (iii) **Sensitive information:** in line with the Group's globalization strategy, with the support from the sales and marketing team of the Retained MicroPort[®] Group, the Company will further advance its global commercialization process which will enable the Company to expeditiously establish an advantageous position in market share in the Target Markets. Given that the sales through the Retained MicroPort[®] Group in the Target Markets is expected to be one of the significant growth drivers for the Company's business and financial performance, the disclosure of the annual caps in monetary terms would in effect provide Shareholders and investors as well as competitors of the Company with an indication of the Company's sales and revenue growth in the Target Markets. The disclosure of such information is highly sensitive and would therefore put the Company in a disadvantageous position in relation to its business operation and competition with other market players; and
- (iv) **Not in the interests of the Company and Shareholders to set fixed monetary caps:** it would also not be in the interest of the Company and the Shareholders of the Company to adopt fixed monetary caps for such transactions as such caps will impose an arbitrary ceiling on the profits that the Company could derive from the commercialization of the

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2023 Distribution Framework Agreement. Such monetary caps would be contrary to the purpose of adopting distribution arrangements in order to incentivize its distributors based on their marketing and distribution performance and would further impose restrictions on the growth of the Company's business and impair the interests of the Company and its Shareholders as a whole.

In view of the above, the Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements under Rule 14A.53 of the Listing Rules for setting a term of not exceeding three years and setting monetary caps in relation to the 2023 Distribution Framework Agreement, subject to the following conditions:

- (i) the Company will comply with the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A if there are any material changes to the terms of the 2023 Distribution Framework Agreement;
- (ii) the Company will clearly set out the formula in this circular as the annual caps for the 2023 Distribution Framework Agreement, and as such, the investors will be provided with the information about the fees to be received from the Retained MicroPort® Group under the distribution arrangement;
- (iii) the Company will designate a team to execute and ensure that the transactions in relation to the 2023 Distribution Framework Agreement are undertaken in accordance with the terms therein;
- (iv) the Company's executive Director and First Vice President of Total Solutions, Mr. Zhao Liang, will use his best endeavor to supervise the compliance with the terms of the 2023 Distribution Framework Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;
- (v) the independent non-executive Directors and the auditors of the Company will review the transactions in relation to the 2023 Distribution Framework Agreement on an annual basis and confirm in the Company's annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;
- (vi) the Company will disclose in the announcement and circular the reasons for entering into the 2023 Distribution Framework Agreement, the terms of the 2023 Distribution Framework Agreement, the grounds for the waiver sought and the Directors' and Independent Financial Advisors' views on the fairness and reasonableness of the transactions under the 2023 Distribution Framework Agreement;

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- (vii) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of the announcement and circular on the above continuing connected transactions, the Company will take immediate steps to ensure compliance with such new requirements;
- (viii) the Company will disclose the annual transaction amounts charged by it under the 2023 Distribution Framework Agreement in the Company's annual reports;
- (ix) apart from setting fixed monetary annual caps for which waiver is sought, the Company will comply with other requirements under Chapter 14A of the Listing Rules; and
- (x) the entering into the 2023 Distribution Framework Agreement with MicroPort[®], as long as MicroPort[®] remains as a connected person of the Company, will comply in full with all applicable reporting, annual review, disclosure and Independent Shareholders' approval requirement (if applicable) under Chapter 14A of the Listing Rules.

The Company expects that it could re-comply with the requirements under Rule 14A.53 of the Listing Rules for setting a term of not exceeding three years and setting monetary caps when renewing the 2023 Distribution Framework Agreement. It is expected that the Distribution Products will commence commercialization in the Target Markets and could be well recognized by local KOLs within the initial term of the 2023 Distribution Framework Agreement. The Company will therefore be able to gain specific market data and historical transaction amounts necessary for the Company to predict the annual caps for the renewed term with the assistance of independent industry consultants and other external experts, if needed. However, while the industry consultant could provide the Company with some estimation about the market size of the Distribution Products, since the following key information is not currently available and may subject to changes, it is not practicable for the Company to set a monetary cap for the initial term of the 2023 Distribution Framework Agreement:

1. The Target Markets have different market access and registration/filing policies for medical devices. We may be exposed to uncertainties dealing with local regulatory regimes, regulatory bodies and government policies in the Target Markets which may differ materially from those in the PRC or with which we may be unfamiliar. Therefore, the Company is unable to accurately predict whether we can obtain approval for registering and selling the Distribution Products in all Target Markets, and the Company is unable to accurately predict the time of commercialization of the Distribution Products in each Target Market; and

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2. As we have not yet commenced commercialization of our Distribution Products in most Target Markets, without the support of historical transaction amounts, the Company is unable to accurately estimate the acceptance of our Distribution Products by the local KOLs and patients, the market share, or the sales growth trend of our Distribution Products in the Target Markets.

Proposed Annual Caps

The transaction amount the Group shall charge the Retained MicroPort® Group pursuant to the 2023 Distribution Framework Agreement will be determined by the following formula:

$$\begin{array}{l} \text{The transaction} \\ \text{amount} \end{array} = \text{The sum of} \quad \left(\begin{array}{l} \text{The number of units of each} \\ \text{Distribution Product} \\ \text{ordered by the Retained} \\ \text{MicroPort® Group in each} \\ \text{Target Market} \end{array} \times \begin{array}{l} \text{The Final Price of the relevant Distribution} \\ \text{Product, which is determined primarily} \\ \text{by the formula below:} \end{array} \right)$$

*The Final Price = The retail price of the
Distribution Product in the relevant Target
Market⁽¹⁾ – Distributor's gross profit⁽²⁾*

Notes:

- (1) The retail price of our Distribution Product is determined based on the retail price of competing products in the Target Market and our production, shipping and insurance cost for the relevant Distribution Product, with reference to the market position and sales strategy for the relevant Distribution Product. The retail price is subject to adjustments in accordance with the market conditions from time to time.
- (2) The distributor's gross profit is determined through arm's length negotiations between our Group and the Retained MicroPort® Group primarily based on the prevailing gross profit rate for distributing similar products in the relevant Target Market, which is expected to be 30%–50% of the retail price.

Reasons for and Benefits of the Transactions

The medical device industry in which the Group operates is intensely competitive and rapidly changing. The Company faces competition with major international medical device companies as well as domestic medical device companies which are developing heart valve disease solutions. In line with the medical device industry norm, we adopt a distributorship model and we do not sell our products directly to hospitals. In order to gain access to or even a higher market share in TAVI market in the Target Markets, it is important for the Company to further strengthen the commercialization capabilities of the Company by, among others, leveraging the global distribution channels provided by external suppliers.

LETTER FROM THE BOARD

The Retained MicroPort[®] Group has a proven record of successfully commercializing medical devices globally and has a well-established and experienced global sales and marketing team familiar with the Group's Distribution Products with global outreach. Benefiting from the synergy between our Distribution Products and the comprehensive products focusing on the treatment of heart-related diseases offered by the Retained MicroPort[®] Group, as well as the Retained MicroPort[®] Group's stable business relationships with eligible hospitals in the Target Markets, the Company will be able to facilitate the admission and penetration into such hospitals in the Target Markets. In addition, after years of cooperation with us, MicroPort[®] Group has developed an adequate understanding of our product portfolio and business operations. Through such arrangements under the 2023 Distribution Framework Agreement, the Group will be able to leverage MicroPort[®] Group's global distribution network to get access to a wide range of customers in the Target Markets. It is believed that engaging the Retained MicroPort[®] Group as distributor will be beneficial for the Company to boost brand awareness, enhance the Group's influence, grasp market dynamics and increase the penetration rate of the Group's Distribution Products. It will also help the Group to effectively control the transaction risk and communication costs during the sales process and is beneficial to the business development of the Group.

While the annual caps under the 2023 Distribution Framework Agreement is not presented in monetary form, given that (i) the Final Price shall be consistent with the pricing policy for the same Distribution Products that Group offers to independent third-party distributors and will be determined primarily based on the prevailing market price of similar products; (ii) the Company will adopt the price determination and review mechanism and the relevant internal control procedures as described in the section headed "Internal Control Policies" below which will effectively ensure the Final Price is fair and reasonable; (iii) the nature of the transactions under the 2023 Distribution Framework Agreement and the formula calculating the transaction amounts thereunder are clear and do not involve complex calculations or excessive management discretion; and (iv) the sufficient disclosure in this circular and in the annual report which has already included or will include the key terms of the transactions to be contemplated under the 2023 Distribution Framework Agreement, the details of the Distribution Products and Target Markets, as well as the annual transaction amounts charged by us under the 2023 Distribution Framework Agreement, the Board considers that the current proposed annual caps in formular form (i) could provide the Shareholders and potential investors with all necessary information about the fees to be received from the Retained MicroPort[®] Group; and (ii) enable the Shareholders and potential investors to make a properly informed assessment of the subject transactions and/or hence an informed voting decision.

The Retained MicroPort[®] Group's procurement under the 2023 Distribution Framework Agreement will be conducted in the ordinary and usual course of business of the Group, on an arm's length basis and on normal commercial terms or better to the Group. Our long-term, stable and mutually beneficial business relationship with MicroPort[®] Group has contributed significantly

LETTER FROM THE BOARD

to our successful growth and expansion. We are of the view that the terms of the 2023 Distribution Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole and will be beneficial to the Group.

NON-RELIANCE ON THE RETAINED MICROPORT® GROUP

Despite the various continuing connected transactions to be entered into between the Company and the Retained MicroPort® Group as described above, the Company believes that it does not have any undue reliance on the Retained MicroPort® Group and its joint ventures and associates due to the following reasons:

- (1) Each of the Raw Materials under the 2023 Master Raw Materials Procurement Agreement can be readily sourced from third-party suppliers. We have been identifying alternative suppliers for the Raw Materials and the Company will engage the Retained MicroPort® Group and its joint ventures and associates to provide such Raw Materials if they are provided to the Group on normal commercial terms or better when compared with other third-party suppliers. The Company therefore believes that our procurement of the Raw Materials from the Retained MicroPort® Group and its joint ventures and associates does not constitute any undue reliance on it;
- (2) Taking into account that (i) most of the services provided by the Retained MicroPort® Group under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement can be easily procured from Independent Third Party service providers in the market at comparable terms, and (ii) if the services provided by the Retained MicroPort® Group have no other alternative suppliers readily available in the market, such promotion activities can also be done by the Company's own in-house commercialization team, in an unlikely event that the Retained MicroPort® Group terminates the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement or is unable to provide the relevant services to the Company, the Company does not consider that the business of the Company will be materially and adversely affected, and the Company believes that the transactions under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement will not cause any undue reliance on the Retained MicroPort® Group;
- (3) It is in line with the industry practice that medical device company engaging distributors for sales and distribution of its products in different markets. The Company's proposed distribution arrangement with the Retained MicroPort® Group is non-exclusive, which enables the Company to engage other third-party distributors to promote and sell its Distribution Products in the Target Markets. In addition, the Target Markets currently only contribute a relative immaterial portion of the revenue of the Company and is not

LETTER FROM THE BOARD

expected to be the principal market of the Company's products in the next three years. The Company does not have any undue reliance on the Retained MicroPort[®] Group with respect to the distribution arrangement; and

- (4) Our continuing connected transactions with the Retained MicroPort[®] Group and its joint ventures and associates have been and will be conducted in the ordinary and usual course of business of the Group, on an arm's length basis and on normal commercial terms or better to us. Furthermore, the risk of the Retained MicroPort[®] Group and its joint ventures and associates terminating the connected transactions is remote as (i) the parties under the relevant agreements have limited termination rights, (ii) the Company is still a subsidiary of MicroPort[®] and therefore the financial results of our Group will be reflected in the consolidated financial statements of MicroPort[®], and (iii) considering the nature of the transactions, the termination would not be in the commercial interest of the Retained MicroPort[®] Group and its joint ventures and associates in commercial aspect. In an unlikely event that the Retained MicroPort[®] Group and its joint ventures and associates terminate any connected transactions or is unable to provide the relevant products and/or services to the Company, we do not consider that the business of the Company will be materially and adversely affected;
- (5) The Company has a long-term, stable and mutually beneficial business relationship with the Retained MicroPort[®] Group and its joint ventures and associates. The Retained MicroPort[®] Group and its joint ventures and associates have been providing us with raw materials and other products and services with satisfying quality and reasonable price. After years of cooperation with us, the Retained MicroPort[®] Group and its joint ventures and associates have developed an adequate understanding of our product portfolio and business operations.
- (6) The Company is still in the process of transition from R&D stage to commercialization stage and the revenue of the Company is not considered to be a meaningful reference when assessing whether the transaction amounts of the aforementioned continuing connected transactions will lead to any undue reliance on the Retained MicroPort[®] Group and its joint ventures and associates or will have any material adverse impact on the Company's operation. The proposed annual caps as set out above are determined with reference to the estimated increasing demand for relevant services/products in line with the Group's business expansion and commercialization progress. The total cost and revenue of the Company is also expected to increase in the next three years. Based on the current best estimation of the Company, as a percentage of the total cost of sales, R&D costs, distribution costs, administrative expenses and other operating costs of the Company, the proposed annual caps under the 2023 Master Raw Materials Procurement Agreement and 2023 Promotion and Patient Health Management Service Procurement

LETTER FROM THE BOARD

Framework Agreement are expected to remain relatively stable at less than 10% in 2024, 2025 and 2026. In addition, any transaction with the Retained MicroPort® Group under the 2023 Distribution Framework Agreement will further expand our revenue sources and improve our financial performance.

INFORMATION OF THE PARTIES TO THE 2023 MASTER RAW MATERIALS PROCUREMENT AGREEMENT, THE 2023 PROMOTION AND PATIENT HEALTH MANAGEMENT SERVICE PROCUREMENT FRAMEWORK AGREEMENT AND THE 2023 DISTRIBUTION FRAMEWORK AGREEMENT

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. The Group is a medical device group primarily focusing on the R&D, manufacturing and sale of medical devices treating structural heart diseases.

MicroPort® Group is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally in a broad range of business segments including cardiovascular, orthopedics, cardiac rhythm management, endovascular, neurovascular, heart valve, surgical robot and other business.

Other companies listed on the Stock Exchange controlled by MicroPort® Group, including Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司) (stock code: 2252) and MicroPort NeuroTech Limited (微創腦科學有限公司) (stock code: 2172), are not involved in the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder.

INTERNAL CONTROL POLICIES

In order to ensure that the transactions contemplated under the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement will be conducted on normal commercial terms or better, the Group has adopted the following measures:

- (1) 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

LETTER FROM THE BOARD

relation to connected transactions, the Company has formulated internal guidelines for connected transactions based on the applicable requirements under the Listing Rules, which further clarifies 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;

- (2) the internal audit department of the Group will supervise and monitor the individual agreements to be entered into between the Group and the Retained MicroPort[®] Group and its joint ventures and associates to ensure that they will be entered into in accordance with the pricing policy under the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement;
- (3) the finance department of the Group (the “**Finance Department**”) will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, and review and compare at least two quotations from Independent Third Parties, if available, with the quotes from the Retained MicroPort[®] Group and its joint ventures and associates when determining which supplier to engage with so as to ensure that the price provided by the Retained MicroPort[®] Group and its joint ventures and associates to the Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favorable to the Group than the terms available from Independent Third Parties, if applicable;
- (4) a designated group of experienced sales and marketing personnel of the Group will, with assistance of the external industry consultant, China Insights Consultancy, or other competent independent industry consultant (the “**external industry consultant**”) with necessary qualifications and expertise in medical device industry, ensure the Final Price under the 2023 Distribution Framework Agreement is fair and reasonable. Before our Distribution Products entering into the relevant market, if needed, the Group will involve external industry consultant to conduct periodic market search to ascertain the market price range for the similar products sold to the end customers in the relevant market and the range of market gross profit rate for the distributors selling similar products in such market for the purpose of determining the price to be charged by the Group to the Retained MicroPort[®] Group under the 2023 Distribution Framework Agreement. The external industry consultant will, at least on an annual basis, review the fairness and reasonableness of the Final Price including but not limited to sampling the prices of similar products in the relevant Target Markets and reviewing relevant original documentary proof recorded by the Group. Our internal team will, from time to time,

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collect the prices for the similar products in the relevant markets sold by other companies to the end customers (if available), compare the average market price with the Final price (if available) and closely monitor and evaluate the market price trend timely. Should the Group aware that the Final Price is deviating from the prevailing market rates, it shall immediately report the same to the Board secretary office. The Board secretary office will then re-evaluate the prices and negotiate with the Retained MicroPort® Group so as to ensure that the Final Price is fair and reasonable, and is determined on normal commercial terms or on terms no less favorable to the Group than the terms available from Independent Third Parties;

- (5) if applicable, for the transactions that with no available quotes from Independent Third Parties, the Finance Department will assess the fairness of the quotation to be provided by the Retained MicroPort® Group and its joint ventures and associates with reference to the historical transactions of similar nature by the Retained MicroPort® Group and its joint ventures and associates and the overall cost the Group may incur for conducting similar activities by the Group's in-house sales and marketing personnel or the similar products/services previously purchased or supplied by the Group. The Finance Department will further negotiate with the Retained MicroPort® Group and its joint ventures and associates in respect of the quotations if (i) there is any material difference between the quotations provided by the Retained MicroPort® Group and its joint ventures and associates and the historical comparable transactions of similar nature provided by the Retained MicroPort® Group and its joint ventures and associates; and/or (ii) the quotations provided by the Retained MicroPort® Group and its joint ventures and associates are higher than the overall cost (mainly the labor cost) the Group may incur for conducting similar activities by the Group's in-house sales and marketing personnel or the similar products/services previously purchased or supplied by the Group;
- (6) the Group will comply with the annual review requirements in respect of the transactions contemplated under the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 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;
- (7) the Board will arrange internal trainings for the senior management of the Group and responsible staff on the compliance requirements for continuing connected transactions;

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- (8) the Finance Department will monitor the transaction amounts under the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement by preparing designated management accounts for the continuing connected transactions therein on a monthly basis to make sure that the actual contract amounts do not exceed the relevant annual caps, if applicable. 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, including obtaining the approval of Independent Shareholders (if required);
- (9) the Group shall comply with the conditions prescribed under the waiver granted by the Stock Exchange in connection with the connected transactions under the 2023 Distribution Framework Agreement; and
- (10) if any revision or adjustment on the terms (including without limitation, the price of the services or products) of the individual agreement under the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement is necessary, provided such revision or adjustment is in compliance with the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement, an approval application will be made by the total solutions promotion department of the Group and approved by, among others, the board secretary office of the Group.

LISTING RULES IMPLICATIONS

As of the Latest Practicable Date of this circular, through its wholly-owned subsidiary Shanghai MicroPort, MicroPort[®] was indirectly interested in approximately 46.13% of the total issued share capital of the Group. Therefore, MicroPort[®] is a connected person of the Company.

As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules with reference to the respective annual cap of the 2023 Master Raw Materials Procurement Agreement and the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual caps for the Distribution Framework Agreement in terms of monetary value. As of the conditions under the waiver, the transactions contemplated under the Distribution Framework Agreement are subject to, among others, the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE EGM

The EGM of MicroPort CardioFlow Medtech Corporation will be held on Friday, December 29, 2023 at 10:00 a.m. at No. 1661 Zhangdong Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, China.

A notice of the EGM is set out on pages 89 to 91 of this circular (the “**EGM Notice**”). The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the resolutions contained in the EGM Notice. A form of proxy for the EGM (the “**Form of Proxy**”) is enclosed with this circular.

A proxy form for the EGM is enclosed herewith. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Wednesday, December 27, 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish and in such event, the proxy form shall be deemed to be revoked.

MicroPort[®] (holding 1,112,855,680 Shares or approximately 46.13% of the Shares in the Company as of the Latest Practicable Date) who is involved in, or interested in the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement will abstain from voting the relevant resolution at the EGM pursuant to Rule 14A.36 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising the independent non-executive Directors who are not the directors of MicroPort[®] to advise the Independent Shareholders in connection with each of the 2023 Master Raw Materials Procurement Agreement,

LETTER FROM THE BOARD

the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder (including the annual caps, if applicable). Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders is set out on page 7 to 42 of this circular. The letter from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 44 of this circular. The additional information is set out on pages 45 to 82 of this circular.

RECOMMENDATION

The Directors (including the independent non-executive Directors but excluding Mr. Chen Guoming, Mr. Zhang Junjie, Ms. Wu Xia and Mr. Jonathan H. Chou, who are also Directors appointed by MicroPort® or held director's positions in the Retained MicroPort® Group at the time of the board meeting held for the purpose of, among others, considering and approving the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement) and were deemed to have interest in the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and thus had abstained from voting on the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder) after taking into account the advice of the Independent Financial Adviser consider that the terms of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement (including the applicable annual caps thereunder) are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors but excluding Mr. Chen Guoming, Mr. Zhang Junjie, Ms. Wu Xia and Mr. Jonathan H. Chou) after taking into account the advice of the Independent Financial Adviser recommend the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM in relation to the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the recommendations from Gram Capital, considers that the terms of each of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement (including the applicable annual caps thereunder) are fair and reasonable, and the respective transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement (including the applicable annual caps thereunder).

Yours faithfully,

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



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)

December 12, 2023

To the Independent Shareholders

Dear Sir/Madam,

**(1) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
2023 DISTRIBUTION FRAMEWORK AGREEMENT**

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in its opinion, the terms of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement are fair and reasonable, and the respective transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Gram Capital Limited, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 7 to 42 of the Circular and the letter from the Independent Financial Adviser set out on pages 45 to 82 of the Circular, both of which provide details of the 2023 Master Raw Materials Procurement Agreement,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder.

Having considered, among other matters, the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder, the advice of the Independent Financial Adviser, and the relevant information contained in the letter from the Board, we are of the opinion that the terms of the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement are fair and reasonable, and the respective transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the EGM in relation to the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement and the respective transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

MicroPort CardioFlow Medtech Corporation

Ms. Sun Zhixiang

Dr. Ding Jiandong

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

12 December 2023

*To: The independent board committee and the independent shareholders
of MicroPort CardioFlow Medtech Corporation*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the 2023 Master Raw Materials Procurement Agreement (the “**Raw Materials Procurement Transactions**”), the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement (the “**Promotion and Patient Health Management Service Transactions**”) and the 2023 Distribution Framework Agreement (the “**Distribution Transactions**”, together with the Raw Materials Procurement Transactions and the Promotion and Patient Health Management Service Transactions, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 12 December 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the term of the Master Raw Materials Procurement Agreement and the 2022 Service Procurement Framework Agreement shall end on 31 December 2023, to continue the transactions contemplated thereunder after 31 December 2023, on 6 December 2023, the Company (for itself and on behalf of its subsidiaries) entered into:

- (i) the 2023 Master Raw Materials Procurement Agreement with MicroPort[®] (for itself and on behalf of the Retained MicroPort[®] Group and its joint ventures and associates) for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), pursuant to which the Company will procure the Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates; and
- (ii) the 2023 Promotion and Patient Health Management Services Procurement Framework Agreement with MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group) for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), pursuant to which the Group will procure promotion services and patient health management services from the Retained MicroPort[®] Group.

On even date, the Company (for itself and on behalf of its subsidiaries) and MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group) entered into the 2023 Distribution Framework Agreement for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), pursuant to which the Company agreed to grant a non-exclusive right to the Retained MicroPort[®] Group to market and distribute the Group's Distribution Products in the Target Markets.

With reference to the Board Letter, the Transactions constitutes continuing connected transactions of the Company and are subject to reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In respect of the Distribution Transactions, the Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements under Rule 14A.53 of the Listing Rules for not setting monetary caps. The waiver is subject to certain conditions, details of which are set out under the sub-section headed "Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules" of the section headed "2023 Distribution Framework Agreement" of the Board Letter.

The Independent Board Committee comprising Ms. Sun Zhixiang and Dr. Ding Jiandong (both being independent non-executive Directors who are not the directors of MicroPort[®]) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to the continuing connected transactions, details of which are set out in the Company's circular dated 8 June 2022. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only an independent financial adviser engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, MicroPort® or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, 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. The Group is a medical device group primarily focusing on the R&D, manufacturing and sale of medical devices treating structural heart diseases.

Set out below are the financial information of the Group for the two years ended 31 December 2022 and for the six months ended 30 June 2023 (together with comparative figures) as extracted from the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report") and the Company's interim report for the six months ended 30 June 2023 (the "2023 Interim Report"):

	For the six months ended 30 June 2023 ("1H2023") RMB'000	For the six months ended 30 June 2022 ("1H2022") RMB'000	Year- on-year change %	For the year ended 31 December 2022 ("FY2022") RMB'000	For the year ended 31 December 2021 ("FY2021") RMB'000	Year- on-year change %
Revenue	176,442	124,782	41.40	251,026	200,813	25.00
— from the PRC	170,148	122,948	38.39	243,901	199,831	22.05
— from other countries	6,294	1,834	243.18	7,125	982	625.56
Gross profit	116,623	79,443	46.80	162,130	118,701	36.59
Loss for the year/period attributable to equity shareholders of the Company	(179,402)	(122,380)	46.59	(454,395)	(183,264)	147.95

The Group's revenue was approximately RMB251.0 million for FY2022, representing an increase of approximately 25.00% as compared to that for FY2021. With reference to the 2022 Annual Report, such increase was primarily attributable to the continued hospital penetration of the TAVI products that contributed the increase in the Group's market share.

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The Group's gross profit was approximately RMB162.1 million for FY2022, representing an increase in gross profit of approximately 36.59% and an increase in gross profit margin of approximately 5.5 percentage points, as compared to those for FY2021. With reference to the 2022 Annual Report, the increase in the Group's gross profit margin was primarily due to the Group's continued effort on reducing the product costs as a result of supplier diversification and increased local sourcing of raw materials.

The Group's revenue was approximately RMB176.4 million for 1H2023, representing an increase of approximately 41.40% as compared to that for 1H2022. With reference to the 2023 Interim Report, such increase was primarily attributable to continued hospital penetration of the Group's TAVI products and strong overseas growth.

The Group's gross profit was approximately RMB116.6 million for 1H2023, representing an increase in gross profit of approximately 46.80% and an increase in gross profit margin of approximately 2.4 percentage points, as compared to those for 1H2022. With reference to the 2023 Interim Report, the increase in the Group's gross profit margin was primarily due to the Group's continued effort in lowering the product costs.

Notwithstanding the aforesaid increases in the Group's revenue and gross profit, the Group's loss for FY2022 and 1H2023 attributable to equity shareholders of the Company increased by approximately 147.95% and 46.59%, as compared to that for FY2021 and 1H2022, respectively. With reference to the Company's annual results announcement for FY2022 and interim results announcement for 1H2023, such increase was mainly due to (i) the Group's continued investment in research and development and further commercialization efforts; and (ii) the increase in non-cash and/or one-off losses incurred during FY2022 and 1H2023 as compared to FY2021 and 1H2022, respectively.

With reference to the 2023 Interim Report, the Group intends to capitalize its strength to pursue a business strategy in (1) continue to strengthen its presence in China TAVI market through (a) deepening multi-level hospital coverage and procedure penetration; (b) enhance patient discovery and referral; (c) build academic brand to achieve professional education and promotion; and (d) conduct long-term postoperative follow-up and efficacy evaluation; (2) continue to advance its international strategy; (3) rapidly advance the research & development of new products; (4) enhance data collection to improve insight and decision making; and (5) strengthen full life cycle management of products, and improve operational efficiency.

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Information on MicroPort®

With reference to the Board Letter, MicroPort® Group is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally in a broad range of business segments including cardiovascular, orthopedics, cardiac rhythm management, endovascular, neurovascular, heart valve, surgical robot and other business.

As at the Latest Practicable Date, MicroPort®, through its wholly-owned subsidiary Shanghai MicroPort, was indirectly interested in approximately 46.13% of the total issued share capital of the Company. MicroPort® is a controlling Shareholder thus a connected person of the Company.

Reasons for and benefits of the Transactions

Raw Materials Procurement Transactions

With reference to the Board Letter, the Group plans to procure the Raw Materials from the Retained MicroPort® Group and its joint ventures and associates as the prices are more favorable as compared to other third-party suppliers. The production of the Raw Materials requires specialized production line, facilities and personnel. The Retained MicroPort® Group and its joint ventures and associates currently have such production capacity and offers to provide customization of such products for Independent Third Parties, while the Group does not have or plan to build up such production capacity. Thus, it is commercially sensible to procure the Raw Materials from the Retained MicroPort® Group and its joint ventures and associates or Independent Third Parties instead of building up the Group's own production capacity. The Raw Materials produced by Retained MicroPort® Group and its joint ventures and associates with high quality, stable and quick delivery in reasonable prices could satisfy and ensure the efficient commercialized production of the Group's products and further product candidates. Each of the Raw Materials can be readily sourced from third-party suppliers. The Group have been identifying alternative suppliers for the Raw Materials and the Group will engage the Retained MicroPort® Group and its joint ventures and associates to provide such Raw Materials if they are provided to the Group on normal commercial terms or better when compared with other third-party suppliers.

As noted from the Board Letter and as advised by the Directors, the Raw Materials (mainly include stability shafts, integrated sheathes, outer tubes, inner tubes, flat laminates, nitinol tubes, PTFE (polytetrafluoroethylene) sub-lite-wall extruded tubing, inner core shafts, FEP (fluorinated ethylene propylene) heat shrink tubes, PO (polyolefin) heat shrink tubes, balloon tubes, repair clamp kits, AR (aortic regurgitation) fixed head kits and protective liner kits) are used for the manufacturing of the Group's commercialized products. As illustrated under the section headed "Information on the Group" above, the Group's gross profit margins increased from 59.1% for

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FY2021 to 64.6% for FY2022 (representing an increase of approximately 5.5 percentage points), and further increased to approximately 66.1% (representing an increase of 1.5 percentage points) for 1H2023, which were primarily due to the Group's continued efforts in lowering the product costs.

As confirmed by the Directors, the procurement of Raw Materials from the Retained MicroPort® Group and its joint ventures and associates have been and will be conducted in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the Raw Materials Procurement Transactions will be beneficial to the Company and the Shareholders as a whole.

In light of the above, we consider that the Raw Materials Procurement Transactions are conducted 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.

Promotion and Patient Health Management Service Transactions and Distribution Transactions

With reference to the Board Letter, the medical device industry which the Group operates in is intensely competitive and rapidly changing. The Company faces competition with major international medical device companies as well as domestic medical device companies which are developing heart valve disease solutions. In order to gain a higher market share in China and overseas TAVI markets, it is important for the Company to further strengthen the commercialization capabilities of the Company by, among others, leveraging the promotion services provided by external suppliers. Therefore, the Promotion and Patient Health Management Service Transactions are essential to the commercialization process and can be a supplement to the in-house sales and marketing team of the Group.

With reference to the Board Letter, the Company is a biotechnology medical device company. Therefore, the promotion of its products and the management of the eligible patients of the Group's products require sophisticated experience and knowledge that are better handled by service providers with such capabilities. The Retained MicroPort® Group has a proven record of successfully commercializing medical devices and has a well-established and experienced sales and marketing team familiar with the Group's products with not only a broad coverage of the Group's target departments of domestic hospitals but also global outreach. Further, the Retained MicroPort® Group has been very familiar with the Group's requirements and has been providing the Group with various satisfying services in a timely and cost-efficient manner. Therefore, it is believed that engaging the Retained MicroPort® Group to provide the promotion services and distribution services will be beneficial for the Company to boost brand awareness, enhance the

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Group's influence, grasp market dynamics and increase the penetration rate of the Group's products. In addition, in line with the Group's globalization strategy, with the support from the overseas sales and marketing team of the Retained MicroPort[®] Group, the Company will further advance its global commercialization process which will enable the Company to expeditiously establish an advantageous position in market share in the relevant overseas market.

As detailed under the section headed "Information on the Group" above, the Group's revenue increased by (i) approximately 25.00% for FY2022 as compared to that for FY2021; and (ii) approximately 41.40% for 1H2023 as compared to that for 1H2022, primarily due to the continued hospital penetration of the Group's TAVI products and strong overseas growth.

As further noted from the 2023 Interim Report and as advised by the Directors:

- with the Group's extensive presence in different regions across the PRC and the Group's close collaboration with the Retained MicroPort[®] Group, the Group newly entered approximately 70 medical centers during 1H2023 and the Group covered over 500 medical centers in the PRC as at 30 June 2023.
- in terms of the Group's overseas market, as at 30 June 2023, the Group entered more than 60 hospitals and performed more than 140 TAVI procedures in Argentina and Colombia. During 1H2023, the Group gradually increased the presence of VitaFlow Liberty[®] in the Latin American and global structural heart disease academic community through participation in international academic conferences. The Group obtained approval for the registration of VitaFlow Liberty[®] in Thailand in February 2023 and in Russia in October 2023, and the registration of VitaFlow Liberty[®] in emerging markets (such as India, Brazil, South Korea and Mexico) is advancing in an orderly manner. With the successive certification of the Group's products in the overseas markets, the Group will also continue to expand its business coverage and accelerate global business development by continuously leveraging on the global visibility of the MicroPort[®] brand and the existing sales network of the Retained MicroPort[®] Group.

The Promotion and Patient Health Management Service Transactions serve such purpose as the scope of such includes organizing online and offline marketing activities, identifying potential patients of the Group's products and designing integrated patient support plans and providing relevant services to eligible patients of the Group through the Retained MicroPort[®] Group.

Furthermore, by entering into the 2023 Distribution Framework Agreement, the Group shall sell and the Retained MicroPort[®] Group shall purchase the Products, for the purposes of distribution in Target Markets. The Distribution Transactions generate revenue for the Group.

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In light of the above, we consider that the Promotion and Patient Health Management Service Transactions and Distribution Transactions are conducted 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.

A. RAW MATERIALS PROCUREMENT TRANSACTIONS

Principal terms of the Raw Materials Procurement Transactions

Set out below are the principal terms of the Raw Materials Procurement Transactions, details of which are set out under the section headed “2023 Master Raw Materials Procurement Agreement” of the Board Letter:

Date

6 December 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) MicroPort[®] (for itself and on behalf of the Retained MicroPort[®] Group and its joint ventures and associates)

Duration

Subject to approval by the Independent Shareholders at the EGM, the 2023 Master Raw Materials Procurement Agreement will commence from 1 January 2024 and end on 31 December 2026 (both days inclusive), unless otherwise terminated in accordance with the terms thereunder.

Payment terms

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

Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Master Raw Materials Procurement Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

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Nature of the Raw Materials Procurement Transactions

The Company will procure Raw Materials from the Retained MicroPort® Group and its joint ventures and associates. The Raw Materials mainly include stability shafts, integrated sheathes, outer tubes, inner tubes, flat laminates, nitinol tubes, PTFE (polytetrafluoroethylene) sub-lite-wall extruded tubing, inner core shafts, FEP (fluorinated ethylene propylene) heat shrink tubes, PO (polyolefin) heat shrink tubes, balloon tubes, repair clamp kits, AR (aortic regurgitation) fixed head kits and protective liner kits.

Pricing policies and internal control measures

The prices of the Raw Materials will be determined through arm's length negotiation primarily based on the production cost, R&D cost and the Group's procurement volume, with reference to a number of factors applicable to all suppliers, including but not limited to the market price of the products, quantity and method of procurement, specifications of the products, the fees charged for historical transactions of similar nature and the prevailing market price of such Raw Materials of the same quality.

Based on our independent research on continuing connected transactions conducted by other companies which were listed on the Stock Exchange involving the purchase of materials/products/services from their connected persons, we noted that comparison of purchase prices from independent third parties for the same or similar products or services was one of the commonly adopted pricing policies adopted in the continuing connected transactions. The pricing policies under the 2023 Master Raw Materials Procurement Agreement are in line with the commonly adopted pricing policies adopted for continuing connected transactions.

With reference to the Board Letter, in order to ensure that the Raw Materials Procurement Transactions will be conducted on normal commercial terms or better, the Group adopted certain internal control policies, details of which are set out under the section headed "INTERNAL CONTROL POLICIES" of the Board Letter.

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Having considered that according to the internal control policies:

- (i) the Group's internal audit department will supervise and monitor the individual agreements to be entered into between the Group and the Retained MicroPort® Group and its joint ventures and associates to ensure that they will be entered into in accordance with the pricing policy under the Raw Materials Procurement Transactions;
- (ii) the Group's finance department will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, and review and compare at least two quotations from Independent Third Parties (if available) with the quotes from the Retained MicroPort® Group and its joint ventures and associates when determining which supplier to engage with so as to ensure that the price provided by the Retained MicroPort® Group and its joint ventures and associates to the Group is fair and reasonable;
- (iii) the Group's finance department will monitor the transactions amounts of the Transactions by preparing designated management accounts for the continuing connected transactions (including the Raw Materials Procurement Transactions) on a monthly basis to make sure that the actual transaction amounts do not exceed their relevant annual caps; and
- (iv) the Group's 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 if it is expected that the transaction amount of any of the continuing connected transactions (including the Raw Materials Procurement Transactions) that is or will be incurred in the financial year will reach or exceed the relevant annual caps,

we are of the view that the effective implementation of the internal control policies would help to ensure fair pricing of the Raw Materials Procurement Transactions and the compliance of the requirements under the Listing Rules.

To assess the effectiveness of the implementation of the internal control policies, we discussed with staff of the Company's (i) the internal audit department; and (ii) the finance department, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the Raw Materials Procurement Transactions and would comply with relevant procedures when conducting the Raw Materials Procurement Transactions. Upon our request, we obtained the internal control document of the Raw Materials Procurement Transactions. After

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reviewing the document, we acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Raw Materials Procurement Transactions as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing that the board office of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not doubt the effectiveness of the implementation of the internal control policies to ensure the terms of the Raw Materials Procurement Transactions will be conducted under normal commercial terms and terms no less favourable to the Group than those offered by Independent Third Parties.

Furthermore, we obtained from the Company, in aggregate, 25 copies of (1) purchase records regarding transactions entered into between (a) the Group and members of Retained MicroPort[®] Group; and (b) the Group and Independent Third Parties; and (2) quotations provided by Independent Third Parties, from January 2021 (the date of existing framework agreements in respect of the existing Raw Material Procurement Transactions) to the date of 2023 Master Raw Materials Procurement Agreement.

We considered that the numbers of purchase records as mentioned above are sufficient for us to form our view on the effectiveness of implementation of the internal control mechanism because the purchase records covered information for the abovementioned period. We also considered the sample records are fair and representative. According to the aforesaid information, the prices offered by Retained MicroPort[®] Group for similar products were no less favourable to the Group than those available from independent third parties.

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Proposed annual caps

Set out below are (i) the historical transaction amounts of Raw Materials Procurement Transactions for the two years ended 31 December 2022 and 10 months ended 31 October 2023, together with the existing annual caps; and (ii) the proposed annual caps for the Raw Materials Procurement Transactions for the three years ending 31 December 2026:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 ("FY2023") <i>RMB'000</i>
Historical transaction amounts	485	4,158	11,115 <i>(Note)</i>
Existing annual caps	23,000	38,000	39,000
Utilization rate (%)	2.11	10.94	Undetermined
	For the year ending 31 December 2024 ("FY2024") <i>RMB'000</i>	For the year ending 31 December 2025 ("FY2025") <i>RMB'000</i>	For the year ending 31 December 2026 ("FY2026") <i>RMB'000</i>
Proposed annual caps	37,000	45,000	67,000

Note: the figure is for the 10 months ended 31 October 2023.

The proposed annual caps were estimated with reference to various factors, details of which are set out under the sub-section headed "Reasons for the Proposed Annual Caps and Basis of Determination" of the section headed "2023 Master Raw Materials Procurement Agreement" of the Board Letter.

As illustrated above, the utilization rates of the existing annual caps were approximately 2.11% for FY2021 and 10.94% for FY2022 and, the historical transaction amounts for the 10 months ended 31 October 2023 accounted for 28.5% of the existing annual cap for FY2023.

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Nonetheless, the proposed annual caps for the three years ending 31 December 2026 are significantly higher than the historical transaction amounts for the two years ended 31 December 2022 and for the 10 months ended 31 October 2023. We understood from the Directors that the Group historically procured the Raw Materials primarily from Independent Third Parties, hence the low utilisation of the existing annual caps. With reference to the Board Letter, as the supply capacity of the Retained MicroPort[®] Group and its joint ventures and associates for certain Raw Materials increases recently and the prices offered by the Retained MicroPort[®] Group and its joint ventures and associates are more competitive as compared to other independent third-party suppliers, the Company intends to procure larger quantity of certain Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates to satisfy the Group's production requirements. Please refer to the sub-section headed "Reasons for the Proposed Annual Caps and Basis of Determination" under the section headed "2023 Master Raw Materials Procurement Agreement" of the Board Letter for detailed reasons.

To assess the fairness and reasonableness of the proposed annual caps, we obtained from the Company (i) breakdown of the historical procurement quantity of each types of Raw Materials procured by the Group from its suppliers (including the Retained MicroPort[®] Group and its joint ventures and associates) for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 ("9M2023") (the "**Procurement Breakdown**"); (ii) a calculation of the proposed annual caps for the three years ending 31 December 2026 (the "**Procurement Calculation**"), formulated by the estimated transaction amounts of Raw Materials Procurement Transactions based on the estimated quantity of Raw Materials to be procured and their respective estimated unit price; and (iii) top-up buffer.

We noted from the Procurement Calculation that the estimated transaction amounts in relation to the procurement of (1) outer tubes, inner tubes, stability shafts of VitaFlow Liberty[®]; (2) outer tubes, inner tubes, stability shafts of VitaFlow[®] III; and (3) nitinol tubes, in aggregate accounted for over 80% of the estimated transaction amounts of Raw Materials Procurement Transactions for each of the three years ending 31 December 2026.

Procurement of outer tubes, inner tubes and stability shafts of VitaFlow Liberty[®]

Based on the Procurement Breakdown, we noted that:

- the Group procured (1) approximately 9,000 units to 9,500 units of both outer tubes and inner tubes for the two years ended 31 December 2022 and the nine months ended 30 September 2023, from the Retained MicroPort[®] Group and its joint ventures and associates and Independent Third Parties in aggregate; and (2) approximately 6,500 units to 14,000 units of stability shafts for the two years ending 31 December 2022 and the

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nine months ended 30 September 2023, from the Retained MicroPort[®] Group and its joint ventures and associates and Independent Third Parties in aggregate (the “**Historical Aggregate Demand**”); and

- the estimated procurement quantity of outer tubes, inner tubes and stability shafts from the Retained MicroPort[®] Group and its joint ventures and associates for each of the three years ending 31 December 2026 were either at similar level to the historical procurement quantity or within the respective aforesaid procurement quantity ranges from the Retained MicroPort[®] Group and its joint ventures and associates and Independent Third Parties in aggregate during the two years ending 31 December 2022 and the nine months ended 30 September 2023.

As advised by the Directors and as aforementioned, the Group intended to procure the Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates when determining the existing annual caps. However, as it took the Retained MicroPort[®] Group and its joint ventures and associates longer than the Group expected to develop and manufacture the Raw Materials to satisfy the Group’s demand, the Group historically procured certain Raw Materials (including outer tubes, inner tubes and stability shafts) primarily from Independent Third Parties, resulting in the low utilisation of the existing annual caps. As the supply capacity of the Retained MicroPort[®] Group and its joint ventures and associates for certain Raw Materials (including outer tubes, inner tubes and stability shafts) increases recently, the Group intends to procure larger quantities of certain Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates for the three years ending 31 December 2026.

Given that (i) the unit price of the respective products offered by the Retained MicroPort[®] Group and its joint ventures and associates are expected to be lower than those offered by Independent Third Parties based on their latest quotations (as detailed below); (ii) according to the pricing policy, the Group will ensure that the price provided by the Retained MicroPort[®] Group and its joint ventures and associates to the Group are no less favourable to the Group than those provided by Independent Third Parties; and (iii) the estimated procurement quantities of the respective products from the Retained MicroPort[®] Group and its joint ventures and associates were not overestimated based on Historical Aggregate Demand, we consider the estimated shift in procurement of the respective products primarily from Independent Third Parties to primarily from the Retained MicroPort[®] Group and its joint ventures and associates is beneficial to the Group and thus the estimated procurement quantity of the respective products are reasonable.

According to the Procurement Calculation, the estimated unit prices of outer tubes, inner tubes and stability shafts were determined with reference to the latest quotation made by the Retained MicroPort[®] Group and its joint ventures and associates in 2023, being lower than those quoted from Independent Third Parties for the respective products in the same period.

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For our due diligence purpose, we obtained quotation records of the respective raw materials made by the Retained MicroPort[®] Group and its joint ventures and associates and Independent Third Parties for comparison. As advised by the Directors, the aforesaid quotations represented all recent quotations available to the Group. Therefore, we consider the aforesaid quotations are fair and representative. We noted that the prices quoted from the Retained MicroPort[®] Group and its joint ventures and associates were (i) at the similar level as those adopted in formulating the estimated transaction amounts for outer tubes, inner tubes and stability shafts; and (ii) lower than their respective prices recently quoted from an Independent Third Party. As such, we do not doubt the reasonableness of the estimated unit prices of outer tubes, inner tubes and stability shafts adopted in formulating the proposed annual caps.

Procurement of outer tubes, inner tubes and stability shafts of VitaFlow[®] III

Based on the Procurement Breakdown, we noted that outer tubes, inner tubes and stability shaft of VitaFlow[®] III were first procured by the Group in January 2023 and the Group procured approximately 1,200 units of each of outer tubes, inner tubes and stability shaft of VitaFlow[®] III from January 2023 to September 2023, from Independent Third Parties only.

Based on the Procurement Calculation, we noted that

- the estimated procurement quantity of outer tubes, inner tubes and stability shaft of VitaFlow[®] III for FY2024 was made with reference to and being at the similar level of the aforesaid number of outer tubes, inner tubes and stability shaft of VitaFlow[®] III procured by the Group from the Retained MicroPort[®] Group and its joint ventures and associates and Independent Third Parties, in aggregate, for the period from January 2023 to September 2023; and
- the estimated procurement quantity of outer tubes, inner tubes and stability shaft of VitaFlow[®] III for FY2025 and FY2026 represented increases of approximately two times and 1.6 times as compared to that for FY2024 and FY2025 respectively.

As advised by the Directors and as aforementioned, the Group intended to procure the Raw Materials from the Retained MicroPort[®] Group and its joint ventures and associates when determining the existing annual caps. However, as it took the Retained MicroPort[®] Group and its joint ventures and associates longer than the Group expected to develop and manufacture the Raw Materials to satisfy the Group's demand, the Group historically procured certain Raw Materials (including outer tubes, inner tubes and stability shafts) primarily from Independent Third Parties. As the supply capacity of the Retained MicroPort[®] Group and its joint ventures and associates for certain Raw Materials (including outer tubes, inner tubes and stability shafts) increases recently, the Group intends to procure larger quantities of certain Raw Materials from the Retained

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MicroPort® Group and its joint ventures and associates for the three years ending 31 December 2026. Therefore, we consider that the estimated procurement quantity of outer tubes, inner tubes and stability shaft of VitaFlow® III for FY2024 are reasonable.

As advised by the Directors, the significant increases in the estimated procurement quantity of outer tubes, inner tubes and stability shafts of VitaFlow® III were mainly due to the expected commercialization of VitaFlow® III in early-2025, for which outer tubes, inner tubes and stability shaft of VitaFlow® III shall be primarily used. As such, the estimated procurement quantity of outer tubes, inner tubes and stability shaft of VitaFlow® III is expected to grow exponentially as the sales volume of VitaFlow® III is expected to increase substantially in mid- to late-2025 after its commercialization.

To further assess the aforesaid significant increases in estimated procurement quantity, we also compared the historical procurement quantity of inner tubes, outer tubes, stability shaft of VitaFlow Liberty®, being the raw material for one of the Group's commercialized products, prior to and upon its commercialization. We noted from the Procurement Breakdown that the Group's procured (i) approximately 500 units of inner tubes, outer tubes, stability shaft of VitaFlow Liberty® on an annual basis prior to the commercialization of VitaFlow Liberty®; and (ii) approximately 9,500 units of inner tubes, outer tubes, stability shaft of VitaFlow Liberty® on an annual basis upon the commercialization of VitaFlow Liberty®. The procurement quantity of such material (being the raw material for VitaFlow Liberty®) increased significantly after the commercialization of VitaFlow Liberty®. Based on the foregoing, we do not doubt the reasonableness of the estimated procurement quantity of outer tubes, inner tubes and stability shaft of VitaFlow® III for FY2025 and FY2026.

Based on the Procurement Calculation, we noted that the estimated unit prices of outer tubes, inner tubes and stability shaft of VitaFlow® III were determined with reference to the latest quotation made by the Retained MicroPort® Group and its joint ventures and associates in 2023, being lower than those quoted from Independent Third Parties for the respective products in the same period.

We also noted that the estimated unit prices of the aforesaid materials were not deviated from those used for VitaFlow Liberty®. The Directors further provided us quotations for the same products offered by an Independent Third Party. As advised by the Directors, the aforesaid quotations represented all recent quotations available to the Group. Therefore, we consider the aforesaid quotations are fair and representative. We noted that the estimated unit prices of outer tubes, inner tubes and stability shaft of VitaFlow® III were lower than the price offered by the Independent Third Party. As such, we do not doubt the reasonableness of the estimated unit price of outer tubes, inner tubes and stability shaft of VitaFlow® III adopted in formulating the proposed annual caps.

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Procurement of nitinol tubes

Based on the Procurement Breakdown, we noted that nitinol tubes were first procured by the Group in June 2023 for FY2023 and the Group procured approximately 1,000 units of nitinol tubes from June 2023 to September 2023 only from the Retained MicroPort® Group and its joint ventures and associate representing annualized procurement quantity of nitinol tubes of approximately 3,100 units.

Based on the Procurement Calculation, we noted that the estimated procurement quantity of nitinol tubes for each of the two years ending 31 December 2025 were lower than the annualized procurement quantity of nitinol tubes of approximately 3,100 units while the estimated procurement quantity of nitinol tubes for FY2026 represented an increase of approximately 14% as compared to the annualized procurement quantity of nitinol tubes of approximately 3,100 units.

The procurement quantity of nitinol tubes for each of the two years ending 31 December 2025 were lower than the annualized procurement quantity of nitinol tubes. However, we understood from the Directors that, for FY2023, the Group started procuring nitinol tubes in June 2023 and had temporarily relied on the supply from the Retained MicroPort® Group and its joint ventures and associates, it is expected that the Group shall continuously procure nitinol tubes from the Retained MicroPort® Group and its joint ventures and associates in the future. Given that (i) the unit price of the respective products offered by the Retained MicroPort® Group and its joint ventures and associates are expected to be lower than those offered by Independent Third Parties based on their latest quotations; (ii) according to the pricing policy, the Group will ensure that the price provided by the Retained MicroPort® Group and its joint ventures and associates to the Group are no less favourable to the Group than those provided by Independent Third Parties; (iii) the estimated procurement quantity of nitinol tubes were not overestimated based on annualised procurement quantity of nitinol tubes; and (iv) the Group may purchase such products from the Independent Third Parties should they provide more favourable pricing, we consider the estimated procurement quantity of the nitinol tubes for the two years ending 31 December 2025 are reasonable.

We understood from the Directors that nitinol tubes are used for the manufacturing of VitaFlow Liberty® and VitaFlow® III. As VitaFlow® III is expected to commercialize in early-2025, the sales volume of VitaFlow® III is expected to increase substantially in mid- to late-2025 after its commercialization, thus the significant increase in demand for nitinol tubes.

Based on the Procurement Calculation, the estimated unit prices of nitinol tubes were determined with reference to the latest quotation made by the Retained MicroPort® Group and its joint ventures and associates in 2023, being lower than those quoted from Independent Third Parties in the same period.

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For our due diligence purpose, we obtained the quotation records of the nitinol tubes made by Retained MicroPort[®] Group and its joint ventures and associates and an Independent Third Party for comparison. As advised by the Directors, the aforesaid quotations represented all recent quotations available to the Group. Therefore, we consider the aforesaid quotations are fair and representative. We noted that the unit price of nitinol tubes quoted from the Retained MicroPort[®] Group and its joint ventures and associates were (i) close to those adopted in formulating the estimated transaction amounts for nitinol tubes; and (ii) lower than the price recently quoted from the Independent Third Party. As such, we do not doubt the reasonableness of the estimated unit price of nitinol tubes adopted in formulating the proposed annual caps.

Top-up buffer

We noted that the Company incorporated top-up buffers ranging from approximately 8% to 15% in the proposed annual caps for the three years ending 31 December 2026 to cater for unexpected procurement of other types of Raw Materials. We also noted from other Hong Kong listed companies' circular regarding continuing connected transactions that there were adoption of buffers ranging from 5% to 20% in the proposed annual caps. As such, we do not doubt the reasonableness of the top-up buffers.

In light of the above factors, we consider that the proposed annual caps for Raw Materials Procurement Transactions for the three years ending 31 December 2026 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of costs to be incurred from Raw Materials Procurement Transactions. Consequently, we express no opinion as to how closely the actual cost incurred from the Raw Materials Procurement Transactions will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the Raw Materials Procurement Transactions (including the proposed annual caps), we are of the view that the terms of the Raw Materials Procurement Transactions are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. PROMOTION AND PATIENT HEALTH MANAGEMENT SERVICE TRANSACTIONS

Principal terms of the Promotion and Patient Health Management Service Transactions

Set out below are the principal terms of the Promotion and Patient Health Management Service Transactions, details of which are set out under the section headed “2023 Promotion and Patient Health Management Service Procurement Framework Agreement” of the Board Letter:

Date

6 December 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group)

Duration

Subject to approval by the Independent Shareholders at the EGM, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement will commence from 1 January 2024 and end on 31 December 2026 (both days inclusive), unless otherwise terminated in accordance with the terms thereunder.

Payment terms

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

Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

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Nature of the Promotion and Patient Health Management Service Transactions

Procurement of promotion services

The Group will procure promotion services from the Retained MicroPort[®] Group. Such promotion services mainly include promoting the products of the Group through, among others, (i) organizing online and offline marketing activities and (ii) identifying potential patients of the Group's products.

Procurement of patient health management services

The Group will procure patient health management services from the Retained MicroPort[®] Group. Such patient health management services mainly include designing integrated patient supporting plan and providing relevant services, including (a) phone consultation services, (b) medical planning and precise medical consultation services, (c) customized insurance supporting services, (d) services in relation to assisting patients in handling insurance claim, (e) specialist appointment services, (f) accompanying services for medical treatment, (g) priority in-hospital examination services, (h) round-the-clock health concierge services, (i) health record management services, (j) green channel services for medical procedures and (k) pre-surgical and post-surgical health management consulting services. The Group provides the above services to the Group's potential patients through three different types of one-time membership benefits, including (1) gold tier memberships, (2) platinum tier memberships and (3) diamond tier memberships.

Pricing policies and internal control measures

The service fees of the promotion and health management services are determined based on the types of the relevant service, through arm's length negotiation primarily between the parties with reference to a number of factors applicable to all service providers, including but not limited to (i) the nature, complexity, and value of tasks completed by Retained MicroPort[®] Group under each work order; (ii) the fee rates for historical comparable transactions of similar nature by the Retained MicroPort[®] Group and other third party suppliers, if any; (iii) the available prevailing market rate of services on similar supply conditions as stated in the fee quotes provided by the other third party suppliers; and (iv) the overall cost (mainly the labor cost) the Group may incur for conducting similar promotion activities by its in-house sales and marketing personnel, especially identifying referrals of targeting patients.

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It is expected that the transactions contemplated under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement will be determined mainly based on the available prevailing market rate of services on similar supply conditions as stated in the fee quotes provided by the other third party suppliers. The Group will further negotiate with the Retained MicroPort[®] Group in respect of the quotations if the quotations provided by Retained MicroPort[®] Group is higher than those provided by the other third-party suppliers for comparable transactions.

Based on our independent research on continuing connected transactions conducted by other companies which were listed on the Stock Exchange involving the purchase of materials/products/services from their connected persons, we noted that the comparison of purchase prices from independent third parties for the same or similar products or services was one of the commonly adopted pricing policies adopted in the continuing connected transactions. The pricing principles under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement are in line with the commonly adopted pricing policies adopted for continuing connected transactions.

For our due diligence purpose, we obtained quotations provided by the Retained MicroPort[®] Group and two Independent Third Parties in relation to the provision of patient health management services, which sets out details of the scope of services for each tier of memberships and their respective prices. Based on the quotations, we noted that the prices offered by the Retained MicroPort[®] Group were no less favourable to the Group than those offered by the two Independent Third Parties.

With reference to the Board Letter, in order to ensure that the Promotion and Patient Health Management Service Transactions will be conducted on normal commercial terms or better, the Group adopted certain internal control policies, details of which are set out under the section headed “INTERNAL CONTROL POLICIES” of the Board Letter.

Having considered that according to the internal control policies:

- (i) the Group’s internal audit department will supervise and monitor the individual agreements to be entered into between the Group and the Retained MicroPort[®] Group to ensure that they will be entered into in accordance with the pricing policy under the Promotion and Patient Health Management Service Transactions;

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- (ii) the Group's finance department will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, and review and compare at least two quotations from Independent Third Parties (if available) with the quotes from the Retained MicroPort[®] Group when determining which supplier to engage with so as to ensure that the price provided by the Retained MicroPort[®] Group to the Group is fair and reasonable;
- (iii) the Group's finance department will monitor the transactions amounts of the Transactions by preparing designated management accounts for the continuing connected transactions (including the Promotion and Patient Health Management Service Transactions) on a monthly basis to make sure that the actual transaction amounts do not exceed their relevant annual caps; and
- (iv) the Group's 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 if it is expected that the transaction amount of any of the continuing connected transactions (including the Promotion and Patient Health Management Service Transactions) that is or will be incurred in the financial year will reach or exceed the relevant annual caps,

we consider the effective implementation of the internal control policies would help to ensure fair pricing of the Promotion and Patient Health Management Service Transactions and the compliance of the requirements under the Listing Rules.

To assess the effectiveness of the implementation of the internal control policies, we discussed with staff of the Company's (i) the internal audit department; and (ii) the finance department, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the Promotion and Patient Health Management Service Transactions and would comply with relevant procedures when conducting the Promotion and Patient Health Management Service Transactions. Upon our request, we obtained the internal control document of the Promotion and Patient Health Management Service Transactions. After reviewing the document, we acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Promotion and Patient Health Management Service Transactions as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing that the board office of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not

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doubt the effectiveness of the implementation of the internal control policies to ensure the terms of the Promotion and Patient Health Management Service Transactions will be conducted under normal commercial terms and terms no less favourable to the Group than those offered by Independent Third Parties.

Proposed annual caps

Set out below are (i) the historical transaction amounts of Promotion and Patient Health Management Service Transactions for FY2022 and 10 months ended 31 October 2023, together with the existing annual caps; and (ii) the proposed annual caps for the Promotion and Patient Health Management Service Transactions for the three years ending 31 December 2026:

	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000	
Historical transaction amounts	15,613	26,980 <i>(Note)</i>	
Existing annual caps	55,000	80,000	
Utilization rate (%)	28.39	Undetermined	
	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
Proposed annual caps	53,000	54,000	55,000

Note: the figure is for the 10 months ended 31 October 2023.

The proposed annual caps were estimated with reference to various factors, details of which are set out under the sub-section headed “Reasons for the Proposed Annual Caps and Basis of Determination” of the section headed “2023 Promotion and Patient Health Management Service Procurement Framework Agreement” of the Board Letter.

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As illustrated above, the utilization rates of the existing annual caps were approximately 28.39% for FY2022 and, the historical transaction amounts for the 10 months ended 31 October 2023 accounted for approximately 33.73% of the existing annual cap for FY2023.

Nonetheless, the proposed annual caps for the three years ending 31 December 2026 are significantly higher than the historical transaction amounts for the year ended 31 December 2022 and for the 10 months ended 31 October 2023.

To assess the fairness and reasonableness of the proposed annual caps, we obtained from the Company a calculation of the proposed annual caps for the three years ending 31 December 2026 (the “**Service Caps Calculation**”), formulated based on the estimated transaction amounts of (i) promotion service (which accounted for less than 10% of the proposed annual caps for each of the three years ending 31 December 2026); and (ii) patient health management service (which accounted for over 90% of the proposed annual caps for each of the three years ending 31 December 2026).

We noted from the Service Caps Calculation that the estimated transaction amounts of patient health management service were formulated based on (i) the estimated number of new members for each tier of the Company’s memberships (i.e. gold tier, platinum tier and diamond tier) for each of the three years ending 31 December 2026; and (ii) the prevailing fees for each tier of the Company’s memberships. In addition, the estimated transaction amount of patient health management service from gold tier, platinum tier and diamond tier accounted for 7.20%, 16.00% and 76.50%, respectively, of the total estimated transaction amount of patient health management service for each of the three years ending 31 December 2026.

Estimated number of new members for gold tier memberships

We noted from the Service Caps Calculation that the estimated number of new members for gold tier memberships was expected to be consistent for each of the three years ending 31 December 2026, which represented a significant increase as compared to the historical number of new members for gold tier memberships for FY2022 and the estimated number of new members for gold tier memberships for FY2023. We understood from the Directors that the scope of services under gold tier memberships primarily include preoperative services originally targeted at high-risk aortic valve patients (“**AV Patients**”) and the estimated number of new members for gold tier memberships were determined after taking into account the extended services applicability of gold tier memberships from only targeted at high-risk AV Patients to medium-risk and low-risk AV Patients (note: for the avoidance of doubt, the scope of services remained unchanged).

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We understood from the Directors that when determining relevant estimated figures, the Company relied on, among other things, statistics relating to the industry in which the Group operates as prepared by China Insights Industry Consultancy Limited (“CIC”) (the “Statistics”). For our due diligence purpose, we obtained from the Company a research material “Global TAVI Market Analysis Report” dated December 2023 issued by CIC (the “CIC Report”). To assess whether it is appropriate for the Company to determine relevant figures (for the purpose of proposed annual caps calculation) based on the Statistics, we performed the following works:

- we reviewed and enquired into (i) the terms of engagement of CIC; (ii) CIC’s background information and its experience in relation to the preparation of Statistics; and (iii) the steps and due diligence measures taken by CIC for preparing the Statistics.

From the mandate letter and other relevant information provided by CIC and based on our interview with CIC, we were satisfied with the terms of engagement of CIC as the scope of CIC pursuant to the engagement (i.e. the issuance of research report for global TAVI industry) could meet the requirement of the Company (i.e. collect market statistics for determining the annual caps).

Based on public information, we noted that CIC, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We also noted that CIC prepared various industry reports, which were made reference to by listing applicants on the Stock Exchange. Based on our independent research, we noted that among the total of 63 new listing issuers from 1 January 2023 up to the date of the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement, CIC was engaged as the independent industry consultant to prepare 12 of their industry reports as contained in their respective prospectuses. Furthermore, we also noted that CIC was engaged as the independent industry consultant for three new listing issuers that are engaged in the medical devices/consumables industry.

As advised by CIC, during the past two years immediately preceding the Latest Practicable Date, CIC (including any of its members) was/is engaged as independent service provider to prepare and issue industry report to a member of MicroPort[®]. Save for the aforesaid engagement, there was no other service provided by CIC (including any of its members) to the Company or MicroPort[®] during the past two years immediately preceding the Latest Practicable Date.

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Notwithstanding the aforesaid engagement, as at the Latest Practicable Date, CIC was not aware of any relationships or interests between them and members of MicroPort® (including the Company), or any other parties that could be reasonably regarded as hindrance to CIC's independence to act as industry consultant.

Besides, based on information provided by the Company and CIC, apart from the service fees and expenses payable to CIC in connection with the aforesaid engagement, there were no other arrangements whereby CIC shall be entitled to receive any other fees or benefits from the Company or MicroPort®.

As confirmed by CIC, as (i) the aforesaid past engagement will not affect CIC's independence to act as service provider as the scope of CIC is to prepare relevant industry report; (ii) CIC acted as independent service provider and they maintained their independence from the Company, MicroPort® and their respective core connected persons (as defined under the Listing Rules); and (iii) the service fees of the aforesaid past engagement paid by member of MicroPort® (including the Company) to CIC accounted for an insignificant portion of its revenue for the relevant period, CIC consider that there is no relationship which affect its independence with the Company, MicroPort® and their respective core connected persons (as defined under the Listing Rules).

Based on the above facts as stated and confirmed by CIC, we do not consider the independence of CIC will be affected by the aforesaid engagement.

As also advised by CIC, they have consulting experiences including medical consumables companies. Therefore, we were satisfied with CIC's experience for the preparation of the Statistics.

- We discussed with CIC and enquired into CIC on the methodologies adopted and the basis and assumptions adopted in deriving the Statistics. We understood that CIC conducted primary and secondary research, including interviews with top tier industry participants in respect of historical sales amounts and proposed business plans; and medical center of the USA, Asia Pacific, European and Latin America markets in respect of historical market conditions. After collecting relevant data, CIC cross-checked the same type of data from different sources to ensure the reasonableness of such data. As confirmed by CIC, these methodology and information source are commonly used by other experts in the same field. In addition, CIC confirmed that they also prepared relevant statistics for other participants in medical consumables industries with the same methodologies. As also confirmed by CIC, there was no formal or informal

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representations made by the Company or MicroPort® to CIC for the purpose of deriving the Statistics. During our discussion with CIC, we have not identified any major factor which caused us to doubt the reasonableness of the Statistics.

Having also considered CIC's background and experience, we are of the view that the Statistics derived by CIC are reliable and it is appropriate for the Company to determine relevant figures (for the purpose of formulating the proposed annual caps) based on the Statistics.

According to the CIC Report, as at the year end of 2024, 2025 and 2026, (i) the number of high-risk AV Patients in the PRC is expected to range from approximately 1.14 million patients to approximately 1.20 million patients; (ii) the number of medium-risk AV Patients in the PRC is expected to range from approximately 2.21 million patients to approximately 2.34 million patients; and (iii) the number of low-risk AV Patients in the PRC is expected to range from approximately 3.34 million patients to approximately 3.54 million patients.

We noted from the Service Caps Calculation and the CIC Report the number of new members for gold tier memberships for FY2022 and high-risk AV Patients in the PRC for FY2022. Based on the aforesaid, the number of new members for gold tier memberships for FY2022 accounted for approximately 0.047% of the high-risk AV Patients in the PRC as at the end of 2022. On the assumption that such percentage (the number of new members for gold tier memberships to high-risk AV Patients in the PRC) was to remain unchanged for the three years ending 31 December 2026 and the percentage of the number of new members for gold tier memberships to medium-risk and low-risk AV Patients in the PRC for FY2024 was half of the aforesaid percentage (i.e. approximately 0.023%, which are reasonable estimation as advised by the Directors. We consider the aforesaid figure is justifiable after considering (i) the percentage ratio for FY2022 (i.e. 0.047%); and (ii) that the adoption of half of the aforesaid percentage for the calculation of medium-risk and low-risk AV Patients is prudent as the Company estimated to extend services applicability of gold tier memberships from only targeted at high-risk AV Patients to medium-risk and low-risk AV Patients in FY2024), the implied number of new members for gold tier memberships (which shall cover high-risk, medium-risk and low-risk AV Patients given the extended services applicability of gold tier memberships) shall be approximately 1,800 for FY2024 (calculated by 1.14 million high-risk AV Patients x 0.047% + 2.21 million medium-risk AV Patients x 0.023% + 3.34 million low-risk AV Patients x 0.023%), which approximates to the estimated number of new members for gold tier memberships for FY2024. Given both the number and newly-added number of AV Patients in the PRC remains relatively stable, the estimated number of gold tier membership for the three years ending 31 December 2026 were the same and set at similar level to the implied number of gold tier memberships.

Based on the above, we are of the view that the estimated number of new members for gold tier memberships for the three years ending 31 December 2026 is justifiable.

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Estimated number of new members for platinum tier memberships

We noted from the Service Caps Calculation that the estimated number of new members for platinum tier memberships was expected to be consistent for each of the three years ending 31 December 2026, which is at similar level to the annualised number of new platinum tier members of approximately 440 for FY2023. We understood from the Directors that the estimated number of new numbers for platinum tier memberships were determined after considering that (i) the increasing public awareness on aortic valve disease and the increasing penetration of treatments for AV Patients in the PRC; and (ii) the scope of platinum memberships mainly includes treatment for AV Patients using the Group's products. Therefore, we are of the view that the estimated number of new members for platinum tier memberships for the three years ending 31 December 2026 is justifiable.

Estimated number of new members for diamond tier memberships

We noted from the Service Caps Calculation that the estimated number of new members for diamond tier memberships was expected to be consistent for each of the three years ending 31 December 2026, which represented a significant increase of approximately 80% as compared to the annualised number of new diamond tier members for FY2023 (based on number of new diamond tier members for the nine months ended 30 September 2023). We understood from the Directors that the scope of diamond memberships mainly includes treatment for AV Patients using the Group's products and the customization of insurance products together with relevant insurance services.

We noted from the 2023 Interim Report that, with the popularization and development of TAVI, the rising number of qualified medical centers, the continuous academic exchanges and market activities, the improved proficiency of physicians, and enhanced patients' awareness of valvular diseases, the penetration rate of TAVI procedures was further improved in the first half of 2023 with accelerated industry growth. Meanwhile, benefiting from the further expansion of reimbursement coverage of local government medical insurance and innovative reimbursement initiatives, the affordability of patients has been enhanced, and the demand for treatment of structural heart diseases has been further unleashed.

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We understood from the Directors that the products and services under diamond tier memberships were first included in the coverage of commercial insurance and medical insurance in Suzhou and Jiangxi Province of the PRC, thus the number of TAVI procedures increased significantly in 2023. The estimated number of new members for diamond tier memberships (based on the annualization of number of new members for diamond tier memberships for nine months ended 30 September 2023) also represented a substantial increase of approximately 89% as compared to that for FY2022.

As advised by the Directors, they expected that the products and services under diamond tier memberships shall be included in the coverage of medical insurance for other cities, regions or provinces, which would further increase the number of new members for diamond tier memberships during the same period. We also noted from CIC Report that the coverage of medical insurance would significantly increase as results of coverage of medical insurance for additional cities, regions or provinces.

Based on the above, we are of the view that the estimated number of new members for diamond tier memberships for the three years ending 31 December 2026 is justifiable.

The estimated fees

We noted from the Service Caps Calculation that the estimated fees for different tiers of membership are different. Upon our request, we obtained from the Company an individual agreement entered into between the Company and a member of Retained MicroPort[®] Group in July 2022, setting out the prevailing scope of services of each tier of membership (which are expected to remain the same for each tier for the three years ending 31 December 2026) and fees for different tiers of membership charged by Retained MicroPort[®] Group to the Group. Furthermore, the Directors provided us quotation for similar services offered by two Independent Third Parties. We noted that the estimated fees for different tiers of membership are lower than those offered by the Independent Third Parties. As the estimated fees for each tiers of membership represented those charged by Retained MicroPort[®] Group to the Group for the same tier, we consider the estimated fees to be justifiable.

In light of the above factors, we are of the view that the proposed annual caps for Promotion and Patient Health Management Service Transactions for the three years ending 31 December 2026, of which the estimated transaction amounts of patient health management service fees accounted for over 90%, are fair and reasonable.

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Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of costs to be incurred from Promotion and Patient Health Management Service Transactions. Consequently, we express no opinion as to how closely the actual cost incurred from the Promotion and Patient Health Management Service Transactions will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the Promotion and Patient Health Management Service Transactions (including the proposed annual caps), we are of the view that the terms of the Promotion and Patient Health Management Service Transactions are fair and reasonable.

C. DISTRIBUTION TRANSACTIONS

Principal terms of the Distribution Transactions

Set out below are the principal terms of the Distribution Transactions, details of which are set out under the section headed “2023 Distribution Framework Agreement” of the Board Letter:

Date

6 December 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group)

Duration

Subject to approval by the Independent Shareholders at the EGM, the 2023 Distribution Framework Agreement will commence from 1 January 2024 and end on 31 December 2026 (both days inclusive), unless otherwise terminated in accordance with the terms thereunder.

Payment terms

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

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Subject to compliance with applicable laws and regulations (including but not limited to the Listing Rules) and requirements of securities regulatory authorities, the 2023 Distribution Framework Agreement may be renewed for a further term of no longer than three years from time to time. Upon renewal, the parties may amend the terms of such agreement based on the then prevailing circumstances.

Scope of Distribution Transactions

Subject to the terms and conditions set forth in the 2023 Distribution Framework Agreement, the Group will grant a non-exclusive right to the Retained MicroPort[®] Group to market and distribute the Distribution Products of the Group in the Target Market. Certain members of Retained MicroPort[®] Group will be engaged as the Group's distributors in their respective territory with a duly signed authorization letter. The Retained MicroPort[®] Group shall procure Distribution Products from the Group and use its best efforts in the promotion and sale of the Distribution Products of the Group.

The Retained MicroPort[®] Group is obliged not to distribute any product similar or equal to the Distribution Products of the Group in the designated geographic regions and hospitals. The Retained MicroPort[®] Group shall not engage sub-distributors without the Group's written consent. The Group will be responsible for product manufacturing and product delivery to the relevant territory. The Retained MicroPort[®] Group is obliged to, at its own expense and consistent with the sales policies of the Group, conduct marketing activities in the relevant territory, including keeping regular contact with local hospitals. The local distributors shall also submit quarterly market research information to the Group, which will also set out their selling performance in the relevant territory.

The Retained MicroPort[®] Group is obligated to, among other things, (i) comply with the relevant laws and regulations; (ii) keep inventory and usage records of all Distribution Products; and (iii) store the products appropriately in accordance with the instructions set out in the product manual.

The Group will ascertain the Final Price to be charged by the Group in each purchase order based on the pricing policy set out below after considering the quantity of the order, the delivery schedule, the purpose for usage and the cost of transportation. In line with the industry practice, the Retained MicroPort[®] Group is not allowed to return Distribution Products unless there are quality defects or in the event of a product recall.

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Pricing policies and internal control measures

With reference to the Board Letter, all the Distribution Products will be sold to the Retained MicroPort® Group directly without involving any dealers under the Distribution Transactions. Apart from the Final Price, the Retained MicroPort® Group will not receive any further commission or distribution fee pursuant to the 2023 Distribution Framework Agreement.

The Final Price shall be consistent with the pricing policy for the same Distribution Products that the Group offers to independent third party distributors and shall be determined by the parties after arm's length negotiations with reference to (i) the production cost, including the cost of raw materials, selling and administrative expenses, incurred in connection with the production of such Distribution Products; (ii) the shipping cost; (iii) the prevailing market gross profit for the distributors to sell similar products in the relevant market; and (iv) the prevailing market prices (including but not limited to the comparable tender prices approved by local governments or hospitals) of similar products within the respective markets. The Directors will regularly review and re-assess the sales prices of the Distribution Products and delivery method semiannually and adjust if there are any significant changes in the production cost, demands or the prevailing market prices.

Based on our independent research on continuing connected transactions conducted by other companies which were listed on the Stock Exchange involving the sales of materials/products/services to their connected persons (e.g. continuing connected transactions as announced by: Jinmao Property Services Co., Limited (stock code: 816) on 9 November 2023; CPMC Holdings Limited (stock code: 906) on 7 November 2023; Best Pacific International Holdings Limited (stock code: 2111) on 3 November 2023; Poly Property Services Co., Ltd. (stock code: 6049) on 3 November 2023; and Kangli International Holdings Limited (stock code: 6890) on 10 November 2023), we noted that the comparison of sales prices to independent third parties for the same or similar products or services was one of the commonly adopted pricing policies adopted in the continuing connected transactions. The pricing principles under the 2023 Distribution Framework Agreement are in line with the commonly adopted pricing policies adopted for continuing connected transactions.

With reference to the Board Letter, in order to ensure that the Distribution Transactions will be conducted on normal commercial terms or better, the Group adopted certain internal control policies, details of which are set out under the section headed "INTERNAL CONTROL POLICIES" of the Board Letter.

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Given that according to the internal control policies:

- (i) the Group's internal audit department will supervise and monitor the individual agreements to be entered into between the Group and the Retained MicroPort[®] Group to ensure they will be entered into in accordance with the pricing policy under the Distribution Transactions;
- (ii) the Group's finance department will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, and review and compare at least two quotations from Independent Third Parties (if available) with the quotes from the Retained MicroPort[®] Group when determining which supplier to engage with so as to ensure that the price provided by the Retained MicroPort[®] Group to the Group is fair and reasonable;
- (iii) a designated group of experience sales and marketing personnel of the Group will, with assistance of external industry consultant, if needed, conduct periodic market search to ascertain the market price range for similar products sold to the end customers in the relevant market and the range of market gross profit rate for the distributors selling similar products in such market for the purpose of determining the price to be charged by the Group to the Retained MicroPort[®] Group under the Distribution Transactions; and
- (iv) the Group's finance department will monitor the transactions amounts of the Transactions by preparing designated management accounts for the continuing connected transactions (including the Distribution Transactions) on a monthly basis,

we consider the effective implementation of the internal control policies would help to ensure fair pricing of the Distribution Transactions and the compliance of the requirements under the Listing Rules.

To assess the effectiveness of the implementation of the internal control policies, we discussed with staff of the Company's (i) internal audit department; and (ii) finance department, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the Distribution Transactions and would comply with relevant procedures when conducting the Distribution Transactions. Upon our request, we obtained the internal control document of the Distribution Transactions. After reviewing the document, we acknowledged that the contents of internal control document contained all relevant procedures for fair pricing measures for the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Distribution Transactions as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing that the board office of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not doubt the effectiveness of the implementation of the internal control policies to ensure the terms of the Distribution Transactions will be conducted under normal commercial terms and terms no less favourable to the Group than those offered to Independent Third Parties.

Based on the above, we are of the view that the pricing policy of the Distribution Transactions is fair and reasonable.

Proposed annual caps

The transaction amounts the Group shall charge the Retained MicroPort[®] Group pursuant to the 2023 Distribution Framework Agreement will be determined by the following formula:

The transaction amount = The sum of (The number of units of each Distribution Product ordered by the Retained MicroPort[®] Group in each Target Market × The Final Price of the relevant Distribution Product, which is determined primarily by the formula below:)

The Final Price = The retail price of the Distribution Product in the relevant Target Market⁽¹⁾ – Distributor's gross profit⁽²⁾

Notes:

- (i) The retail price of the Distribution Product is determined based on the retail price of competing products in the Target Market and the Group's production, shipping and insurance cost for the relevant Distribution Product, with reference to the market position and sales strategy for the relevant Distribution Product. The retail price is subject to adjustments in accordance with the market conditions from time to time.
- (ii) The distributor's gross profit is determined through arm's length negotiations between the Group and the Retained MicroPort[®] Group primarily based on the prevailing gross profit rate for distributing similar products in the relevant Target Market.

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With reference to the Board Letter, the Company believes that strict compliance with the requirements of Rule 14A.53 of the Listing Rules for setting monetary caps in relation to the Distribution Transactions is unduly burdensome, impracticable and not in the best interests of the Shareholders. The Company has applied for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements under Rule 14A.53 of the Listing Rules for not setting monetary caps in relation to the Distribution Transactions.

Details of (i) the reasons considered by the Company for not setting monetary caps; and (ii) the conditions of the waiver, are set out under the sub-section headed “Waiver from Strict Compliance with Rule 14A.53 of the Listing Rules” of the section headed “2023 Distribution Framework Agreement” of the Board Letter.

Having considered (i) the reasons for not setting monetary caps for the Distribution Transactions; (ii) the formula reflected the pricing policy of the Distribution Transactions; and (iii) the pricing policy of the Distribution Transactions is fair and reasonable, we are of the view that the basis for determining the actual transaction amount is fair and reasonable.

Having considered the above, including the principal terms of the Distribution Transactions, we are of the view that the terms of the Distribution Transactions (including the non-monetary caps) are fair and reasonable.

Listing Rules implications

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules (where applicable) pursuant to which (i) the values of the Transactions must be restricted by the proposed annual caps; (ii) the terms of the Transactions (together with the proposed annual caps) must be reviewed by the independent non-executive directors annually; and (iii) details of the independent non-executive directors’ annual review on the terms of the Transactions (together with the corresponding the proposed annual caps) must be included in the Company’s subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer’s group if the transactions involve the provision of goods or services by the listed issuer’s group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the total amounts of the Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including the corresponding the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions (including the corresponding the proposed annual caps) and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS**(1) Directors and chief executives of the Company**

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their associates in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in the Shares and underlying Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares/underlying Shares held	Approximately percentage of shareholding interest
Mr. Chen Guoming	Beneficial owner	8,905,892	0.36%
Mr. Jeffrey R Lindstrom	Beneficial owner	6,000,000	0.24%
Mr. Zhao Liang	Beneficial owner	7,644,236	0.31%
Ms. Yan Luying	Beneficial owner	5,935,272	0.24%
Dr. Ding Jiandong	Beneficial owner	479,683	0.01%

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares/underlying Shares held	Approximately percentage of shareholding interest
Mr. Jonathan H. Chou	Beneficial owner	449,683	0.01%
Ms. Sun Zhixiang	Beneficial owner	449,683	0.01%

Notes:

- (1) All the above Shares or underlying Shares are held in long position.
- (2) The calculation is based on the total number of 2,412,478,212 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations.

(2) Substantial Shareholders

Substantial shareholders' interests and short positions in the Shares and underlying Shares

As of the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company or their associates) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Nature of interest	Number of shares held	Approximate percentage of shareholding interest
Shanghai MicroPort ⁽¹⁾	Beneficial Interest	1,112,855,680	46.13%
CICC Kangrui ⁽²⁾	Beneficial Interest	181,592,220	7.53%

Notes:

- (1) Shanghai MicroPort was wholly owned by MicroPort®. Therefore, MicroPort® was deemed to be interested in the Shares that Shanghai MicroPort was interested in under the SFO.
- (2) CICC Kangzhi (Ningbo) Equity Investment Management Co., Ltd. (中金康智(寧波)股權投資管理有限公司), “**CICC Kangzhi**”) was the general partner of CICC Kangrui. As confirmed by CICC Kangrui, CICC Kangzhi was controlled by CICC Capital Management Co., Ltd. (中金資本運營有限公司), which is a wholly-owned subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司). Therefore, each of CICC Kangzhi, CICC Capital Management Co., Ltd. (中金資本運營有限公司) and China International Capital Corporation Limited (中國國際金融股份有限公司) was deemed to be interested in the Shares that CICC Kangrui was interested in under the SFO.
- (3) All the above Shares are held in long position.
- (4) The calculation is based on the total number of 2,412,478,212 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as of the Latest Practicable Date, no person, other than the Directors or chief executives of the Company whose interests are set out above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as of the Latest Practicable Date, none of the other Directors and chief executive was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

EXPERT AND CONSENT

Gram Capital Limited, has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it is included in this circular.

The following is the qualification of the expert who has provided its opinion or advice, which is contained in this circular:

Name	Qualifications
Gram Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity

As of the Latest Practicable Date, Gram Capital Limited was not beneficially interested in the equity interest of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As of the Latest Practicable Date, Gram Capital Limited did not have any direct or indirect interest in any assets which have been, since December 31, 2022, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since December 31, 2022, being the date to which the latest published audited financial statement of the Company have been made up.

SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

LITIGATION

As of the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.

None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors are not aware of any Director or his respective associates having, as of the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.

GENERAL

The Company's share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.cardioflowmedtech.com>) during a period of 14 days from the date of this circular (both days inclusive):

- (1) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (2) the letter from Gram Capital Limited the text of which is set out in this circular;
- (3) the written consent of Gram Capital Limited as referred to in this Appendix;

- (4) the 2023 Master Raw Materials Procurement Agreement, the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement and the 2023 Distribution Framework Agreement; and

- (5) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of the Company (the “EGM”) to be held on Friday, December 29, 2023 at 10:00 a.m. at No. 1661 Zhangdong Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, China, for the following purposes. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those in the circular of the Company dated December 12, 2023.

ORDINARY RESOLUTION

- the 2023 Master Raw Materials Procurement Agreement dated December 6, 2023 entered into between the Company (for itself and on behalf of its subsidiaries) and MicroPort[®] (for itself and on behalf of the Retained MicroPort[®] Group and its joint ventures and associates), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
 - the proposed annual caps in relation to the transactions contemplated under the 2023 Master Raw Materials Procurement Agreement as specified below be and are hereby approved, ratified and confirmed;

Proposed annual cap for the year ending December 31,

2024	2025	2026
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
37,000	45,000	67,000

- the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement dated December 6, 2023 entered into between the Company (for itself and on behalf of its subsidiaries) and MicroPort[®] (for itself and on behalf of its subsidiaries other than the Group), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the proposed annual caps in relation to the transactions contemplated under the 2023 Promotion and Patient Health Management Service Procurement Framework Agreement as specified below be and are hereby approved, ratified and confirmed.

Proposed new annual cap for the year ending December 31,		
2024	2025	2026
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
53,000	54,000	55,000

3. the 2023 Distribution Framework Agreement dated December 6, 2023 entered between the Company (for itself and on behalf of its subsidiaries) and MicroPort® (for itself and on behalf of its subsidiaries other than the Group) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.

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

Hong Kong, December 12, 2023

Notes:

- (i) For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, December 22, 2023 to Friday, December 29, 2023, both dates inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, December 21, 2023.
- (ii) A shareholder entitled to attend and vote at the above EGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (iii) In the case of joint holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the EGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM (i.e. not later than 10:00 a.m., Wednesday, December 27, 2023). The completion and delivery of the form of proxy shall not preclude the shareholders from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.
- (v) All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (vi) Shareholders attending the EGM in person or by proxy shall bear their own travelling and accommodation expenses, and shall produce their identity documents.
- (vii) References to dates and time in this notice are to Hong Kong dates and time.
- (viii) The English text of this notice shall prevail over the Chinese text for the purpose of interpretation.

As of the date of this notice, 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.