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IVD Medical Holding Limited

華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1931)

**CONTINUING CONNECTED TRANSACTION
FRAMEWORK AGREEMENT WITH RESPECT TO DISTRIBUTION
OF SHINVA PRODUCTS**

On 15 December 2023, Vastec (Shanghai) (an indirect wholly-owned subsidiary of the Company) entered into the Framework Agreement with Shinva, under which Shinva has designated Vastec (Shanghai) as its distributor of Shinva's thromboelastography instruments and its ancillary reagents and consumables in the Designated Area for a period from 1 January 2024 to 31 December 2024.

Shinva is a controlling shareholder (as defined in the Listing Rules) of the Company. The entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to the Annual Cap exceeds 0.1% but all applicable percentage ratios are less than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Framework Agreement

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

Date:

15 December 2023

Parties:

Vastec (Shanghai) and Shinva

Subject matter:

Pursuant to the Framework Agreement, Shinva has designated Vastec (Shanghai) as its distributor of the Products in the Designated Area for the Term.

During the Term:

- (i) Shinva shall not designate other distributors, and shall not sell the Products in the Designated Area. All sales of the Products in the Designated Area will be conducted through Vastec (Shanghai); and
- (ii) Vastec (Shanghai) shall not sell the Products outside the Designated Area, and shall not distribute, advertise, promote or sell thromboelastography instruments and its ancillary reagents and consumables of other brands in the Designated Area.

Vastec (Shanghai) shall ensure that the price at which the Reagent Products are sold to hospitals in the Designated Area is not lower than the indicative price enforced by local municipal or provincial authority, and sale to the secondary agent in the Designated Area shall be subject to the minimum prescribed price under the Framework Agreement.

Term:

From 1 January 2024 to 31 December 2024

The Framework Agreement is conditional upon the Company having completed all procedures and having obtained all necessary or appropriate approvals that are required under the Listing Rules with respect to the Framework Agreement.

Pricing policy:

During the Term, Vastec (Shanghai) will procure from Shinva Reagent Products at the unit prices (depending on the functions and specifications of different Reagent Products) agreed under the Framework Agreement. The unit prices were arrived at after arm's length negotiation between the parties taking into account prices of similar products available in the market in China, and the projected prices at which Vastec (Shanghai) may distribute the same in the market. Vastec (Shanghai) will issue to Shinva individual purchase orders setting out (among others) the type and amount of Reagent Products required.

Vastec (Shanghai) may, from time to time, request Shinva to deliver the Instruments. Depending on the type of Instruments requested, Vastec (Shanghai) shall make a pre-payment for Reagent Products ranging from RMB10,000 to RMB140,000 for each of the Instruments requested. Such pre-payment shall be applied for off-setting the above procurement price for Reagent Products. Instruments delivered shall belong to Shinva, while Vastec (Shanghai) is entitled to use the same or place it at the venue of end-user customers of Vastec (Shanghai).

Below sets out the minimum amount of Reagent Products and Instruments that Vastec (Shanghai) shall procure from Shinva during the Term (the "**Minimum Target**"):

- (1) Reagent Products: not less than RMB1.2 million for each of the first and second quarters of FY2024, and RMB1.3 million for each of the third and fourth quarters of FY2024 (i.e. RMB5 million throughout the Term)

- (2) Instruments (semi-automatic): 40 units for each of the first and second quarters of FY2024, and 60 units for each of the third and fourth quarters of FY2024
- (3) Instruments (fully automatic): 4 units for each of the first and second quarters of FY2024, and 6 units for each of the third and fourth quarters of FY2024

Annual Cap:

The transaction amount under the Framework Agreement for FY2024 shall not be more than RMB20,000,000 (tax inclusive) (i.e. the Annual Cap).

Thromboelastography coagulation is an emerging area in the PRC, and the Products are being launched by Shinva in 2022. It has been projected by Zero Power Intelligence Group that the domestic market capacity in China of thromboelastography coagulation products will reach approximately RMB800 million to RMB1 billion. In arriving at the Annual Cap and the Minimum Target, the Group has principally taken into account (i) the above overall market capacity in China and the market share of approximately 2% at which the Group and Shinva is targeting for, considering the prevailing and projected sales of the Products, the Group's existing distribution capacity, and the sales of competitive or similar products in the Designated Area, (ii) the unit prices of the Reagent Products, (iii) a buffer of approximately 25% for any unexpected factor which may lead to increased end-customer demands.

There has not been substantial transaction for the Products between the parties historically, with an aggregate transaction amount of less than RMB200,000 for the eleven months ended 30 November 2023. The Group has purchased other products from Shinva and its subsidiaries, principally for distribution purpose with an aggregate purchase amount of approximately RMB398,000, RMB645,000, and RMB494,000 (including the purchase amount for the Products) for the year 2021, 2022, and the eleven months ended 30 November 2023, respectively. Sales of products by the Group to Shinva amounted to approximately RMB185,000, RMB0 and RMB0 for the year 2021, 2022 and the eleven months ended 30 November 2023, respectively.

Settlement and delivery:

Delivery of Reagent Products will be made upon Shinva receiving full payment (or off-setting the same from pre-payment) for orders of Reagent Products placed.

Vastec (Shanghai) shall make a pre-payment of RMB1.2 million for Reagent Products before 10 January 2024. If Vastec (Shanghai) fails to meet the Minimum Target for subsequent quarters, it shall pay the difference (i.e. the Minimum Target for the relevant quarter minus payment/pre-payment for products actually procured during the quarter) within the 7 working days prior to the last day of the quarter.

The Framework Agreement may be terminated prior to the expiry of the Term by Shinva in stipulated scenarios, including: (1) Vastec (Shanghai) failing to meet the Minimum Target for the first or second quarter of FY2024; (2) Vastec (Shanghai) violating the Framework Agreement by selling the Products out of the Designated Area; (3) Vastec (Shanghai) selling thromboelastography instruments and ancillary reagents and consumables similar to or in competition with the Products in the Designated Area.

INTERNAL CONTROL MEASURES

The Company has adopted the following internal control measures with respect to the transactions contemplated under the Framework Agreement:

1. The finance department of the Company will conduct regular checks to review and assess whether the transactions under the Framework Agreement are conducted in accordance with its terms. It will also monitor the market price of similar products from time to time to monitor that transactions under the Framework Agreement are conducted on normal commercial terms or better.
2. The finance department of the Company will monitor the transaction volume under the Framework Agreement to ensure that the Annual Cap will not be exceeded.
3. In accordance with the Company's internal policies, the transactions under the Framework Agreement will be properly recorded. The management of the Group will review the aforesaid pricing policy on a regular basis.
4. The external auditors of the Company and the independent non-executive Directors will conduct an annual review and/or confirmation on the continuing connected transactions.

The Directors therefore consider that the measures and procedures can ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is principally engaged in the distribution of IVD products in the PRC, as well as research, development, manufacturing and sales of its self-branded IVD products. Vastec (Shanghai) is principally engaged in the sales, marketing and after-sales services of IVD products.

INFORMATION OF SHINVA

Shinva is a company established under the laws of the PRC, and its shares are currently listed on the Shanghai Stock Exchange (stock code: 600587). It is a controlling shareholder (as defined in the Listing Rules) and therefore a connected person of the Company. As of the date of this announcement, Huatuo International Development Co., Limited (a company wholly-owned by Shinva) holds 443,654,371 Shares (representing approximately 32.75% of the issued Shares).

Shinva is primarily engaged in the research and development, manufacturing and sale of medical equipment and pharmaceutical equipment as well as the provision of healthcare services.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

Distribution of IVD products is part of the Group's principal business. Throughout years of development, the Group has developed its own distribution network in mainland China (including in the Designated Area). The distribution of the Products, which are IVD products recently developed and marketed by Shinva, is part of the Group's principal business, and could generate sales income for the Group. The inclusion of the Products would expand the Group's product portfolio, which could allow the Group to meet a broader need of its customers. The Products may also be sold and used alone or in combination with other products of the Group, which could facilitate the sales and promotion of the Group's other products. In light of the exclusive right of Vastec (Shanghai) to distribute the Products in the Designated Area under the Framework Agreement and other terms considered as a whole, the Company considers the Minimum Target to be fair and reasonable. The Board also believes that the deepened business cooperation with Shinva could allow the Group and Shinva to leverage on their respective strength, resources and expertise.

The Board (including the independent non-executive Directors) are of the view that the Framework Agreement and the transactions contemplated thereunder (including the Annual Cap) are in the ordinary and usual course of business of the Group, and the terms of the transactions are arrived at after arm's length negotiations and on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Shinva is a controlling shareholder (as defined in the Listing Rules) and therefore a connected person of the Company. The entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to the Annual Cap exceeds 0.1% but all applicable percentage ratios are less than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Yang Zhaoxu and Ms. Yao Haiyun (each a non-executive Director) hold directorship or senior management position(s) in Shinva and/or its subsidiaries. Each of them has abstained from voting on the resolutions in relation to the approval of the Framework Agreement proposed to the Board. Save as disclosed above, none of the Directors have a material interest in the Framework Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“Annual Cap”	the maximum transaction amount under the Framework Agreement during FY2024
“Board”	board of Directors

“Company”	IVD Medical Holding Limited (華檢醫療控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability and whose shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1931)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Designated Area”	Mainland China (excluding Shandong, Henan, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Director(s)”	director(s) of the Company
“Framework Agreement”	the sales contract dated 15 December 2023 entered into between Vastec (Shanghai) and Shinva in relation to the designation of Vastec (Shanghai) as the distributor of the Products in the Designated Area for the Term
“FY2024”	the year ending 31 December 2024
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument(s)”	thromboelastography instrument(s)
“IVD”	in vitro diagnostic
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	Instruments and its ancillary reagents and consumables of Shinva (including Reagent Products)
“Reagent Products”	reagent kits of Shinva for thromboelastography coagulation and ancillary functions
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share(s) of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Shinva”	Shinva Medical Instrument Co., Ltd. (山東新華醫療器械股份有限公司), a company established under the laws of the PRC with limited liability and whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600587)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	1 January 2024 to 31 December 2024
“Vastec (Shanghai)”	Vastec Medical Equipment (Shanghai) Co., Ltd. (威士達醫療設備(上海)有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
%	per cent.

By order of the Board
IVD Medical Holding Limited
Ho Kuk Sing
Chairman and Executive Director

Hong Kong, 15 December 2023

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya, three non-executive directors, namely, Mr. Yang Zhaoxu, Ms. Yao Haiyun and Mr. Sun Tao and three independent non-executive directors, namely, Mr. Lau Siu Ki, Mr. Zhong Renqian and Mr. Leung Ka Sing.

In this announcement, certain Chinese names of institutions, natural persons or other entities have been translated into English and included as unofficial translations for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.