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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)

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% EQUITY INTEREST IN MP CARDIOADVENT

AND

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

THE ACQUISITION

On January 1, 2024, MicroPort Sinica and Shanghai Zuoqing (as the Sellers), MP CardioFlow (as the purchaser) and MP CardioAdvent entered into the Equity Transfer Agreement, pursuant to which MP CardioFlow conditionally agreed to acquire, and MicroPort Sinica and Shanghai Zuoqing conditionally agreed to sell, 51% equity interest in MP CardioAdvent. Upon completion of the Acquisition, MP CardioFlow will hold 51% equity interest in MP CardioAdvent and MP CardioAdvent will become a subsidiary of the Company.

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

The consideration for the Acquisition shall be satisfied by the internal resources of the Group with the Net Proceeds from the Global Offering. The Board, after careful consideration and detailed evaluation of the Company's operations and business strategy, has resolved to reallocate more unutilized Net Proceeds to fund the expansion of our product portfolio through collaboration with global enablers, including medical device companies and research institutes through merger and acquisition, in-licensing or equity investments, among others.

LISTING RULES IMPLICATIONS

As of the date of this announcement, through its wholly-owned subsidiary Shanghai MicroPort, MicroPort® is indirectly interested in approximately 46.13% of the total issued share capital of the Group. MicroPort Sinica is a wholly-owned subsidiary of MicroPort®. Therefore, each of MicroPort® and MicroPort Sinica is a connected person of the Company. As of the date of this announcement, MicroPort®, the controlling shareholder of the Company, holds 80.11% equity interest in MP CardioAdvent through MicroPort Sinica, which is one of the Sellers. Therefore, pursuant to Rule 14A.28 of the Listing Rules, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition is/are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Acquisition will not involve other members of the MicroPort® Group which are, at the time of the Acquisition, listed on the Stock Exchange.

THE ACQUISITION

The Board is pleased to announce that on January 1, 2024, MicroPort Sinica and Shanghai Zuoqing (as the Sellers), MP CardioFlow (as the purchaser) and MP CardioAdvent entered into the Equity Transfer Agreement, pursuant to which MP CardioFlow conditionally agreed to acquire, and MicroPort Sinica and Shanghai Zuoqing conditionally agreed to sell, 51% equity interest in MP CardioAdvent. Upon completion of the Acquisition, MP CardioFlow will hold 51% equity interest in MP CardioAdvent and MP CardioAdvent will become a subsidiary of the Company and its financial results will be consolidated into the Group's financial statements.

The principal terms of the Equity Transfer Agreement are summarized below:

Date

January 1, 2024

Parties

- (i) MP CardioFlow as the purchaser
- (ii) MicroPort Sinica as a seller
- (iii) Shanghai Zuoqing as a seller (together with MicroPort Sinica, collectively the “Sellers”)
- (iv) MP CardioAdvent

Subject Matter

Pursuant to the Equity Transfer Agreement,

- (i) MP CardioFlow has conditionally agreed to acquire and MicroPort Sinica has conditionally agreed to sell approximately 44.84% equity interest in MP CardioAdvent; and
- (ii) MP CardioFlow has conditionally agreed to acquire and Shanghai Zuoqing has conditionally agreed to sell, approximately 6.16% equity interest in MP CardioAdvent.

Consideration and Payment Terms

The total consideration of the Acquisition is RMB141,316,920 (the “**Consideration**”), comprising (i) a cash consideration of RMB124,248,053 payable to MicroPort Sinica, and (ii) a cash consideration of RMB17,068,867 payable to Shanghai Zuoqing, which shall be paid to the Sellers pursuant to the following schedule:

- (i) An amount of RMB49,699,221.2 payable to MicroPort Sinica and an amount of RMB6,827,546.8 payable to Shanghai Zuoqing within fifteen (15) Business Days upon satisfaction or (if applicable) waiver of the conditions precedent under the Equity Transfer Agreement;
- (ii) An amount of RMB37,274,415.9 payable to MicroPort Sinica and an amount of RMB5,120,660.1 payable to Shanghai Zuoqing within fifteen (15) Business Days upon obtaining the Class III medical device certificate for AnchorMan[®] LAAO (as defined below); and

- (iii) An amount of RMB37,274,415.9 payable to MicroPort Sinica and an amount of RMB5,120,660.1 payable to Shanghai Zuoqing within fifteen (15) Business Days upon the ninety-first (91st) day after MP CardioFlow ships the first batch of products for commercial sale.

The parties will from time to time review the performance of MP CardioAdvent before and after the Closing. If the actual financial and operational performance results of MP CardioAdvent materially deviate from the various parameters and inputs used in the valuation performed by JLL (including but not limited to revenue, costs, expenses, etc.), each party may request to re-assess the Consideration based on the applicable valuation model.

The Consideration shall be satisfied by the internal resources of the Group with the Net Proceeds from the Global Offering.

Basis of Consideration

The Consideration was reached after arms' length negotiation among parties after taking into consideration of a number of factors, including but not limited to the valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), an independent valuer engaged for the Acquisition to determine the fair value of MP CardioAdvent, the business prospect of MP CardioAdvent, and the reasons for and benefits of entering into the Equity Transfer Agreement as set out in the sections headed “Information about MP CardioAdvent ” and “Reasons for and Benefits of the Acquisition” in this announcement.

JLL is a professional firm with staff possessing the relevant qualifications and experience required to perform the valuation of MP CardioAdvent and the person in-charge of the valuation has sufficient experience in conducting valuation services to a wide range of clients in different industries.

JLL adopted the income approach with the discounted cash flow method in determining its opinion of the value of MP CardioAdvent. The income approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. JLL is of the view that, compared with market approach and cost approach, the income approach is more appropriate, available and reliable for estimating the valuation of MP CardioAdvent. The conclusion of value is based on accepted valuation procedures and practices that rely substantially on use of numerous assumptions and the consideration of various factors that are relevant to the operation of MP CardioAdvent.

The fair value of MP CardioAdvent as at September 30, 2023 was appraised by JLL under the income approach with discounted cash flow method which constituted a profit forecast (“**Profit Forecast**”) under Rule 14.61 of the Listing Rules. Based on the free cash flow to equity and the appraised market value of MP CardioAdvent’s entire equity interest at RMB277,092,000.

Profit Forecast under the Valuation for the Acquisition

As income approach was adopted by JLL for the valuation of MP CardioAdvent, which took into account the cash flow projection of the businesses carried on by MP CardioAdvent, and therefore such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and this announcement is subject to the requirements under Rule 14.60A of the Listing Rules in relation to profit forecast.

Key Assumptions

Details of the key assumptions underlying the valuation of the entire equity interest of MP CardioAdvent for the purpose of complying with Rule 14.60A of the Listing Rules are set out below:

- The valuation was primarily based on the financial projections and latest historical financial information made available to JLL. The projections outlined in the financial information provided were prepared on a reasonable basis, reflecting aspects of MP CardioAdvent including but not limited to market conditions, economic fundamentals, availability of competent management and sufficient personnel, sufficient facilities and systems for future expansion, and we assume they will materialize;
- MP CardioAdvent has, or will have, sufficient capital needs (financial, human, physical) to achieve or contribute to current and future production;
- JLL assumes continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;
- JLL has assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of MP CardioAdvent;
- JLL has assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- JLL has been provided with copies of the operating licenses and MP CardioAdvent incorporation documents. JLL has assumed such information to be reliable and legitimate. JLL has relied to a considerable extent on such information provided in arriving at our opinion of value;

- JLL has assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Furthermore, JLL assumes no responsibility for changes in market conditions after the valuation date; and
- JLL's valuation is conducted based on a going concern assumption, in which MP CardioAdvent is viewed as continuing in business for the foreseeable future.

Confirmations

KPMG, the reporting accountants of the Company for purposes of Rule 14.60A(2) of the Listing Rules, has reported on the arithmetical accuracy of the calculations of the discounted future cash flows on which the valuation is based, which does not involve the adoption of accounting policies.

Somerley Capital Limited, the financial adviser of the Company for the purpose of Rule 14.60A(3) of the Listing Rules, has confirmed that it is satisfied that the projections of future cash flows on which the valuation is based have been made by the Directors after due and careful enquiry.

The texts of a report from KPMG of even date in compliance with Rule 14.60A(2) of the Listing Rules and a letter from Somerley Capital Limited of even date in compliance with Rule 14.60A(3) of the Listing Rules are included in Appendix I and Appendix II to this announcement, respectively.

Conditions Precedent

The Closing is conditional upon that the conditions precedent set out in the Equity Transfer Agreement be satisfied or waived in writing. The conditions precedent include, among others:

- (i) The representations and warranties required to be made by MP CardioFlow as of the date of the Equity Transfer Agreement and the date of the Closing are true, accurate, complete and not misleading in all material respects and that the undertakings and covenants to be performed by MP CardioFlow thereunder on or prior to the date of the Closing have been fulfilled;
- (ii) MP CardioFlow has executed and delivered to the Sellers or MP CardioAdvent the requisite transaction documents;
- (iii) The representations and warranties required to be made by the Sellers as of the date of the Equity Transfer Agreement and the date of the Closing are true, accurate, complete and not misleading in any respect and that the undertakings and covenants to be performed by the Sellers thereunder on or prior to the date of the Closing have been fulfilled;

- (iv) No law or governmental order has been enacted, promulgated, enforced or passed by any governmental authority that would render the Acquisition unlawful or otherwise restrict or prohibit the transactions contemplated by the Equity Transfer Agreement;
- (v) There are no claims, incurred or potential, brought by or against any third party against either party that would restrict or materially and adversely affect the transactions contemplated under the Equity Transfer Agreement;
- (vi) MP CardioFlow has received all authorizations, approvals, filings and consents from each of the relevant governmental authorities and third parties necessary for the consummation of the transactions contemplated by the transaction documents; and such consents and approvals have not materially altered the commercial terms under the Equity Transfer Agreement and shall remain in full force and effect at the time of the Closing;
- (vii) All transaction documents have been duly executed by the relevant parties and delivered to MP CardioFlow;
- (viii) There are no events, individually or in the aggregate, have had or are reasonably expected to have a material adverse effect on MP CardioAdvent and the Sellers;
- (ix) The key employees listed in the Equity Transfer Agreement have entered into employment contracts with MP CardioAdvent;
- (x) MP CardioFlow has completed all operational, financial, legal and tax due diligence with respect to MP CardioAdvent and its business and is satisfied with the results of such due diligence; and
- (xi) MP CardioFlow has received a certificate of the Closing signed and stamped by the legal representative and/or authorized representative of the Sellers.

Closing

Subject to the terms and conditions of the Equity Transfer Agreement, the closing of the Acquisition (the “**Closing**”) shall take place within fifteen (15) Business Days after all conditions specified in the Equity Transfer Agreement have been waived and satisfied or other dates the parties may mutually agree in writing, at the offices of MP CardioAdvent or at such other place as the parties may mutually agree to in writing.

Termination

The Equity Transfer Agreement and the transactions contemplated shall be terminated:

- (i) by MP CardioFlow if (a) an event or situation occurs, (b) any representation and warranty of the Sellers is untrue or inaccurate; or (c) there is a breach by the Sellers of any of their undertakings or covenants under the Equity Transfer Agreement, which

results in, or is reasonably expected to be likely to result in, a material adverse effect (as defined in the Equity Transfer Agreement) or the conditions precedent cannot be satisfied;

- (ii) by MP CardioFlow if (a) MP CardioAdvent transfers its assets for the benefit of its creditors, (b) any criminal legal proceedings are instituted by or against MP CardioAdvent, or (c) MP CardioAdvent is bankrupt, insolvent, liquidated, written off or reorganized in bankruptcy (including reorganization of debts);
- (iii) by either the Sellers or MP CardioFlow if the Class III medical device certificate for the AnchorMan[®] LAAO is not obtained within one hundred and eighty (180) days from the date of the Equity Transfer Agreement or such other period as may be agreed upon by the parties; provided, however, that if the failure of the Closing to occur on or prior to such date is caused by or results from the failure of either party to perform any of its obligations thereunder, such party shall not have the right to terminate the agreement;
- (iv) by either the Sellers or MP CardioFlow in the event that any governmental authority issues an order, decree or ruling, or takes any other action, restricting, preventing or otherwise enjoining the transactions proposed thereunder and such order, decree, ruling or other action is final and not subject to application for review, prosecution or appeal; or
- (v) upon unanimous written consent among parties.

If the Equity Transfer Agreement is terminated pursuant to the conditions mentioned above, the Sellers shall return to MP CardioFlow all the Consideration already paid to them, if any, within ten (10) Business Days upon such termination and MP CardioFlow shall return the 51% equity interest in MP CardioAdvent to the Sellers.

Information about MP CardioAdvent

MP CardioAdvent is a limited liability company established in the PRC on September 10, 2019 and as of the date of this announcement, 80.11% and 19.89% of its equity interest is held by MicroPort Sinica and Shanghai Zuoqing, respectively. Upon the completion of the Acquisition, approximately 51.00%, 13.73% and 35.27% of its equity interest will be held by MP CardioFlow, Shanghai Zuoqing and MicroPort Sinica, respectively.

MP CardioAdvent is a high-tech medical device company focusing on medical devices in the field of left atrial appendage (the “LAA”). MP CardioAdvent was recognized as a National Science and Technology-based SME (small and medium enterprise) (國家科技型中小企業) by Shanghai Science and Technology Commission in 2021 and 2022.

Currently, MP CardioAdvent has established a complete manufacture line, with a production plant of 1169.62 sq.m. and equipped with a full set of related production equipment, providing a solid supply guarantee for the product manufacturing capacity in the future. Its testing laboratory is equipped with advanced testing equipment which carries out rigorous and scientific testing and evaluation of the products and product candidates.

The product candidates of MP CardioAdvent mainly include the AnchorMan® LAA occluder (the “AnchorMan® LAAO”) and the AnchorMan® LAA guidance system.

LAA occluders are mainly used for stroke prevention for non-valvular atrial fibrillation patients and are now gaining significant importance in the overall atrial fibrillation solution. AnchorMan® LAAO adopts an innovative distal rounded and semi-closed structure, which greatly simplifies the operation of the LAA procedures by avoiding pericardial and other problems caused by barbs while achieving the stability at the same time. Compared with other comparable products in the market, AnchorMan® LAAO has better performance in the key safety indicators such as anti-dislodgement and displacement. AnchorMan® LAAO completed its clinical enrolment in September 2021 and is expected to be approved by the NMPA for registration in January 2024.

AnchorMan® Left Atrial Appendage Access System is compatible with AnchorMan® Left Atrial Appendage Closure System, providing the femoral venous and trans-atrial septal access. AnchorMan® Access System is available with two sizes: single curve and double curve, based on different distal tip configurations, easy to navigate into the LAA. AnchorMan® Access System includes an Access Sheath and a Dilator. The Access Sheath outer diameter and inner diameter are 14 Fr and 12 Fr respectively. The reinforced access sheath has high proximal kink resistance performance. The distal end of access sheath contains 4 radiopaque marker bands for guiding precise placement for AnchorMan® Closure Device. AnchorMan® Access System was approved by NMPA in October 2023 and is expected to receive CE mark in 2025.

The table below sets forth a summary of key financial information of MP CardioAdvent for the years ended December 31, 2021 and 2022 and nine months ended September 30, 2023 which was prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC:

	For the Year Ended		For the
	December 31,		Nine Months
	2021^{Note}	2022^{Note}	Ended
	(audited)	(audited)	September 30,
		(RMB'000)	2023
			(unaudited)
Total Asset	49,015	75,683	113,264
Net Asset	11,419	11,253	79,652
Net Loss before Tax	(43)	(166)	(1,451)
Net Loss after Tax	(43)	(166)	(1,451)

Note: The statutory financial statements of MP CardioAdvent for the years ended December 31, 2021 and 2022 were audited by Unitech Zhenqing Certified Public Accountants (Special General Partnership) Shanghai Branch (尤尼泰振青會計師事務所(特殊普通合夥)上海分所).

To the best knowledge and belief of the Directors having made all reasonable enquiries, as MP CardioAdvent was established by the Sellers and was not acquired from a third party, there is no original acquisition cost for the equity interest in MP CardioAdvent.

Information about the Parties Involved in the Acquisition

The Company is a medical device company focusing on the R&D and commercialization of innovative transcatheter solutions for structural heart diseases. The Company is 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.

MP CardioFlow is a limited liability company established in the PRC. MP CardioFlow is the principal operating subsidiary of the Group through which the Group conducts its business primarily.

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.

MicroPort Sinica is a company established in the PRC with limited liability wholly owned by MicroPort® and primarily engaged in investment holding and property management businesses.

Shanghai Zuoqing is a limited partnership established in the PRC and an employee shareholding platform of MP CardioAdvent. Shanghai Zuofu Enterprise Management Consulting Center (Limited Partnership) (“**Shanghai Zuofu**”) is the single largest limited partner of Shanghai Zuoqing holding approximately 16.30% of the partnership interest. Shanghai Zuofu is a limited partnership established in the PRC and is held as to approximately 99.44% and 0.56% by YAO Yao (姚瑤) as the sole limited partner and LI Junfei (李俊菲) as the general partner, respectively. The other top limited partners of Shanghai Zuoqing are LI Junfei (李俊菲) and other six employees of Shanghai Zuoqing or the Retained MicroPort® Group holding approximately 14.04%, 9.24%, 7.16%, 5.89%, 4.53%, 4.53% and 4.17% partnership interest respectively. YAO Yao (姚瑤) is the general partner of Shanghai Zuoqing directly holding approximately 2.36% partnership interest. Save for such interests disclosed, each of the remaining 34 limited partners holds less than 3% partnership interest in Shanghai Zuoqing. Each of the partners of Shanghai Zuoqing and Shanghai Zuofu is an employee of MP CardioAdvent or the Retained MicroPort® Group and an Independent Third Party of the Company as of the date of this announcement.

Reasons for and Benefits of the Acquisition

The Acquisition is expected to enhance synergies among the Company's products and product candidates in the field of structural heart disease, especially in terms of R&D, manufacturing capabilities, distribution channels, therefore enhancing the cost control of our Group. Our Company is a public company facing increasingly fierce competition in the field of valvular heart disease, which falls within the range of structural heart diseases. The proposed Acquisition presents the Company an opportunity to enter new market segments within the field of structural heart diseases with high growth potential, thereby diversifying its revenue streams and expanding its strategic initiatives to deliver state-of-the-art total solutions for treating structural heart diseases so as to further enhance its competitiveness. This also adheres to the Company's mission to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases. With the expected launch of AnchorMan® LAAO in Europe, our Company is expected to broaden our geographic coverage and further enhance our presence in the global market. The proposed Acquisition is also expected to increase the capital investment efficiency of our Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

As of the date of this announcement, through its wholly-owned subsidiary Shanghai MicroPort, MicroPort® is indirectly interested in approximately 46.13% of the total issued share capital of the Group. MicroPort Sinica is a wholly-owned subsidiary of MicroPort®. Therefore, each of MicroPort® and MicroPort Sinica is a connected person of the Company. As of the date of this announcement, MicroPort®, the controlling shareholder of the Company, holds 80.11% equity interest in MP CardioAdvent through its wholly-owned subsidiary, MicroPort Sinica, which is one of the Sellers. Therefore, pursuant to Rule 14A.28 of the Listing Rules, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition is/are more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Equity Transfer Agreement and the transaction contemplated thereunder will not involve other members of the MicroPort® Group which are, at the time of the transactions, listed on the Stock Exchange.

Mr. Chen Guoming, Ms. Wu Xia and Mr. Jonathan H. Chou, who are also Directors appointed by MicroPort® or hold director's positions in the Retained MicroPort® Group, are deemed to have interest in the Acquisition, and thus had abstained from voting on the Equity Transfer Agreement and the transaction contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Acquisition or holds any position in Retained MicroPort® Group and/or its associates which would require them to abstain from voting on the relevant Board resolutions.

CHANGE IN USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

Our Company's Shares were listed on the Stock Exchange on February 4, 2021. The net proceeds (the "**Net Proceeds**") from the Global Offering amounted to approximately HK\$2,717.2 million (including the full exercise of the over-allotment option). As of the date of this announcement and prior to the proposed change in the use of the unutilized Net Proceeds as mentioned below in this announcement, the Net Proceeds have been used in a manner consistent with the disclosure in the Prospectus.

Our Company is a public company facing increasingly fierce competition in the field of valvular heart disease, which is one of the structural heart diseases. Therefore, the Group will continue the development of medical devices and/or seek for new investment opportunities in the field of structural heart diseases with high growth potential, thereby diversifying its revenue streams and expanding its strategic initiatives to deliver state-of-the-art total solutions for treating structural heart diseases so as to further enhance its competitiveness. The Board, after careful consideration above and detailed evaluation of the Company's operations and business strategy taking into account the reasons set out in the section headed "Reasons for and Benefits of the Acquisition", has therefore resolved to reallocate more unutilized Net Proceeds to fund the expansion of our product portfolio through collaboration with global enabler, including medical device companies and research institutes through merger and acquisition, in-licensing or equity investments, among others.

The table below sets out the details of the intended use of the Net Proceeds, the original allocation of the Net Proceeds, the utilized amount of the Net Proceeds as of the date of this announcement, the unutilized amount of the Net Proceeds as of the date of this announcement, and the balance of the unutilized Net Proceeds:

	Amount of Net Proceeds attributed to the proposed use	Utilized Net Proceeds as of the Latest Practicable Date <i>(HK\$ Million)</i>	Unutilized Net Proceeds as of the Latest Practicable Date	Use of Net Proceeds after reallocation
VitaFlow Liberty®				
• the ongoing R&D activities, clinical trial and product registration of VitaFlow Liberty®	423.9	173.7	250.2	50.2
• the ongoing sales and marketing activities of VitaFlow Liberty® in China and overseas	391.3	236.4	154.9	104.9
Subtotal	815.2	410.1	405.1	155.1
VitaFlow®	92.4	73.2	19.2	19.2
The remaining products				
• fund the research, preclinical, clinical trial and commercialization of VitaFlow® III, and VitaFlow® Balloon Expandable	190.2	91.7	98.5	98.5
• the ongoing and planned R&D of our transcatheter mitral valve product candidates	312.5	109.7	202.8	202.8
• the ongoing and planned R&D of our transcatheter tricuspid valve replacement product candidates, surgical valves and procedural accessories	163.0	35.9	127.1	75.0
• fund the planned commercialization activities after receiving the relevant regulatory approvals	67.9	—	67.9	—
Subtotal	733.6	237.3	496.3	376.3
Fund the expansion of our product portfolio through collaboration with global enabler	407.6	354.4	53.2	523.2
Expand our production capacity and strengthen our manufacturing capabilities for VitaFlow® and VitaFlow Liberty™	396.7	97.5	299.2	299.2
Working capital and general corporate purposes	271.7	120.2	151.5	51.5
Total	2,717.2	1,292.7	1,424.5	1,424.5

The Board considered that the development direction of the Group is still in line with the disclosures in the Prospectus in spite of the change in use of the unutilized Net Proceeds as stated above. The Board is not aware that there are material changes in the nature of the businesses of the Group. The Board is of the view that the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Group to deploy its financial resources more effectively to expand the product portfolio of the Group, would not have any material adverse effect on the existing business and operations of the Group, and is therefore in the best interests of the Group and the shareholders as a whole. The Board will constantly evaluate the Group's business objective and may change or modify plans against the changing market conditions to ascertain the business growth of the Group. The Board will also take a cautious approach continually when considering using the Net Proceeds, and closely monitor the changes of the market conditions from time to time.

The Company has decided, after thorough consideration, to continue with the original expected timeline of utilizing the Net Proceeds from the Global Offering by the end of 2025. The expected timeline for utilizing the Net Proceeds from the Global Offering is based on the best estimation of future market conditions made by our Company and subject to changes in accordance with our actual business operation.

Where the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as they are deemed to be in the best interests of our Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong.

INFORMATION ON THE EXPERTS

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

Name	Qualifications
Somerley Capital Limited	a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	an independent valuer qualified in the PRC
KPMG	Certified Public Accountants, Hong Kong

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letter or opinions and references to its name in the form and context in which it is included in this announcement.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, none of the experts above is beneficially interested in the equity interest of any member of the Group nor has 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.

DEFINITIONS

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

“Acquisition”	the sale and purchase of the equity interest in MP CardioAdvent under the Equity Transfer Agreement
“associate(s)”	has the meaning as defined in the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day on which banks in the PRC are generally open for business to the public and which is not a Saturday, Sunday or other days on which banks are required by law or authorized to suspend business in the PRC
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement and unless otherwise indicated, excludes Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan
“Class III medical device”	the medical device recognized by NMPA with high risk level, the safety and effectiveness of which can be ensured through strict control and administration with special measures
“Closing”	as defined in the section headed “the Acquisition”

“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
“connected transaction”	has the meaning as defined in the Listing Rules
“controlling shareholder(s)”	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
“Equity Transfer Agreement”	the equity transfer agreement dated January 1, 2024 among MicroPort Sinica, Shanghai Zuoqing, MP CardioAdvent and MP CardioFlow in respect of the Acquisition
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“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 Third Party(ies)”	persons who are not the connected person(s) of the Group
“Latest Practicable Date”	December 15, 2023, being the latest practicable date prior to this announcement for the purpose of ascertaining certain information in this announcement
“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 GEM of the Stock Exchange

“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
“MicroPort Sinica”	MicroPort Sinica Co., Ltd. (微創投資控股有限公司), (formerly known as MicroPort Group Co., Ltd. (上海微創投資控股有限公司)), a limited liability company established in the PRC on April 9, 2013 and a wholly-owned subsidiary of MicroPort®
“MP CardioAdvent”	Shanghai MicroPort CardioAdvent Co., Ltd, (上海佐心醫療科技有限公司), a limited liability company established in the PRC on September 10, 2019
“MP CardioFlow”	Shanghai MicroPort CardioFlow Medtech Co., Ltd. (上海微創心通醫療科技有限公司), a limited liability company established in the PRC on May 21, 2015 and a wholly-owned subsidiary of the Company
“Net Proceeds”	as defined in the section headed “Change in Use of The Net Proceeds from The Global Offering”
“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)
“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
“Sellers”	MicroPort Sinica and Shanghai Zuoqing
“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 Zuoqing”	Shanghai Zuoqing Enterprise Management Consulting Service Centre (Limited Partnership) (上海佐擎企業管理諮詢服務中心(有限合夥)), a limited partnership established in the PRC on May 12, 2020 and an employee shareholding platform of MP CardioAdvent
“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
“sq.m”	square meter, a unit of area
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

Completion of the Acquisition is conditional upon, among other things, the fulfilment of the conditions set out in the Equity Transfer Agreement. There is no assurance that completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

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

Shanghai, PRC, January 1, 2024

As at the date of this announcement, 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.

APPENDIX I — REPORTING ACCOUNTANTS’ REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF MP CARDIOADVENT

The following is the text of a report received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 上海佐心醫療科技有限公司 (SHANGHAI MICROPORT CARDIOADVENT CO., LTD.*)

TO THE BOARD OF DIRECTORS OF MICROPORT CARDIOFLOW MEDTECH CORPORATION

We refer to the discounted future cash flows on which the business valuation (“**the Valuation**”) dated 25 December 2023 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the fair value of 上海佐心醫療科技有限公司 (Shanghai MicroPort CardioAdvent Co., Ltd.*) (“**the Target Company**”) as at 30 September 2023 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of MicroPort CardioFlow Medtech Corporation (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

* For identification purpose only

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

1 January 2024

APPENDIX II — LETTER FROM THE FINANCIAL ADVISER IN RELATION TO THE PROJECTIONS OF FUTURE CASH FLOWS



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

1 January 2024

The Board of Directors
MicroPort CardioFlow Medtech Corporation
Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Dear Sirs,

REPORT ON THE PROJECTIONS OF FUTURE CASH FLOWS

We refer to (i) the announcement (the “**Announcement**”) of MicroPort CardioFlow Medtech Corporation (the “**Company**”) dated 1 January 2024 in relation to the acquisition of 51% equity interest in 上海佐心醫療科技有限公司 (Shanghai MicroPort CardioAdvent Co., Ltd.*) (“**MP CardioAdvent**”); (ii) the projections of future cash flows (the “**MP CardioAdvent Projections**”) on which the valuation of MP CardioAdvent by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”) as at 30 September 2023 (the “**MP CardioAdvent Valuation**”) was based; and (iii) the projections of sales relating to the occluders products underlying the MP CardioAdvent Projections by 弗若斯特沙利文(北京)諮詢有限公司上海分公司 (Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.*) (“**Frost & Sullivan**”).

The MP CardioAdvent Valuation was based on the income approach with the discounted cash flow method, and is therefore regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). We are appointed as the financial adviser to the Company to confirm, pursuant to the requirement of Rule 14.60A(3) of the Listing Rules, whether we are satisfied that the MP CardioAdvent Projections have been made by the directors of the Company (the “**Directors**”) after due and careful enquiry.

We have discussed with the Directors, JLL and Frost & Sullivan regarding the bases and assumptions of the MP CardioAdvent Projections underlying the MP CardioAdvent Valuation. We have also considered and reviewed the report on the discounted future cash flows in connection with the MP CardioAdvent Valuation from KPMG dated 1 January 2024 as set forth in Appendix I to the Announcement, which states that in the opinion of

KPMG, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the MP CardioAdvent Valuation.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods and/or bases and assumptions selected by JLL and Frost & Sullivan, for which JLL, Frost & Sullivan and the Directors are responsible, we are satisfied that the MP CardioAdvent Projections have been made by the Directors after due and careful enquiry.

We express no opinion on whether the actual cash flows would eventually be achieved in accordance with the MP CardioAdvent Projections, and we have not independently verified the assumptions or computations leading to the MP CardioAdvent Valuation. We have had no role or involvement in and have not provided and will not provide any assessment of the MP CardioAdvent Valuation to the Company. We have relied on and assumed that all information, materials and representations provided to us by and/or discussed with the Directors, management of the Group, JLL and Frost & Sullivan, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of this letter and that no material fact or information has been omitted from the information and materials supplied. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information, materials or representations. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, save as expressly stated in this letter, we accept no responsibility, whether expressly or implicitly, on the MP CardioAdvent Valuation as determined by JLL.

Our opinion has been given for the sole purpose of compliance with Rule 14.60A(3) of the Listing Rules and for no other purpose. We do not accept any responsibility to any person(s) or party(ies) in respect of, arising out of, or in connection with the MP CardioAdvent Valuation.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford Cheng
Director

* *For identification purpose only*