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PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO PURCHASE OF MEDICAL DEVICES MOLDS AND COMPONENTS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated December 14, 2022 in relation to the continuing connected transaction in relation to purchase of medical devices molds and components. As the Purchase of Medical Devices Molds and Components Framework Agreement has expired on December 31, 2023, on January 1, 2024, the Company has entered into the Renewed Purchase of Medical Devices Molds and Components Framework Agreement to renew the Purchase of Medical Devices Molds and Components Framework Agreement.

LISTING RULES IMPLICATIONS

Although Dr. Pu did not control more than 30% shareholding of Lepu Medical and was not able to control the majority of the composition of the board of Lepu Medical, the Company considers Lepu Medical as an associate of Ms. Yue'e Zhang, the executive Director, because Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Therefore, the Company considers that Lepu Medical is a connected person of the Company. Accordingly, the transactions contemplated under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement constitute a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum Annual Cap for the continuing connected transactions contemplated under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement exceed 0.1% but all less than 5%, the Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

INTRODUCTION

The Board of the Company is pleased to announce that on January 1, 2024 (after trading hours), the Company entered into the Renewed Purchase of Medical Devices Molds and Components Framework Agreement with Lepu Medical.

PURCHASE OF MEDICAL DEVICES MOLDS AND COMPONENTS

A summary of the principal terms of the Renewed Purchase of Medical Devices Molds and Components Framework Agreement is set out below:

Date

January 1, 2024

Parties

- A. the Company; and
- B. Lepu Medical

Subject matter

The Group agreed to purchase medical devices molds and components from Lepu Medical Group, including but not limited to molds of shell, end cover, end cap, support ring, tie-in ring, sealing ring, pipe clamp and connector, injection molded parts and other components or finished products.

The members of both of the Group and Lepu Medical Group may enter into individual purchase of medical devices molds and components agreements setting out specific terms of purchase of medical devices molds and components, including the types of the medical devices molds and components to be purchased, price determination method, delivery method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Renewed Purchase of Medical Devices Molds and Components Framework Agreement.

Term

The term of the Renewed Purchase of Medical Devices Molds and Components Framework Agreement will commence from January 1, 2024 to December 31, 2024, subject to renewal upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the medical devices molds and components purchased by the Group under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement shall be determined with reference to the quantity of orders, the type and quality of products and the prevailing market prices of comparable medical devices molds and components from at least two independent third parties. The

prices and other terms of the Group’s purchase of medical devices molds and components from Lepu Medical Group shall be no less favourable to the Group than those offered by other independent third-party suppliers at the relevant time.

In order to ensure that the terms of the transactions under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement are fair and reasonable and in line with market practices, and that the terms of the transactions will be no less favorable to the Group than the terms of transactions between the Group and independent third parties, the Group has maintained regular contact with other medical devices molds and components suppliers in the market to keep abreast of market developments and the price trend of comparable products. In respect of the medical devices molds and components, the Company will periodically obtain quotations of comparable products from at least two suppliers and also compare such prices with the prices offered by Lepu Medical Group.

Historical transaction amounts

For the years ended December 31, 2020 and 2021, the Group (excluding Sichuan Ruijian) did not purchase medical devices molds and components from Lepu Medical Group. The historical amounts paid by the Group to Lepu Medical Group in relation to purchase of medical devices molds and components for the years ended December 31, 2022 and the period from January 1, 2023 to November 30, 2023 were as follows:

	For the year ended December 31, 2022	For the period from January 1, 2023 to November 30, 2023
Purchase of medical devices molds and components by the Group from Lepu Medical Group	RMB1,040,000	RMB2,760,000

In February 2022, the Group acquired 51% equity interests of Sichuan Ruijian, after which Sichuan Ruijian became a non-wholly owned subsidiary of the Company. For illustration purpose only, the historical amounts paid by Sichuan Ruijian to Lepu Medical Group for the years ended December 31, 2020 and 2021 were as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2021
Purchase of medical devices molds and components by Sichuan Ruijian from Lepu Medical Group	RMB1,940,000	RMB8,250,000

The Annual Cap and basis of determination

The Annual Cap for the total amount payable by the Group to the Lepu Medical Group under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement for the year ending December 31, 2024 is RMB10,000,000. The Annual Cap for the aggregate amount payable by the Group to the Lepu Medical Group was determined with reference to:

- (i) the Group's estimated demand for the medical devices molds and components for the year ending December 31, 2024, with reference to the Group's expected production capacities for its blood purification products, existing and expected orders of products from the Group's customers and expected market demands for the Group's products;
- (ii) the expected unit prices of the medical devices molds and components provided by Lepu Medical Group with reference to prevailing market prices of comparable products;
- (iii) the historical amount paid by Sichuan Ruijian to Lepu Medical Group for the year ended December 31, 2022 and the period from January 1, 2023 to November 30, 2023; and
- (iv) estimated buffer for fluctuation of market prices and change in specifications.

Reasons and Benefits of Entering into the Renewed Purchase of Medical Devices Molds and Components Framework Agreement

The Company considers that the Renewed Purchase of Medical Devices Molds and Components Framework Agreement will be beneficial to the Company's business development for the following reasons:

- (i) the Group is expanding its business of sales of blood purification products and the Group requires the relevant molds and components of blood purification products for its production;
- (ii) Lepu Medical Group can provide competitive prices or terms of those molds and components of blood purification products compared with other independent third-party suppliers, without compromising the Group's ability to continue its existing purchase from independent third-party suppliers; and
- (iii) entering into the Renewed Purchase of Medical Devices Molds and Components Framework Agreement will allow the Group to maintain a strong strategic and business relationship with Lepu Medical Group, thereby generating synergy potential and mutual economic benefits between the Group and Lepu Medical Group.

The Directors (including all the independent non-executive Directors) are of the view that the transactions under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011. The principal business activity of the Company is investment holding. The Group is principally engaged in the R&D, manufacturing and sales of (i) advanced infusion set, intravenous cannula products, insulin needles etc., (ii) blood purification medical devices, and (iii) animal-derived regenerative medical biomaterials and human tissue repair alternative products in the PRC.

Lepu Medical

Lepu Medical is a limited liability company established in the PRC on June 11, 1999, the shares of which are listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003) and is a leading cardiovascular health industry platform in China, with its main business covering three major sectors: medical device, pharmaceutical, medical service and health management. As of the date of this announcement, Lepu Medical was ultimately controlled as to 24.23% by Dr. Pu, together with the parties acting in concert with him. Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Dr. Pu is the spouse of Ms. Yue'e Zhang, the executive Director.

LISTING RULES IMPLICATIONS

Ms. Yue'e Zhang abstained from voting on the approval of the Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the transactions contemplated thereunder at the Board meeting due to the fact that Lepu Medical is an associate of Ms. Yue'e Zhang. Save as disclosed above, no other Director had any material interest in the Renewed Purchase of Medical Devices Molds and Components Framework Agreement. Accordingly, no other Director was required to abstain from voting on the relevant Board resolutions to approve the Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the transactions contemplated thereunder.

Although Dr. Pu did not control more than 30% shareholding of Lepu Medical and was not able to control the majority of the composition of the board of Lepu Medical, the Company considers Lepu Medical as an associate of Ms. Yue'e Zhang, the executive Director, because Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Therefore, the company considers that Lepu Medical is a connected person of the Company. Accordingly, the transactions contemplated under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement constitute a continuing connected transaction of the Company.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum Annual Cap for the continuing connected transactions contemplated under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement exceed 0.1% but all less than 5%, the Renewed Purchase of Medical Devices Molds and Components Framework Agreement

and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

INTERNAL CONTROL SYSTEM FOR CONTINUING CONNECTED TRANSACTIONS

The Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable to the Group than the terms available to or from any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

- (a) the Company has adopted internal control rules such as connected transaction management measures;
- (b) under the leadership of the Board, the Company has set up a connected transaction working group. This connected transaction working group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions;
- (c) each subsidiary of the Group has established a connected transaction group headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this announcement to set the price for each transaction;
- (d) under the leadership of the connected transaction working group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner;
- (e) the Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions periodically. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual cap, and recommends improvement measures for any issues identified;

- (f) the Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual cap as approved at the general meeting or board meeting. The independent non-executive Directors also make confirmation to the Shareholders on an annual basis. Such confirmation includes opinions on (i) whether the actual transaction amount incurred are within the annual cap as approved at the general meeting or board meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole;
- (g) the Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual cap; and
- (h) the external auditor of the Company conducts year-end review for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual cap during the preceding year pursuant to the Listing Rules and submits the same to the Stock Exchange.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing of each transaction under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement will be conducted in strict accordance with the various pricing principles and policies of continuing connected transactions as stipulated therein, and normal commercial terms or better, and will be fair and reasonable to the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“actual controller (實際控制人)”	the individual or entity that can control a company by way of investment, contract or other arrangements according to the Listing Rules of the Growth Enterprise Market (《創業板股票上市規則》) published by the Shenzhen Stock Exchange where Lepu Medical is listed
“Annual Cap”	the annual cap for the transactions contemplated under the Renewed Purchase of Medical Devices Molds and Components Framework Agreement for the year ending December 31, 2024
“Board”	the board of Directors
“Company”	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Pu”	Dr. Zhongjie Pu, the spouse of Ms. Yue’e Zhang and the actual controller of Lepu Medical
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Lepu Medical”	Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
“Lepu Medical Group”	Lepu Medical and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	The People’s Republic of China, which expression for the purpose of this announcement, except where the context requires otherwise, does not include Hong Kong, the Macau Special Administrative Region and Taiwan

“Purchase of Medical Devices Molds and Components Framework Agreement”	the purchase of medical devices molds and components framework agreement dated December 14, 2022 entered into between the Company and Lepu Medical for the purchase of medical devices molds and components by the Group from Lepu Medical Group
“Renewed Purchase of Medical Devices Molds and Components Framework Agreement”	the purchase of medical devices molds and components framework agreement dated January 1, 2024 entered into between the Company and Lepu Medical for the purchase of medical devices molds and components by the Group from Lepu Medical Group
“RMB”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the equity interest of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Sichuan Ruijian”	Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司), a joint stock limited liability company established in PRC on August 6, 2013, a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

By order of the Board
PW Medtech Group Limited
Yue’e ZHANG
Chairwoman

Hong Kong, January 1, 2024

As at the date of this announcement, the Board comprises one executive Director, namely, Ms. Yue’e Zhang; two non-executive Directors, namely, Mr. Jiang Liwei and Mr. Lin Junshan; and three independent non-executive Directors, namely, Mr. Wang Xiaogang, Mr. Chen Geng and Ms. Wang Fengli.