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**LETTER FROM THE BOARD**

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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)**

*Executive Director:*

Ms. Yue'e ZHANG (*Chairman &  
Chief Executive Officer*)

*Non-executive Directors:*

Mr. JIANG Liwei

Mr. LIN Junshan

*Independent Non-executive Directors:*

Mr. WANG Xiaogang

Mr. CHEN Geng

Ms. WANG Fengli

*Registered Office:*

The Grand Pavilion Commercial Centre  
Oleander Way, 802 West Bay Road

P.O. Box 32052

Grand Cayman KY1-1208

Cayman Islands

*Headquarters and Principal Place of  
Business in the PRC:*

Building 1, No. 23 Panlong West Road

Pinggu District

Beijing

PRC 101204

*Principal Place of Business in Hong Kong:*

5/F, Manulife Place

348, Kwun Tong Road

Kowloon

Hong Kong

November 20, 2024

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO SALES OF MEDICAL DEVICES**

**1. INTRODUCTION**

References are made to the announcement of the Company dated October 18, 2024 in relation to among others, the Renewed Sales of Medical Device Framework Agreement.

The purpose of this circular is to provide you, among other things, (i) further information of the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter from the Independent Board Committee containing its recommendations; (iii) a letter from the Independent Financial Adviser containing its advices; and (iv) the notice of the EGM.

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## LETTER FROM THE BOARD

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The Board of the Company is pleased to announce that on October 18, 2024 (after trading hours), the Company entered into the Renewed Sales of Medical Devices Framework Agreement with Lepu Medical.

### 2. SALES OF MEDICAL DEVICES

A summary of the principal terms of the Renewed Sales of Medical Devices Framework Agreement is set out below:

**Date**

October 18, 2024

**Parties**

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

**Subject matter and payment**

The Group agreed to sell medical devices to Lepu Medical Group, including but not limited to dialyzers, dialysis machine, insulin injection needles and pens, infusion sets, intravenous cannulas, positive pressure connectors and other medical devices.

The members of both of the Group and Lepu Medical Group may enter into individual sales of medical devices agreements setting out specific terms of sales of medical devices, including the medical devices to be sold, price determination method, delivery method and payment arrangement. Such terms shall be on normal commercial terms (i.e., the transaction is on an arm's length basis or terms no less favourable to the Group than terms available to independent third parties) and consistent with the principles and the terms of the Renewed Sales of Medical Devices Framework Agreement.

Lepu Medical Group shall make full payment in cash within a certain period of time upon receipt of the medical devices from the Group. Before entering into individual sales of medical devices agreements with Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement, the Company will review and ensure the payment terms of such individual sales of medical devices agreements are on normal commercial terms. The credit period offered by the Group to Lepu Medical Group is generally 120 days. However, depending on a number of reasons including (i) past settlement record; (ii) financial standing of the customer; and (iii) size of the orders placed by the customer, the credit period offered may accordingly be lengthened or shortened. The credit period of sales of medical devices under the Renewed Sales of Medical Devices Framework Agreement provided to Lepu Medical Group will not be longer than those of comparable medical devices products offered to the independent third party purchasers in comparable markets. The Group's accounting department monitors settlement status of customers, especially overdue status of trade

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## LETTER FROM THE BOARD

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receivables. In the event of prolonged overdue, the Group would determine follow-up actions to collect such overdue payment, such as communication with the customers and sending payment reminders.

### **Term**

The term of the Renewed Sales of Medical Devices Framework Agreement will commence from January 1, 2025 to December 31, 2027, subject to the approval by the Independent Shareholders at the EGM. The Renewed Sales of Medical Devices Framework Agreement is also subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

### **Pricing Policy**

The prices of the medical devices purchased by Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement shall be determined with reference to the quantity of orders, the brand of products (e.g. self-branded products or OEM products) and the prevailing market prices of comparable medical devices from at least two independent third parties. The prices and other terms of the Group's sales of medical devices to Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

In order to ensure that the terms of the transaction under the Renewed Sales of Medical Devices Framework Agreement are fair and reasonable and in line with market practices, and that the terms of the transaction 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 companies in the market to keep abreast of market developments and the price trend of comparable products.

The Company will review and compare the unit prices of the comparable products offered by the Group to Lepu Medical Group with at least two recent transaction records of comparable products offered by the Group to independent third-party customers, if available before entering into individual sales of medical devices agreements with Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement. The prices of comparable products provided to Lepu Medical Group will not be lower than those offered to independent third-party customers. In the event that the transaction records of comparable products offered by the Group to independent third-party customers were not available, the Company would obtain the quotations for such products from at least two independent third-party purchasers at arm's length negotiation and compare the unit prices offered to Lepu Medical Group with such at least two quotation records from independent third-party purchasers before entering into individual sales of medical devices agreements with Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement. The prices of comparable products provided to Lepu Medical Group will not be lower than the quotations obtained from the independent third-party purchasers.

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## LETTER FROM THE BOARD

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### Historical transaction amounts

The historical amounts received by the Group from Lepu Medical Group in relation to sales of medical devices for the two years ended December 31, 2022 and 2023 and the period from January 1, 2024 to September 30, 2024 were as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2023	For the period from January 1, 2024 to September 30, 2024
Sales of medical devices by Sichuan Ruijian Medical to Lepu Medical Group	RMB16,145,000	RMB24,902,000	RMB26,400,000

### The Annual Caps and basis of determination

The table below sets out the Annual Caps for the total amount payable by Lepu Medical Group to the Group under the Renewed Sales of Medical Devices Framework Agreement for each of the three years ending December 31, 2025, 2026 and 2027, respectively:

	Proposed Annual Caps for the year ending December 31,		
	2025	2026	2027
Sales of medical devices by the Group to Lepu Medical Group	RMB73,000,000	RMB80,000,000	RMB88,000,000

The Annual Caps for the aggregate amount receivable by the Group from the Lepu Medical Group were determined with reference to:

- (1) the historical amount received by Sichuan Ruijian Medical from Lepu Medical Group for the two years ended December 31, 2023 and the period from January 1, 2024 to September 30, 2024;
- (2) the estimated demand of dialyzers, dialysis machine and other medical devices (the “Dialyzers Products”) by Lepu Medical Group for the three years ending December 31, 2027. The estimated sales of the Dialyzers Products to Lepu Medical Group through Sichuan Ruijian Medical are expected to be approximately RMB57 million, RMB63 million and RMB70 million for the years ending December 31, 2025, 2026 and 2027 based on the estimated volume of demand for the Dialyzers Products from Lepu Medical Group and the estimated unit price. The estimated unit price of the Dialyzers Products is expected to range from US\$2.5 to US\$3.0 per unit for the three years ending December 31, 2027. The expected significant

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## LETTER FROM THE BOARD

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increase of Lepu Medical Group's demand for the Dialyzers Products is primarily due to the recent business expansion of Lepu Medical Group in the Indian market, driven by an increase in the number of distributors and the growing demand from the distributors' downstream customers, including subdistributors and hospitals. Sichuan Ruijian Medical recorded rapid growth in sales volume of the Dialyzers Products to Lepu Medical Group in August and September 2024. From January to July 2024, Sichuan Ruijian Medical sold an average of approximately 113 thousand Dialyzers Products per month to Lepu Medical Group. However, in August and September 2024, the sales volume reached 236 thousand units and 209 thousand units, respectively. Considering the sales volume of the Dialyzers Products by Sichuan Ruijian Medical to Lepu Medical Group in August and September 2024 and assuming an expected growth rate of around 10% in Lepu Medical Group's sales in India, the sales volumes of the Dialyzers Products for the year ending December 31, 2025 is estimated to range from 2.7 million units to 3.2 million units.;

- (3) the estimated demand of insulin injection needles and pens, infusion sets, intravenous cannulas, positive pressure connectors and other medical devices (the "**Infusion Sets Products**") by Lepu Medical Group for the three years ending December 31, 2027. The estimated sales of the Infusion Sets Products to Lepu Medical Group are expected to be approximately RMB10 million based on the estimated volume of demand for the Infusion Sets Products from Lepu Medical Group and the estimated unit price. The volume of demand of the Infusion Sets Products from Lepu Medical is estimated to be 0.2 million units of medical injection devices and 0.7 million injection needles for each of the three years ending December 31, 2027 based on the projection of Lepu Medical. The expected significant increase of Lepu Medical Group's demand for the Infusion Sets Products is primarily driven by Lepu Medical Group's future business expansion in the sales of medicines for chronic diseases. The research and development of these medicines is expected to generate a significant potential demand for the Infusion Sets Products; and
- (4) estimated buffer for fluctuation of market prices and change in specifications.

The growth rate of the Annual Caps is approximately 9.6% from the year of 2025 to the year of 2026 and approximately 10% from the year of 2026 to the year of 2027. Such increase is primarily due to the increase in the estimated transaction amount of the dialyzer products from Sichuan Ruijian Medical to Lepu Medical Group in the Indian market driven by the development of the dialyzer market in India and the business expansion of Lepu Medical Group in the Indian market.

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## LETTER FROM THE BOARD

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### **Reasons and Benefits of Entering into the Renewed Sales of Medical Devices Framework Agreement**

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

- (i) Lepu Medical Group has sales channels covering over 80 countries and regions. Leveraging on Lepu Medical's well-established product distribution network globally, entering into the Renewed Sales of Medical Devices Framework Agreement would facilitate the distribution and sales of the Group's products, which would not only provide a stable source of income to the Group and contribute to the implementation of the Group's sale plan but also enhance the brand value and overseas market influence of the Company;
- (ii) entering into the Renewed Sales of Medical Devices 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; and
- (iii) the continuation of the sales of medical devices will provide a stable source of income for the Group.

The Directors (including the independent non-executive Directors), whose view is expressed in the Letter from the Independent Board Committee contained in this circular, are of the view that the transactions under the Renewed Sales of Medical Devices 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. The Board does not consider there to be any material disadvantage to the Group in relation to the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder.

### **3. 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 biomaterial and human tissue repair alternative products in the PRC.

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## LETTER FROM THE BOARD

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### Lepu Medical

Lepu Medical is a joint stock company incorporated 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). Lepu Medical is principally engaged in the development, manufacturing and sales of cardiovascular products. As of the date of this circular, 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.

#### 4. 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, the spouse of Ms. Yue'e Zhang, 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 Sales of Medical Devices Framework Agreement constitute continuing connected transactions 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 Sales of Medical Devices Framework Agreement exceed 5%, the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules.

#### 5. 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

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## LETTER FROM THE BOARD

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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 circular 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 caps, 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 caps 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 caps 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;



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## LETTER FROM THE BOARD

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- (g) the audit committee of the Company 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 caps; 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 caps 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 Sales of Medical Devices 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.

### **6. EGM AND PROXY ARRANGEMENT**

Ms. Yue'e Zhang abstained from voting on the approval of the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) 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 Sales of Medical Device Framework Agreement. Accordingly, no other Director was required to abstain from voting on the relevant Board resolutions to approve the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

No other Shareholder has a material interest in the transactions under the Renewed Sales of Medical Device Framework Agreement, which would require such Shareholder to abstain from voting on the resolution in relation to the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the EGM.

The EGM will be held on Thursday, December 12, 2024 at 10:30 a.m., at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, PRC, at which ordinary resolution will be proposed to consider and, if thought fit, approve the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). Voting by the Shareholders at the EGM will be taken by poll. Notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.pwmedtech.com](http://www.pwmedtech.com)). Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with

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## LETTER FROM THE BOARD

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the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM (i.e. no later than 10:30 a.m. (Hong Kong time) on Tuesday, December 10, 2024) or any adjournment thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish and in such event, your form of proxy shall be deemed to be revoked.

### **7. CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Monday, December 9, 2024 to Thursday, December 12, 2024 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the relevant share certificates are lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Friday, December 6, 2024.

### **8. RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular and the letter from the Independent Financial Adviser set out on pages 16 to 36 of this circular, which contains, among others, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, is of the opinion that the terms and conditions of the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Therefore, the Directors, including the independent non-executive Directors, consider that the terms of the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated (including the Annual Caps) therein are on normal commercial items, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the terms of the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated therein (including the Annual Caps).

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## LETTER FROM THE BOARD

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### 9. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Your faithfully,  
By order of the Board  
**PW Medtech Group Limited**  
普华和顺集团公司  
**Yue'e Zhang**  
*Chairman & Chief Executive Officer*