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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 (1) SALES OF MEDICAL DEVICES; (2) PROVISION OF MEDICAL PRODUCTS PROCESSING SERVICES; AND (3) PURCHASE OF MEDICAL DEVICES MOLDS AND COMPONENTS**

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

##### **Sales of Medical Devices**

Reference is made to the announcement of the Company dated July 5, 2022 and the circular of the Company dated August 11, 2022 in relation to, among others, the continuing connected transaction in relation to sales of medical devices. As the Sales of Medical Devices Framework Agreement will expire on December 31, 2024, on October 18, 2024 (after trading hours), the Company entered into the Renewed Sales of Medical Devices Framework Agreement with Lepu Medical to renew the Sales of Medical Devices Framework Agreement.

##### **Provision of Medical Products Processing Services**

Reference is made to the announcement of the Company dated July 5, 2022 in relation to, among others, the continuing connected transaction in relation to provision of medical products processing services. As the Medical Products Processing Services Framework Agreement will expire on December 31, 2024, on October 18, 2024 (after trading hours), the Company entered into the Renewed Medical Products Processing Services Framework Agreement with Lepu Medical to renew the Medical Products Processing Services Framework Agreement.

## **Purchase of Medical Devices Molds and Components**

Reference is made to the announcement of the Company dated December 14, 2022 and January 1, 2024 in relation to the continuing connected transaction in relation to purchase of medical devices molds and components and medical biomaterial. As the Renewed Purchase of Medical Devices Molds and Components Framework Agreement will expire on December 31, 2024, on October 18, 2024 (after trading hours), the Company has entered into the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement with Lepu Medical to renew the Renewed 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, 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 each of the Renewed Sales of Medical Devices Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement and the Second 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 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.

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 each of the Renewed Medical Products Processing Services Framework Agreement and the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement exceed 0.1% but all less than 5%, each of the Renewed Medical Products Processing Services Framework Agreement, the Second 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.

## **THE EGM**

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder. Voting by the Shareholders at the EGM will be taken by poll.

## **GENERAL**

The Independent Board Committee has been formed to provide recommendations to the Independent Shareholders in respect of the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Zero2IPO Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, 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 will be 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)) and despatched (if requested) to the Shareholders on or before November 8, 2024.

## **INTRODUCTION**

The Board of the Company is pleased to announce that on October 18, 2024 (after trading hours), the Company entered into (i) the Renewed Sales of Medical Devices Framework Agreement, (ii) the Renewed Medical Products Processing Services Framework Agreement, and (iii) the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement with Lepu Medical.

## **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**

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.

## **Term**

The term of the Renewed Sales of Medical Devices Framework Agreement will commence from the 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.

### **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:

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2023</b>	<b>For the period from January 1, 2024 to September 30, 2024</b>
<b>Sales of medical devices by the Group to Lepu Medical Group</b>	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:

	<b>Proposed Annual Caps for the year ending December 31,</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Sales of medical devices by the Group to Lepu Medical Group</b>	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 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 by Lepu Medical Group for the three years ending December 31, 2027;

- (3) the estimated demand of insulin injection needles and pens, infusion sets, intravenous cannulas, positive pressure connectors and other medical devices by Lepu Medical Group for the three years ending December 31, 2027; and
- (4) estimated buffer for fluctuation of market prices and change in specifications.

### **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 (excluding the members of the Independent Board Committee, who will express their views after considering the advice to be given by the Independent Financial Adviser), 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.

### **PROVISION OF MEDICAL PRODUCTS PROCESSING SERVICES**

A summary of the principal terms of the Renewed Medical Products Processing Services Framework Agreement is set out below:

#### **Date**

October 18, 2024

#### **Parties**

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

**Subject matter**

The Group agreed to provide medical products processing services to Lepu Medical Group, including but not limited to tubing processing and sterilization services.

The members of both of the Group and Lepu Medical Group may enter into individual processing service agreements setting out specific terms of processing service, including the type of processing service, price determination method, delivery method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Renewed Medical Products Processing Services Framework Agreement.

**Term**

The term of the Renewed Medical Products Processing Services Framework Agreement will commence from January 1, 2025 to December 31, 2027, subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

**Pricing Policy**

The prices of the processing service provided by the Group under the Renewed Medical Products Processing Services Framework Agreement are calculated on a "per unit" basis and are determined on a cost plus basis. The Group estimated the cost primarily comprising (i) the labour costs; (ii) the number of work orders; and (iii) the rental and overhead of the requested work space in the relevant workshops and plants. After arriving at an estimated cost, the Group added a mark-up with reference to the then prevailing mark-ups charged by other independent market participants for comparable processing services. Where it is impracticable to refer to the prices offered by independent third parties for comparable services, the Group shall take into consideration the specifications of the services, cost structure, profit margin, transaction amount and market condition. The prices and other terms of the Group's provision of processing service to the 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.

## Historical transaction amounts

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

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2023</b>	<b>For the period from January 1, 2024 to September 30, 2024</b>
<b>Provision of medical products processing services by the Group to Lepu Medical Group</b>	RMB107,000	RMB1,523,000	RMB1,595,000

## Proposed annual caps and basis of determination

The table below sets out the proposed annual caps for the total amount payable by Lepu Medical Group to the Group under the Renewed Medical Products Processing Services Framework Agreement for each of the three years ending December 31, 2025, 2026 and 2027, respectively:

	<b>Proposed annual caps for the year ending December 31,</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Provision of processing service by the Group to Lepu Medical Group</b>	RMB3,500,000	RMB4,000,000	RMB4,000,000

The estimated 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 the Group 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 expected increase of Lepu Medical Group's demand for sterilization services from 2025 to 2027, and the Group's expected increased capacity of providing sterilization services attributable to a new sterilization cabinet which is expected to be set up in 2025; and
- (3) estimated buffer for fluctuation of market prices and change in specifications.



## **Reasons and Benefits of Entering into the Renewed Medical Products Processing Services Framework Agreement**

The Company considers that the Renewed Medical Products Processing Services Framework Agreement will be beneficial to the Company's business development because entering into the Renewed Medical Products Processing Services 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. Provision of processing service to Lepu Medical Group will also provide a stable source of income for the Group.

The Directors (including all the independent non-executive Directors) are of the view that the transactions under the Renewed Medical Products Processing Services 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.

## **PURCHASE OF MEDICAL DEVICES MOLDS AND COMPONENTS**

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

### **Date**

October 18, 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 (i) 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; and (ii) medical biomaterial.

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

## **Term**

The term of the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement will commence from January 1, 2025 to December 31, 2027, subject to renewal upon parties' mutual agreement and the Listing Rules.

## **Pricing Policy**

The prices of the medical devices molds and components and medical biomaterial purchased by the Group under the Second 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 and medical biomaterial from at least two independent third parties. The prices and other terms of the Group's purchase of medical devices molds and components and medical biomaterial 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 Second 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 and medical biomaterial 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 and medical biomaterial, 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**

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

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2023</b>	<b>For the period from January 1, 2024 to September 30, 2024</b>
<b>Purchase of medical devices molds and components by the Group from Lepu Medical Group</b>	RMB1,039,000	RMB3,279,000	RMB2,093,000

## Proposed annual caps and basis of determination

The table below sets out the proposed annual caps for the total amount payable by the Group to the Lepu Medical Group under the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement for the three years ending December 31, 2025, 2026 and 2027, respectively:

	Proposed annual caps for the year ending December 31,		
	2025	2026	2027
<b>Purchase of medical devices molds and components and medical biomaterial by the Group from Lepu Medical Group</b>	RMB5,000,000	RMB5,200,000	RMB9,200,000

The estimated annual caps 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 three years ending December 31, 2025, 2026 and 2027, with reference to the Group's expected production capacities for its blood purification products and regenerative medical biomaterial 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 two years ended December 31, 2022 and 2023 and the period from January 1, 2024 to September 30, 2024; and
- (iv) estimated buffer for fluctuation of market prices and change in specifications.

The growth rate of the annual caps under the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement from the year of 2026 to the year of 2027 is approximately 76.9%. Such significant increase is due to the anticipated market commercialization of a new product by Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科生物科技有限公司), a non-wholly owned subsidiary of the Company in 2026. The sales volume of such new product is expected to significantly increase in 2027, which would significantly increase the demand for the medical biomaterial.

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

The Company considers that the Second 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 regenerative medical biomaterial products and the Group requires the relevant molds and components and medical biomaterial of these products for its production;
- (ii) Lepu Medical Group can provide competitive prices or terms of those molds and components and medical biomaterial 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 Second 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 Second 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 biomaterial 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 each of the Renewed Sales of Medical Devices Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement, the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the relevant 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 Devices Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement and the Second 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 Sales of Medical Devices Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement, the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

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 each of the Renewed Sales of Medical Devices Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement and the Second 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 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.

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 each of the Renewed Medical Products Processing Services Framework Agreement and the Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement exceed 0.1% but all less than 5%, each of the Renewed Medical Products Processing Services Framework Agreement, the Second 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, organizing 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 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 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 Sales of Medical Devices Framework Agreement, the Renewed Medical Products Processing Services Framework Agreement and the Second 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.

## **THE EGM**

The EGM will be convened for the Shareholders to consider and, if thought fit, to 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.

## GENERAL

The Independent Board Committee has been formed to provide recommendations to the Independent Shareholders in respect of the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Zero2IPO Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information of the Renewed Sales of Medical Device 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 will be 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)) and despatched (if requested) to the Shareholders on or before November 8, 2024.

## 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 Caps”	the annual caps for the transactions contemplated under the Renewed Sales of Medical Devices Framework Agreement for the three financial years ending December 31, 2025, December 31, 2026 and December 31, 2027
“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



“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	Zero2IPO Capital Limited, a company licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“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)
“Medical Products Processing Services Framework Agreement”	the medical products processing services framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the provision of medical products processing services by the Group to Lepu Medical Group
“OEM”	original equipment manufacturer

“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 Medical Products Processing Services Framework Agreement”	the medical products processing services framework agreement dated October 18, 2024 entered into between the Company and Lepu Medical for the provision of medical products processing services by the Group to 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
“Renewed Sales of Medical Devices Framework Agreement”	the sales of medical devices framework agreement dated October 18, 2024 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
“RMB”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“Sales of Medical Devices Framework Agreement”	the sales of medical devices framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
“Second Renewed Purchase of Medical Devices Molds and Components Framework Agreement”	the purchase of medical devices molds and components framework agreement dated October 18, 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
“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 Rekind Medtec., Inc. (also known as 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**  
*Chairman & Chief Executive Officer*

Hong Kong, October 18, 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.*