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**Cryofocus Medtech (Shanghai) Co., Ltd.**

**康豐生物科技(上海)股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6922)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **RENEWAL OF THE EXISTING MASTER LEASE AGREEMENT**

#### **BACKGROUND**

Reference is made to the prospectus of the Company dated December 16, 2022 in relation to the Existing Master Lease Agreement.

The Group has leased from Ningbo Linfeng properties in the Linfeng Medical Technology Campus (麟豐醫療科技產業園) located at No. 777, Binhai 4th Road, Hangzhou Bay New District, Ningbo, PRC for use as plants and staff quarters pursuant to the Existing Master Lease Agreement, and the Existing Master Lease Agreement would expire on December 31, 2024.

The Board hereby announces that on December 31, 2024, the Company (for and on behalf of itself and its subsidiaries) entered into the Renewed Master Lease Agreement with Ningbo Linfeng (for and on behalf of itself and its subsidiaries) to renew the Existing Master Lease Agreement for a term of three years commencing on January 1, 2025 and ending on December 31, 2027 (both dates inclusive), subject to the terms of the Renewed Master Lease Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Ningbo Linfeng is able to exercise approximately 39.46% voting rights in the Company through (i) its direct interest as to approximately 26.61%, (ii) Ningbo Maishang as to approximately 5.36%, (iii) Ningbo Hongyingkang as to approximately 5.19% and (iv) Ningbo Kangrui as to approximately 2.30%. Shanghai Shidi Biotechnology Co., Ltd. (上海仕地生物科技有限公司), which is a wholly-owned subsidiary of Ningbo Linfeng, is the executive partner of each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui, and is entitled to exercise the voting power held by each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui in the Company pursuant to their respective partnership agreements. As Ningbo Linfeng is one of the controlling shareholders of the Company and a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the transactions contemplated under the Renewed Master Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to the respective Annual Caps in respect of the transactions contemplated under the Renewed Master Lease Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Renewed Master Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

As at the date of this announcement, Ningbo Linfeng is owned as to 65% by Shanghai Shidi Industrial Development Co., Ltd. (上海仕地實業發展有限公司), which is in turn wholly owned by Ms. LI Hui (李輝), who is one of the controlling shareholders of the Company and the sister of Mr. LI Kejian (李克儉) (the chairman of the Board and an executive Director). As such, Mr. LI Kejian is regarded to have a material interest in the transactions contemplated under the Renewed Master Lease Agreement and has abstained from voting on the Board resolutions for approving the Renewed Master Lease Agreement and the transactions contemplated thereunder. Further, Mr. ZHAO Chunsheng (趙春生), being the general manager of Ningbo Linfeng and a non-executive Director of the Company, has voluntarily abstained from voting on the Board resolutions for approving the Renewed Master Lease Agreement and the transactions contemplated thereunder. Save as aforementioned, no Director has a material interest in the Renewed Master Lease Agreement and the transactions contemplated thereunder.

## **BACKGROUND**

Reference is made to the prospectus of the Company dated December 16, 2022 in relation to the Existing Master Lease Agreement.

The Group has leased from Ningbo Linfeng properties in the Linfeng Medical Technology Campus (麟澧醫療科技產業園) located at No. 777, Binhai 4th Road, Hangzhou Bay New District, Ningbo, PRC for use as plants and staff quarters pursuant to the Existing Master Lease Agreement, and the Existing Master Lease Agreement would expire on December 31, 2024.

The Board hereby announces that on December 31, 2024, the Company (for and on behalf of itself and its subsidiaries) entered into the Renewed Master Lease Agreement with Ningbo Linfeng (for and on behalf of itself and its subsidiaries) to renew the Existing Master Lease Agreement for a term of three years commencing on January 1, 2025 and ending on December 31, 2027 (both dates inclusive), subject to the terms of the Renewed Master Lease Agreement.

## **PRINCIPAL TERMS OF THE RENEWED MASTER LEASE AGREEMENT**

Below sets out the principal terms of the Renewed Master Lease Agreement.

Date: December 31, 2024

Parties: the Company (for and on behalf of itself and its subsidiaries); and  
Ningbo Linfeng (for and on behalf of itself and its subsidiaries)

Subject Matter: Pursuant to the Renewed Master Lease Agreement, it is agreed that:

- (1) the Group may lease from Ningbo Linfeng properties in the Linfeng Medical Technology Campus (麟豐醫療科技產業園) located at No. 777, Binhai 4th Road, Hangzhou Bay New District, Ningbo, PRC, and Ningbo Linfeng may provide property management services in respect of any such leased properties; and
- (2) the Group and Ningbo Linfeng and/or its subsidiaries may enter into separate lease agreements, which shall be in compliance with the Renewed Master Lease Agreement and set out specific terms and conditions (including payment terms). In particular, the fees shall be negotiated on an arm's length basis and based on the pricing bases as set out in the paragraph headed "Pricing Bases" below.

Term: The Renewed Master Lease Agreement has a term of three years commencing on January 1, 2025 and ending on December 31, 2027 (both dates inclusive), subject to renewal upon the mutual consent of the parties.

Usage: For use as plants and staff quarters

Pricing Bases: The rental shall be determined by the Company and Ningbo Linfeng through arm's length negotiation based on a number of factors, including but not limited to the prevailing market rental of similar properties located in the vicinity, the areas leased and the term of the lease.

Other charges under the Renewed Master Lease Agreement include property management fees and public utility fees. Property management fees shall be arrived at after arm's length negotiation between the Company and Ningbo Linfeng with reference to the area of the leased properties and the composite price index in Ningbo. Public utility fees, such as water and electricity fees, shall be arrived at after arm's length negotiation between the Company and Ningbo Linfeng with reference to the fees prescribed by the relevant governmental departments or where such prescribed fees are not available, the prevailing market rates, and the actual usage of the utilities.

## **ACCOUNTING IMPLICATIONS, HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS**

### **Accounting Implications**

According to HKFRS 16 Leases which was adopted by the Group effective from January 1, 2019, where (i) the lease term of a lease has a non-cancellable period and (ii) such period is covered by an option to extend the lease with reasonable certainty that the lessee will exercise that option or such period is covered by an option to terminate the lease with reasonable certainty that the lessee will not exercise that option, such lease will be recognized as right-of-use assets. The value of the right-of-use assets would be determined after taking into account (i) the maximum aggregate rental under the lease having regard to, among others, the conditions of the properties (including but not limited to locations, areas leased and prevailing market rental of similar properties located in the vicinity), and (ii) the estimated present value of the maximum aggregate rental under the lease to be recorded as right-of-use assets in the financial statements using the incremental borrowing rate as the discount rate. Given that the Group is reasonably certain to exercise the option to extend the leases for plants with Ningbo Linfeng under the Renewed Master Lease Agreement, the leases for such plants by the Group as a lessee are recognized as right-of-use assets. As such, the Company is required to set annual caps based on the total value of right-of-use assets relating to such leases to be entered into by the Group as a lessee in each relevant year under the Renewed Master Lease Agreement.

Further, according to HKFRS 16 Leases, the recognition exemption (i.e. not to recognize a lease liability and a right-of-use asset at the commencement of a lease) applies where the lease, as at its commencement date, has a lease term of 12 months or less, or where a lease of low-value assets having a value of US\$5,000 or less is concerned. As such, the leases for staff quarters under the Renewed Master Lease Agreement are to be regarded as short-term lease payments, and such short-term lease payments, together with other charges under the Renewed Master Lease Agreement (which include property management fees and public utility fees), are recognized as expenses incurred by the Group. As such, the Company is required to set annual caps for such short-term lease payments and other charges payable by the Group in each relevant year under the Renewed Master Lease Agreement.

## **Historical Transaction Amounts**

As at December 31, 2022, December 31, 2023 and December 31, 2024, the total value of right-of-use assets relating to the leases entered into by the Group under the Existing Master Lease Agreement was RMB6,122,790 (audited), RMB4,768,574 (audited) and RMB3,788,554 (unaudited), respectively. For the three financial years ended December 31, 2022, 2023 and 2024, the aggregate short-term lease payments and other charges under the Existing Master Lease Agreement were RMB1,143,210 (audited), RMB1,723,923 (audited) and RMB1,056,605 (unaudited), respectively.

## **Annual Caps**

For the three financial years ending December 31, 2025, 2026 and 2027, (i) the proposed annual caps on the year-end total value of right-of-use assets relating to the leases to be or expected to be entered into by the Group under the Renewed Master Lease Agreement are RMB4,033,374, RMB2,831,485 and RMB1,769,678, respectively, and (ii) the proposed annual caps for the maximum aggregate annual amounts of short-term lease payments and other charges under the Renewed Master Lease Agreement are RMB1,728,061, RMB1,797,762 and RMB1,797,762, respectively.

The respective proposed annual caps for the transactions contemplated under the Renewed Master Lease Agreement were determined with reference to (i) the existing lease agreements that the Group has entered into with Ningbo Linfeng, (ii) the historical rental, (iii) the provision of a buffer for possible fluctuations in the rental, (iv) the possible extension of the existing leases and the potential new leases that could be entered into, (v) the historical property management fees and public utility fees paid by the Group, (vi) the estimated property management fees and public utility fees payable by the Group under the Renewed Master Lease Agreement, and (vii) the provision of a buffer for possible adjustments in the property management fees and public utility fees.

The Annual Caps are not intended, and do not purport, to be an indication of the Group's future performance or prospects. Investors should not rely on the Annual Caps in deciding whether to invest in the securities of the Company.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE RENEWED MASTER LEASE AGREEMENT**

The Group has been leasing from Ningbo Linfeng properties in the Linfeng Medical Technology Campus (麟澧醫療科技產業園) located at No. 777, Binhai 4th Road, Hangzhou Bay New District, Ningbo, PRC for use as plants and staff quarters. By entering into the Renewed Master Lease Agreement, the Group will continue to be able to use such leased properties as plants and staff quarters, and avoid unnecessary disruption to the Group's business operation, as well as unnecessary costs, as a result of relocation.

The Directors (including the independent non-executive Directors) are of the view that (i) the Renewed Master Lease Agreement has been entered into in the ordinary and usual course of business of the Company and on normal commercial terms or better, and (ii) the entering into of the Renewed Master Lease Agreement, the terms thereunder and the Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

The Company has adopted the following internal control measures to ensure that the terms of the Group's transactions with Ningbo Linfeng and/or its subsidiaries under the Renewed Master Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and such transactions are conducted within the framework of the Renewed Master Lease Agreement:

- the finance department of the Company will (i) keep track of the prevailing market rental, property management fees, public utility fees and lease terms of properties comparable to the properties leased or to be leased under the Renewed Master Lease Agreement in terms of usage, size and location, (ii) regularly monitor the transactions under the Renewed Master Lease Agreement, and (iii) ensure that (a) the rental and other charges (where applicable) are on normal commercial terms or better, (b) the transactions are conducted in accordance with the terms of the Renewed Master Lease Agreement and (c) the Annual Caps are not exceeded;
- the Company will arrange trainings for Directors, supervisors, senior management and staff from the relevant departments of the Group from time to time, covering, among others, rules relating to connected transactions under Chapter 14A of the Listing Rules;
- independent non-executive Directors will be provided with details of the transactions under the Renewed Master Lease Agreement to conduct an annual review to ensure that, among others, transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- the external auditor of the Company will review the transactions under the Renewed Master Lease Agreement annually to confirm, among others, (i) whether such transactions are conducted in accordance with the terms of the Renewed Master Lease Agreement and (ii) whether the Annual Caps have been exceeded.

## **INFORMATION OF THE PARTIES**

### **The Company**

The Company is a joint stock company incorporated in the PRC with limited liability. The Group is principally engaged in research, development, manufacturing and sales of cryoablation minimally-invasive interventional treatment technology, minimally-invasive surgical consumables and related medical products.

### **Ningbo Linfeng**

Ningbo Linfeng is a limited company established in the PRC and is an investment holding company. Ningbo Linfeng is one of the controlling shareholders of the Company. As at the date of this announcement, Ningbo Linfeng is owned as to 65% by Shanghai Shidi Industrial Development Co., Ltd. (上海仕地實業發展有限公司), which is in turn wholly owned by Ms. LI Hui (李輝), one of the controlling shareholders of the Company.

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Ningbo Linfeng is able to exercise approximately 39.46% voting rights in the Company through (i) its direct interest as to approximately 26.61%, (ii) Ningbo Maishang as to approximately 5.36%, (iii) Ningbo Hongyingkang as to approximately 5.19% and (iv) Ningbo Kangrui as to approximately 2.30%. Shanghai Shidi Biotechnology Co., Ltd. (上海仕地生物科技有限公司), which is a wholly-owned subsidiary of Ningbo Linfeng, is the executive partner of each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui, and is entitled to exercise the voting power held by each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui in the Company pursuant to their respective partnership agreements. As Ningbo Linfeng is one of the controlling shareholders of the Company and a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the transactions contemplated under the Renewed Master Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to the respective Annual Caps in respect of the transactions contemplated under the Renewed Master Lease Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Renewed Master Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

As at the date of this announcement, Ningbo Linfeng is owned as to 65% by Shanghai Shidi Industrial Development Co., Ltd. (上海仕地實業發展有限公司), which is in turn wholly owned by Ms. LI Hui (李輝), who is one of the controlling shareholders of the Company and the sister of Mr. LI Kejian (李克儉) (the chairman of the Board and an executive Director). As such, Mr. LI Kejian is regarded to have a material interest in the transactions contemplated under the Renewed Master Lease Agreement and has abstained from voting on the Board resolutions for approving the Renewed Master Lease Agreement and the transactions contemplated thereunder. Further, Mr. ZHAO Chunsheng (趙春生), being the general manager of Ningbo Linfeng and a non-executive Director of the Company, has voluntarily abstained from voting on the Board resolutions for approving the Renewed Master Lease Agreement and the transactions contemplated thereunder. Save as aforementioned, no Director has a material interest in the Renewed Master Lease Agreement and the transactions contemplated thereunder.

## DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“Annual Caps”	the proposed annual caps on the year-end total value of right-of-use assets relating to the leases to be or expected to be entered into by the Group under the Renewed Master Lease Agreement and the proposed annual caps for the maximum aggregate annual amounts of short-term lease payments and other charges under the Renewed Master Lease Agreement, details of which are set out under the paragraph headed “Accounting Implications, Historical Transaction Amounts and Annual Caps – Annual Caps” in this announcement
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“Board”	the board of Directors
“Company”	Cryofocus Medtech (Shanghai) Co., Ltd. (康灃生物科技(上海)股份有限公司), a joint stock company incorporated in the PRC with limited liability on July 21, 2021, or, where the context requires (as the case may be), its predecessor, Cryofocus Medtech (Shanghai) Company Limited (康灃生物科技(上海)有限公司), a limited liability company established in the PRC on March 15, 2013
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Lease Agreement”	the master lease agreement dated December 9, 2022 entered into between the Company (for and on behalf of itself and its subsidiaries) and Ningbo Linfeng (for and on behalf of itself and its subsidiaries), details of which are set out in the section headed “Continuing Connected Transactions” in the prospectus of the Company dated December 16, 2022
“Group”	the Company and its subsidiaries, or any one of them as the context may require
“HKFRS”	Hong Kong Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Ningbo Hongyingkang”	Ningbo Hongyingkang Enterprise Management Partnership (Limited Partnership) (寧波弘盈康企業管理合夥企業(有限合夥)), a limited partnership established in the PRC
“Ningbo Kangrui”	Ningbo Kangrui Investment Management Partnership (Limited Partnership) (寧波康銳投資管理合夥企業(有限合夥)), a limited partnership established in the PRC
“Ningbo Linfeng”	Ningbo Linfeng Biotechnology Co., Ltd. (寧波麟灃生物科技有限公司), a limited company established in the PRC
“Ningbo Maishang”	Ningbo Maishang Investment L.P. (Limited Partnership) (寧波脈尚投資合夥企業(有限合夥)), a limited partnership established in the PRC
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules



“PRC”	the People’s Republic of China excluding, for the purposes of this announcement, the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Renewed Master Lease Agreement”	the master lease agreement dated December 31, 2024 entered into between the Company (for and on behalf of itself and its subsidiaries) and Ningbo Linfeng (for and on behalf of itself and its subsidiaries)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

*Note:* The English translation of Chinese names of natural persons and entities included in this announcement is for identification purposes only.

By Order of the Board  
**Cryofocus Medtech (Shanghai) Co., Ltd.**  
**Mr. LI Kejian**  
*Chairman of the Board*

Hong Kong, December 31, 2024

*As at the date of this announcement, the Board comprises Mr. LI Kejian, Mr. ZHU Jun and Mr. LIU Wei as executive Directors, Mr. LV Shiwen and Mr. ZHAO Chunsheng as non-executive Directors, and Dr. GAO Dayong, Mr. LIANG Hsien Tse Joseph, Dr. QIN Zheng and Dr. HU Henan as independent non-executive Directors.*