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MicroPort Scientific Corporation

微創醫療科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00853)

CONTINUING CONNECTED TRANSACTIONS

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On 29 June 2022, the Company entered into (1) the Supporting Services Agreement, and (2) the Materials Procurement Agreement with MicroPort NeuroTech.

As MicroPort NeuroTech is a connected subsidiary of the Company under Chapter 14A of the Listing Rules. The entering into of the Supporting Services Agreement and the Materials Procurement Agreement with MicroPort NeuroTech constitute continuing connected transactions for the Company.

As the applicable percentage ratios in respect of the annual transaction amount under each of the Supporting Services Agreement and the Materials Procurement Agreement are expected to exceed 0.1% but less than 5%, the Supporting Services Agreement and the Materials Procurement Agreement are subject to the reporting and announcement requirements but is exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

On 29 June 2022, the Company entered into (1) the Supporting Services Agreement, and (2) the Materials Procurement Agreement with MicroPort NeuroTech to regulate certain continuing connected transactions between the Group and the MicroPort NeuroTech Group upon the Spin-off and Separate Listing. Both the Supporting Services Agreement and the Materials Procurement Agreement shall take effect from the Listing Date until 31 December 2023.

The salient terms of the Supporting Services Agreement and the Materials Procurement Agreement are set out below:

THE SUPPORTING SERVICES AGREEMENT

- Date:** 29 June 2022
- Parties:** the Company, and
MicroPort NeuroTech
- Term:** From the Listing Date until 31 December 2023
- Subject matter:** The Group and its joint ventures and associates will provide to the MicroPort NeuroTech Group certain supporting services, including but not limited to animal testing services, product testing services, simulation technical services, sterilization services and administrative support services (the “**Supporting Services**”).
- Pricing standards:** The fees for the Supporting Services are determined after arm’s length negotiations and mainly calculated based on the unit service fee and the expected services for each type of the Supporting Services required by the MicroPort NeuroTech Group.
- The service fees are determined by taking into account (i) the procurement volume of each type of the Supporting Services; (ii) the prevailing market rate of similar services (having taken into account the nature, complexity and scope of the Supporting Services, the method of delivery and the anticipated operational costs including but not limited to labor costs and costs of materials used for providing the Supporting Services); and (iii) the fees charged for historical transactions of similar services.
- Payment terms:** Payments under the Supporting Services Agreement will be made by the MicroPort NeuroTech Group to the respective members of the Group from time to time during the term of the Supporting Services Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each of the Supporting Services.

Historical figures and annual caps

For each of the two years ended 31 December 2021, the total transaction amounts for the procurement of the Supporting Services were approximately RMB2.2 million and RMB3.9 million, respectively.

The proposed annual caps for the two years ending 31 December 2023 under the Supporting Services Agreement are as follows:

	Financial year ending 31 December	
	2022	2023
	<i>RMB' million</i>	<i>RMB' million</i>
Transaction amount	5.0	3.2

The proposed annual caps for the two years ending 31 December 2023 for the Supporting Services Agreement have been determined based on:

- (1) the historical transaction amounts and grow trend in relation to the procurement of the Supporting Services for the two years ended 31 December 2021;
- (2) the estimated demand of the MicroPort NeuroTech Group for the Supporting Services for the two years ending 31 December 2023, which is primarily driven by the R&D and commercialization of the products of the MicroPort NeuroTech Group, having taken into account its R&D schedule, registration progress and estimated production volume of its products; and
- (3) the estimated service fee to be charged by the Group and its joint ventures and associates, which is based on the historical service fee rate.

The expected higher annual cap for the procurement of the Supporting Services for the year ending 31 December 2022 as compared to the historical transaction amounts is primarily due to the Group having updated the calculation methodology of the fee arrangement for the supporting R&D services by including the test site usage fee, which has been charged by the Group since December 2021, and the increased demand of product testing services by the MicroPort NeuroTech Group for its newly developed products' R&D and commercialization. The decrease in the annual cap for 2023 is primarily due to MicroPort NeuroTech's plan to establish its own product testing laboratory and to independently carrying out product testing going forward.

The Board is of the view that the proposed annual caps for the Supporting Services Agreement set out above are fair and reasonable so far as the Company and its Shareholders are concerned.

THE MATERIALS PROCUREMENT AGREEMENT

Reference is made to the announcement of the Company dated 24 July 2020 in relation to, amongst others, the framework supply agreement (the “**Supply Agreement**”) between the Group and MicroPort NeuroTech for the supply of the Materials to the MicroPort NeuroTech Group. The Materials Procurement Agreement is being entered into to replace the Supply Agreement upon the Spin-off and Separate Listing.

Date:	29 June 2022
Parties:	the Company, and MicroPort NeuroTech
Term:	From the Listing Date until 31 December 2023
Subject matter:	The MicroPort NeuroTech Group will procure from or procure through the Group and its joint ventures and associates semi-finished products of stents and delivery systems and Rapamycin (the “ Materials ”) for use by it in its R&D, and production of its products.
Pricing standards:	<p>The fees for the procurement of the Materials are determined after arm’s length negotiations and mainly calculated based on the unit price and the procurement volume of each of the Materials.</p> <p>The prices for the procurement of the Materials are determined by taking into account (i) the prevailing market price of the materials of similar specification, as well as the quality, volume, method of procurement, cost of procurement to the Group and its joint ventures and associates (in respect of the Materials procured on their behalves); and (ii) the fees charged for historical transactions of similar materials.</p>
Payment terms:	Payments under the Materials Procurement Agreement will be made by the MicroPort NeuroTech Group to the respective members of the Group from time to time during the term of the Materials Procurement Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each of the Materials.

Historical figures and annual caps

The table below summarises the historical transaction amounts between the Group and its joint ventures and associates and the MicroPort NeuroTech Group for the two years ended 31 December 2021:

Year ended 31 December	Annual cap <i>RMB' million</i>	Actual transaction amounts <i>RMB' million</i>
2020	15.20	8.60
2021	22.25	10.80

Note: MicroPort NeuroTech only became a connected subsidiary of the Company in August 2020.

The proposed annual caps for the two years ending 31 December 2023 under the Materials Procurement Agreement are as follows:

	Financial year ending 31 December	
	2022 <i>RMB' million</i>	2023 <i>RMB' million</i>
Transaction amount	7.4	6.6

The proposed annual caps for the two years ending 31 December 2023 for the Materials Procurement Agreement have been determined based on:

- (1) the historical transaction amounts in relation to the procurement of the Materials for the two years ended 31 December 2021;
- (2) the estimated demand of the MicroPort NeuroTech Group for the Materials for the two years ending 31 December 2023; and
- (3) the estimated price of the Materials to be charged by the Group and its joint ventures and associates, which is based on the historical price.

The decrease in the relevant proposed annual caps is primarily due to the MicroPort NeuroTech Group has commenced to produce semi-products of the stents independently, and it plans to source delivery systems from independent suppliers.

The Board is of the view that the proposed annual caps for the Materials Procurement Agreement set out above are fair and reasonable so far as the Company and its Shareholders are concerned.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE SUPPORTING SERVICES AGREEMENT AND THE MATERIALS PROCUREMENT AGREEMENT

MicroPort NeuroTech is a subsidiary of the Company.

The Group has been providing the Supporting Services to the MicroPort NeuroTech Group in the past. As the R&D and product commercialization process involve many sensitive information and data, the provision of the Supporting Services to the MicroPort NeuroTech Group will ensure that confidential information and sensitive data could be controlled and maintained within the Group. In addition, due to the long and close relationship between the Group and the MicroPort NeuroTech Group, the Group is familiar with the specific requirements and expected deliverables of the MicroPort NeuroTech Group, which helped reduce communication costs, accumulate tacit knowledge of the provision of the Supporting Services and has enabled the MicroPort NeuroTech Group to constantly procure the high-quality Supporting Services that meet its specific requirements.

The term of the Supply Agreement is due to expire on 31 December 2022. In view of the Spin-off and Separate Listing, the Materials Procurement Agreement is being entered into to replace the Supply Agreement upon completion of the Spin-off and Separate Listing to enable the Group to continue to supply the Materials to the MicroPort NeuroTech Group. The Materials are essential for the MicroPort NeuroTech Group's R&D and production process. The entering into of the Materials Procurement Agreement will enable the MicroPort NeuroTech Group to constantly obtain high-quality Materials for its R&D and production needs.

Given that the transactions contemplated under the Supporting Services Agreement and the Materials Procurement Agreement are being carried out in the ordinary and usual course of business, the terms of which are on normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Supporting Services Agreement and the Materials Procurement Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL

As a general rule, the price and terms of the individual service or supply agreements of the continuing connected transactions of the Group must be conducted in the ordinary course of business of the Group, on normal commercial terms and on terms which are similar or comparable to contracts of the Group with independent third parties.

The pricing policy of all the continuing connected transactions of the Group are supervised and monitored by the relevant internal audit personnel and management of the Group with the aim to ensure that all the continuing connected transactions are being conducted on normal commercial terms and in accordance with the pricing policy of the Group and would not be prejudicial to the interests of the Company and the Shareholders as a whole.

The relevant internal audit personnel and the management of the Group would conduct regular checks and assess whether individual transactions contemplated under the continuing connected transactions are conducted in accordance with the terms of the relevant agreement and they would also regularly review whether the prices charged under the relevant continuing connected transactions are fair and reasonable and in accordance with the aforesaid pricing policy.

The independent non-executive Directors would review the continuing connected transactions and the auditors of the Company would also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control system of the Group is effective to ensure that the continuing connected transactions of the Group have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

MicroPort NeuroTech is a 54.64% owned subsidiary of the Company as at the date of this announcement. Maxwell Maxcare is interested in approximately 15.67% of the issued share capital of the Company as at the date of this announcement. Maxwell Maxcare is hence a substantial shareholder of the Company and a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. As Maxwell Maxcare is also indirectly interested in 11.24% of MicroPort NeuroTech as of the date of this announcement, MicroPort NeuroTech is a connected subsidiary of the Company. As Maxwell Maxcare will continue to indirectly hold approximately 10.97% of the issued share capital of MicroPort NeuroTech upon completion of the Spin-off and Separate Listing, MicroPort NeuroTech will remain as a connected subsidiary of the Company and the entering into of the Supporting Services Agreement and the Materials Procurement Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the annual transaction amounts under each of the Supporting Services Agreement and the Materials Procurement Agreement are expected to exceed 0.1% but less than 5%, the Supporting Services Agreement and the Materials Procurement Agreement are subject to the reporting and announcement requirements but is exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

No Director is interested in the transactions contemplated under the Support Services Agreement and the Materials Procurement Agreement and need to abstain from the Board meeting held to approve the Support Services Agreement and the Materials Procurement Agreement.

INFORMATION ON THE PARTIES INVOLVED

The Company

The Company is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange. The Company is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices.

MicroPort NeuroTech

MicroPort NeuroTech is a company incorporated in the Cayman Islands and is involved in the R&D, manufacture and sale of innovative neuro-interventional medical devices. MicroPort NeuroTech is a 54.64% owned subsidiary of the Company as at the date of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Board”	the board of Directors of the Company;
“Company”	MicroPort Scientific Corporation (微創醫療科學有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 00853);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region;
“Listing Date”	the date of listing of the shares of MicroPort NeuroTech on the Stock Exchange, which is currently expected to be on 15 July 2022;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Materials”	has the meaning ascribed to it under the section headed “Materials Procurement Agreement” in this announcement;
“Materials Procurement Agreement”	a master materials procurement agreement dated 29 June 2022 between the Company and MicroPort NeuroTech in relation to the procurement of Materials by the MicroPort NeuroTech Group;
“Maxwell Maxcare”	Maxwell Maxcare Science Foundation Limited, a company limited by guarantee with no share capital incorporated in Hong Kong and is a substantial shareholder of the Company as at the date of this announcement;

“MicroPort NeuroTech”	MicroPort NeuroTech Limited (微創腦科學有限公司), a company incorporated in the Cayman Islands with limited liability, a subsidiary of the Company as at the date of this announcement;
“MicroPort NeuroTech Group”	MicroPort NeuroTech and its subsidiaries
“PRC”	the People’s Republic of China;
“R&D”	research and development;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Spin-off and Separate Listing”	the proposed spin-off and separate listing of the shares of MicroPort NeuroTech on the main board of the Stock Exchange;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Supporting Services”	has the meaning ascribed to it under the section headed “Supporting Services Agreement” in this announcement;
“Supporting Services Agreement”	the master supporting services procurement agreement dated 29 June 2022 between the Company and MicroPort NeuroTech in relation to the provision of Supporting Services to the MicroPort NeuroTech Group by the Group and its joint ventures and associates; and
“%”	per cent.

By Order of the Board
MicroPort Scientific Corporation
Dr. Zhaohua Chang
Chairman

Shanghai, the PRC, 29 June 2022

As at the date of this announcement, the executive Director is Dr. Zhaohua Chang; the non-executive Directors are Mr. Norihiro Ashida, Dr. Yasuhira Kurogi, Mr. Hongliang Yu; and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Guoen Liu, and Mr. Chunyang Shao.