
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Acotec Scientific Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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Acotec Scientific Holdings Limited

先瑞達醫療科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6669)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Notice convening the EGM to be held as originally scheduled at 10 a.m. on Friday, August 11, 2023 at Conference Room Dhalia, 6/F., Office Building, 16 North Hongda Road, Beijing Economic-Technological Development Area, Beijing, PRC is set out on pages 62 to 63 of this circular. The Proxy Form for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (<http://www.acotec.cn>).

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed Proxy Form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.

Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the Proxy Form shall be deemed to be revoked.

July 28, 2023

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DEFINITIONS

In this circular, the following terms and expressions shall have the following respective meanings unless the context otherwise requires:

“Acotec Products”	any existing products, designed, manufactured or sold by the Group on or prior to the date of the Master Collaboration Agreement and any future products, designed, manufactured or sold by the Group from time to time on or after the date of the Master Collaboration Agreement
“Acotec Selected Products”	any of the Acotec Products as agreed by the Parties in writing from time to time
“Articles of Association”	the articles of association of the Company adopted on June 23, 2021 and effective on August 24, 2021, and amended on June 30, 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BSC”	Boston Scientific Corporation, a Delaware corporation and a company listed on the New York Stock Exchange (Stock Code: BSX)
“BSC Group”	BSC and its subsidiaries but excluding the Group
“BSC Products”	any existing products, designed, manufactured or sold by the BSC Group on or prior to the date of the Master Collaboration Agreement and any future products, designed, manufactured or sold by the BSC Group from time to time on or after the date of Master Collaboration Agreement, as agreed by the Parties in writing from time to time
“BSG”	Boston Scientific Group plc, a public limited company incorporated under the laws of the Republic of Ireland and wholly-owned by BSC, which is the Controlling Shareholder of the Company
“Chairperson”	the chairperson of the Board

DEFINITIONS

“Company”	Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司), an exempted company incorporated in the Cayman Islands on December 3, 2020 with limited liability, with its Shares listed on the Main Board of the Stock Exchange on August 24, 2021 (stock code 6669)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSO”	an entity commonly and primarily known as a “contract sales organization” that is engaged primarily in the business of promoting the sales of products for third parties
“CSO Services”	services for promotion of the sales of products of the third parties or such other customary services provided by a CSO to its principal in the same or similar type of business arrangements
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Conference Room Dhalia, 6/F., Office Building, 16 North Hongda Road, Beijing Economic-Technological Development Area, Beijing, PRC at 10 a.m. on Friday, August 11, 2023 or any adjournment thereof
“EGM Notice”	a notice convening the EGM of the Company dated July 28, 2023
“Framework Agreements”	the Master Collaboration Agreement and the Master Service Agreement
“Greater China Region”	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC, and the islands of Taiwan
“Group”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“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, namely Dr. Yuqi WANG, Ms. Hong NI and Ms. Kin Yee POON, formed for the purpose of advising the Independent Shareholders in respect of the terms of the Framework Agreements (including the proposed annual caps)
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions contemplated under the Framework Agreements and the proposed annual caps thereunder
“Independent Shareholders”	Shareholders other than BSG and their associates (excluding the Group)
“Independent Third Party(ies)”	any person or company which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company within the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	July 20, 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Master Collaboration Agreement”	has the meaning given to it under the section headed “Continuing Connected Transactions – Master Collaboration Agreement” in the Letter from the Board in this circular

DEFINITIONS

“Master Service Agreement”	has the meaning given to it under the section headed “Continuing Connected Transactions – Master Service Agreement” in the Letter from the Board in this circular
“Manufacturing Services”	sourcing, manufacturing, packaging, sterilizing, and/or designing services as agreed by the Parties in writing from time to time that are provided in line with the ordinary and usual course of business of the Group
“Party(ies)”	BSG and the Company
“PRC”	the People’s Republic of China, and for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and the islands of Taiwan
“Products and Services”	products and services of the Group and/or the BSC Group (as the case may be) as agreed by the Parties from time to time
“Proxy Form”	the proxy form which will be despatched to the Shareholders together with this circular
“R&D Supporting Services”	<p>the following services in relation to research and development of the Products and Services that are provided in line with the ordinary and usual course of business of the Group or the BSC Group (as the case may be):</p> <ul style="list-style-type: none">(a) research and development services in connection with assisting in the development, iteration and sustainment of the Products and Services;(b) laboratory and testing support;(c) pre-clinical and clinical support and services including any relevant regulatory support;(d) prototyping and device supply;(e) research and development laboratory space;

DEFINITIONS

	(f) access to key suppliers and sourcing, manufacturing, packaging, sterilizing, designing and/or distribution services as agreed by the Parties in writing from time to time, in each case, in connection with the underlying R&D Supporting Services;
	(g) access to required documentation and quality systems to support the global commercialization of the Products and Services, including global regulatory approvals; and
	(h) any other services in relation to research and development as agreed between the Parties from time to time
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) of nominal value of US\$0.00001 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

ACOTEC

先瑞达

Acotec Scientific Holdings Limited

先瑞達醫療科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6669)

Executive Directors:

Ms. Jing LI

Mr. Silvio Rudolf SCHAFFNER

Registered office:

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Non-Executive Directors:

Mr. Arthur Crosswell BUTCHER

Ms. June CHANG

Corporate Headquarters:

4-5/F., Building No. 1

16 North Hongda Road

Beijing Economic-Technological

Development Area

Beijing

PRC

Independent Non-Executive Directors:

Dr. Yuqi WANG

Ms. Hong NI

Ms. Kin Yee POON

Principal place of business in Hong Kong:

14th Floor, Golden Centre

188 Des Voeux Road Central

Hong Kong

July 28, 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated July 20, 2023 on the continuing connected transactions in relation to the Framework Agreements. The purpose of this circular is to give you the EGM Notice and provide you with further information regarding the resolutions to be proposed at the EGM for approving the Framework Agreements and the transactions contemplated under each of the Framework Agreements, to enable you to make informed decisions on whether to vote for or against the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

Master Collaboration Agreement

On July 20, 2023 (after trading hours), the Company and BSG entered into the Master Collaboration Agreement to govern the collaboration between the Parties on the commercialization of the products of the Parties from time to time.

Key Terms of the Master Collaboration Agreement

Date	:	July 20, 2023 (after trading hours)
Parties	:	(i) the Company; and (ii) Boston Scientific Group plc, the Controlling Shareholder of the Company
Term	:	July 20, 2023 to December 31, 2025
Major terms	:	<i>Within the Greater China Region</i>

The Group will continue to sell any of the Acotec Products in the Greater China Region, and the BSC Group will continue to sell any of the BSC Products in the Greater China Region.

For the purpose of mutual business development, during the term of the Master Collaboration Agreement, on a case-by-case basis, (i) the BSC Group may sell any of the BSC Products to the Group for the Group to resell the same in the Greater China Region; and (ii) the Group may sell any of the Acotec Products to the BSC Group for the BSC Group to resell the same in the Greater China Region, on the terms and conditions of the Master Collaboration Agreement and any Collaboration Definitive Agreement (as defined below).

During the term of the Master Collaboration Agreement, on a case-by-case basis, the Group may provide Manufacturing Services to the BSC Group on the terms and conditions of the Master Collaboration Agreement and any Collaboration Definitive Agreement. The Manufacturing Services may be provided unilaterally by the Group to the BSC Group where the manufacturing cost of the Group is potentially lower.

LETTER FROM THE BOARD

Other Regions

During the term of the Master Collaboration Agreement, the BSC Group shall have the exclusive distribution rights in respect of the Acotec Selected Products in all countries and regions where any member of the BSC Group has sales network or distributor network coverage, excluding the Greater China Region (the “**Other Regions**”) and the BSC Group shall have the absolute discretion in either selling the Acotec Selected Products directly through a member of the BSC Group or by selecting a distributor network in the Other Regions, provided that the BSC Group’s exclusive distribution rights in respect of an Acotec Selected Product shall terminate automatically with immediate effect if the BSC Group fails to meet the minimum purchase value for such Acotec Selected Product as set forth in the applicable Collaboration Definitive Agreement, within eighteen (18) months of such Acotec Selected Product’s product listed date. For the avoidance of doubt, such automatic termination of exclusive distribution rights in respect of a particular Acotec Selected Product shall not affect or diminish BSC Group’s exclusive distribution rights in respect of other Acotec Selected Products.

Initial List of Acotec Selected Products: An initial list of the Acotec Selected Products is set out in the Master Collaboration Agreement (see Schedule of this circular) and the product listed date for such Acotec Selected Products shall be the date of obtaining the approval from the Independent Shareholders regarding the Master Collaboration Agreement.

LETTER FROM THE BOARD

Additional Acotec Selected Products: During the term of the Master Collaboration Agreement, in the event that the BSC Group wishes to add any additional Acotec Product into the scope of the Acotec Selected Products, the BSC Group shall provide a written notice to the Company at least six (6) months prior to the contemplated distribution date as specified in such notice. Upon receipt of such written notice, the Company shall then terminate the existing distribution arrangement(s) (if any) in respect of such Acotec Product in accordance with the relevant distribution agreement(s) between the Company and the existing distributor(s) and such Acotec Product shall be included in the scope of the Acotec Selected Products immediately after the termination of the existing distribution arrangement(s) becoming effective.

The termination of the existing distribution arrangement(s) will not give rise to risks of the Group's breaching relevant existing distribution arrangement(s) and the consequential damages/losses as the termination notice period thereunder is normally one (1) to two (2) month(s).

As advised by Frost & Sullivan, it is not uncommon for biotech companies to grant exclusive rights to a distributor in particular territory(ies). Having considered, in particular, (i) the established and comprehensive global commercialization and distribution network of the BSC Group; and (ii) the automatic termination arrangement contemplated under the Master Collaboration Agreement, the Company believes such arrangement is fair and reasonable and in the interest of the Company and its Shareholders as whole.

LETTER FROM THE BOARD

Newly Registered Acotec Products: During the term of the Master Collaboration Agreement, the Company shall provide a written notice to BSG as soon as practicable each time the Group submits an application for any new Acotec Product to be registered in any of the Other Regions. The BSC Group shall have the right to notify the Company to include such new Acotec Product into the scope of the Acotec Selected Products within sixty (60) days of the receipt of such notice. The Company shall not enter into any distribution arrangement with any person in respect of such new Acotec Product unless the BSC Group notifies the Company that it does not elect to include such new Acotec Product into the scope of the Acotec Selected Products or the BSC Group fails to notify the Company within the aforementioned 60-day period.

Collaboration Definitive Agreement

Subject to the terms of the Master Collaboration Agreement, for the purpose of implementing cross-selling arrangement, distribution arrangement and the Manufacturing Services specified in the Master Collaboration Agreement, any entity within the Group on one hand and any entity within the BSC Group on the other hand shall enter into a separate purchase order, request, confirmatory document, distribution agreement, or other definitive agreement (the “**Collaboration Definitive Agreement**”) which shall include the product warranties, payment terms, delivery terms, allocation of liabilities, return policies and such other necessary and customary terms and conditions in connection with the transactions contemplated under the Master Collaboration Agreement.

Historical Amount

There was no historical transaction between the Group and the BSC Group with respect to the transactions contemplated under the Master Collaboration Agreement.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Annual Caps

During each of the following periods, the total amount payable by (i) the Group to the BSC Group in relation to the sale of the BSC Products to the Group; (ii) the BSC Group to the Group in relation to the sale of the Acotec Products to the BSC Group; and (iii) the BSC Group to the Group in relation to the Manufacturing Services, shall not exceed the following caps:

	July 20, 2023 to December 31, 2023	January 1, 2024 to December 31, 2024	January 1, 2025 to December 31, 2025
Sale of the BSC Products to the Group	USD2,000,000	USD2,000,000	USD2,000,000
Sale of the Acotec Products to the BSC Group	USD20,000,000	USD50,000,000	USD110,000,000
Provision of the Manufacturing Services to the BSC Group	USD5,000,000	USD8,000,000	USD10,000,000

The proposed annual caps for the transactions contemplated under the Master Collaboration Agreement were determined after considering the following factors:

Basis of Annual Cap for Sales of the BSC Products to the Group

It is expected that the commercial collaboration to be developed between the Group and BSC Group will be primarily based on the fields of peripheral arterial disease and venous disease. The BSC Products will be mainly used for the peripheral vascular disease treatment. When determining the proposed annual caps of sales of BSC Products to the Group under the Master Collaboration Agreement, the Company has taken into account, among other things, the statistics relating to the industry in which the Group operates as prepared by Frost & Sullivan, primarily including:

- (1) the estimated market size of of medical devices (stents and DCBs) used during peripheral vascular interventional surgery (artery subsector) in the PRC market of approximately RMB3,150 million for the year ending December 31, 2023 provided by Frost & Sullivan; and
- (2) the proportion of the Group's sales to market size of medical devices (stents and DCBs) used during peripheral vascular interventional surgery (artery subsector) in the PRC market of approximately 13.8% for the year ended December 31, 2021 (which is relevant to estimate the amounts of BSC Products to be purchased by the Group for resale) and the BSC products in the PRC according to Frost & Sullivan.

The Company also expects that the revenue of the Group's resale of the BSC Products in the Greater China Region will remain stable for each of the years ending December 31, 2024 and 2025.

LETTER FROM THE BOARD

Basis of Annual Cap for Sales of Acotec Products to the BSC Group

It is expected that the commercial collaboration to be developed between the Group and the BSC Group will be primarily based on the field of peripheral interventions. The global served market of peripheral interventions was approximately USD8,000 million in 2022. The market size of peripheral interventions is expected to increase at a CAGR of approximately 7% from 2021 to 2024. The estimated market size of the applicable Acotec Selected Products for distribution by the BSC Group in the Other Regions is expected to be approximately USD1,000 million to USD1,500 million for the year ending December 31, 2023, and is expected to be projected to approximately USD1,100 million to USD1,600 million for the year ending December 31, 2024 and approximately USD1,200 million to USD1,700 million for the year ending December 31, 2025. When determining the proposed annual caps of sales of the Acotec Products to the BSC Group under the Master Collaboration Agreement, the Parties have taken into account, among the following factors, independent third party market research reports procured from reputable vendors including Millennium Research, Inc., IQVIA Inc. and Definitive Healthcare, LLC. and proprietary information and statistics provided by the BSC Group:

- (1) the estimated market size of the applicable Acotec Selected Products for distribution by the BSC Group in the Other Regions as disclosed above;
- (2) the estimated sales (as a % of the above segment size) that the BSC Group could achieve by selling the approved Acotec Products into the segments. An evaluation has been considered on the basis of product categories and geographies. The evaluation yields an estimated incremental sales opportunity into the available segments ranging from 10% to 20%, by product category in the geographies where the Acotec Products are approved by the local regulators and the BSC Group sells such approved Acotec Products. As illustration, for PTA (percutaneous transluminal angioplasty), the BSC Group may gain an estimated share of 10% in the selected geographies, whereas for DCBs (drug coated balloons), the BSC Group may gain an estimated share of 20% in the selected geographies through the Group's expanded product matrix which is contributed from:
 - (a) the estimated revenue attributable to the sales of the currently approved and commercialized Acotec Products within the Greater China Region from cross-selling opportunities and the sales of the currently approved and commercialized Acotec Selected Products within the Other Regions;
 - (b) the estimated revenue attributable to the sales of the Acotec Selected Products which have been approved but have not yet been commercialized within the Other Regions;
 - (c) the estimated revenue attributable to the sales of new Acotec Products which the Group applies for registration and which may be included as Acotec Selected Products within the Other Regions;

LETTER FROM THE BOARD

- (3) adjustments for product availability (e.g. product launch timing, regulatory approvals, reimbursement, etc.), selling cycles, and the BSC Group's expected ramp-up of the sales potential to fully launch the Acotec Products. The BSC Group expects to ramp-up to full selling capacity across the three-year term in the geographies where the Acotec Products are produced for sale by the BSC Group. The ramp-up over a three-year horizon accounts for sales contracting, participation in various tender offers, as well as completing the BSC Group's internal systems and processes required to sell the Acotec Products in different geographies. The expected ramp-up is contributed from:
- (a) the size of the BSC Group as compared to that of the Group;
 - (b) the expected increase in the sales of the Acotec Products within the Greater China Region and the sales of the Acotec Selected Products in the Other Regions attributable to the established and comprehensive global commercialization and distribution network of the BSC Group. In 2022, BSC marketed products and solutions to approximately 36,000 hospitals, clinics, outpatient facilities and medical offices in 130 countries worldwide. Sales generated by the BSC Group in peripheral interventions accounted for approximately USD1,899 million worldwide, with a growth rate of approximately 9% in 2022. In particular, in the Greater China Region, the BSC Group had realized growth of more than 20% in 2022;
 - (c) the historical and estimated future growth trend of the Acotec Products within the Greater China Region and the Acotec Selected Products within the Other Regions;
 - (d) the expected increase in the scope of the Acotec Products within the Greater China Region and the Acotec Selected Products within the Other Regions as pipeline grows. As of the Latest Practicable Date, the Group had obtained registration approval in Other Regions for six product candidates, and had over 10 product candidates under R&D. The Company sold two products in the Other Regions as of the Latest Practicable Date, and expects to record meaningful revenue from the remaining three to four products for 2024 and additional products for 2025 taking into account the time schedule from obtaining approval to commercialization; and
- (4) an estimated general buffer of 10% to 15% for fluctuation of (including) market prices and currency exchange rates, including fluctuations seen in the RMB to USD foreign exchange rate over the past 12 months.

LETTER FROM THE BOARD

Taking into account the calculation of the annual cap for the sales of the Acotec Products to the BSC Group above, the Group believes it could achieve an incremental sales penetration of approximately 6%-9% by December 31, 2025 (i.e. expected annual cap of USD110 million for the year ending December 31, 2025 divided by the estimated market size of the applicable Acotec Selected Products for distribution by the BSC Group in the Other Regions of approximately USD1,200 million – USD1,700 million for the year ending December 31, 2025).

Basis of Annual Cap for Provision of Manufacturing Services to the BSC Group

- (1) the annual production capacity of the production line for providing Manufacturing Services to the BSC Group (i.e. 140,000 units to 280,000 units);
- (2) the market price range of approximately USD20 – USD50 per unit for providing manufacturing services for similar products; and
- (3) the expected increase in demand of Manufacturing Services by the BSC Group with more admission and promotion activities for the BSC Products in global market.

Master Service Agreement

On July 20, 2023 (after trading hours), the Company and BSG entered into the Master Service Agreement to govern the mutual provision of R&D Supporting Services and CSO Services from time to time.

Key Terms of the Master Service Agreement

- Date : July 20, 2023 (after trading hours)
- Parties : (i) the Company
(ii) Boston Scientific Group plc, the Controlling Shareholder of the Company
- Term : July 20, 2023 to December 31, 2025
- Major terms : ***R&D Supporting Services***

During the term of the Master Service Agreement, the Group may provide the BSC Group and vice versa any R&D Supporting Services as agreed by the Parties on the terms and conditions of the Master Service Agreement and any R&D Definitive Agreement (as defined below).

LETTER FROM THE BOARD

R&D Supporting Services under the Master Service Agreement mainly include, among other things, the following services in relation to research and development of the Products and Services that are provided in line with the ordinary and usual course of business of the Group or the BSC Group (as the case may be):

- (a) research and development services in connection with assisting in the development, iteration and sustainment of the Products and Services;
- (b) laboratory and testing support;
- (c) pre-clinical and clinical support and services including any relevant regulatory support;
- (d) prototyping and device supply;
- (e) research and development laboratory space;
- (f) access to key suppliers and sourcing, manufacturing, packaging, sterilizing, designing and/or distribution services as agreed by the Parties in writing from time to time, in each case, in connection with the underlying R&D Supporting Services;
- (g) access to required documentation and quality systems to support the global commercialization of the Products and Services, including global regulatory approvals; and
- (h) any other services in relation to research and development as agreed between the Parties from time to time.

There is no material differences between the R&D Supporting Services to be provided by the Group and those to be provided by the BSC Group.

CSO Services

During the term of the Master Service Agreement, on a case-by-case basis, the Group may provide the BSC Group and vice versa the CSO Services as agreed by the Parties on the terms and conditions of the Master Service Agreement and any R&D Definitive Agreement.

LETTER FROM THE BOARD

CSO Services under the Master Service Agreement mainly include, among other things, services for promotion of the sales of products of the third parties or such other customary services provided by a CSO to its principal in the same or similar type of business arrangements.

There is no material differences between the CSO Services to be provided by the Group and those to be provided by the BSC Group.

R&D Definitive Agreement

Subject to the terms of the Master Service Agreement, for the purpose of implementing R&D Supporting Services arrangement and the CSO Services arrangement, any entity within the Group on one hand and any entity within the BSC Group on the other hand shall enter into a separate service request, confirmatory document, or other definitive agreement (the “**R&D Definitive Agreement**”, together with the Collaboration Definitive Agreement, the “**Definitive Agreement(s)**”) which shall include the service scope, the service period and such other necessary and customary terms and conditions in connection with the transactions contemplated under the Master Service Agreement.

Intellectual Property Rights

The Parties will enter into separate agreement(s) to govern any intellectual property rights which may arise from the R&D Supporting Services, which shall include, among other things, the ownership, utilization and commercialization of such intellectual property rights, any applicable license arrangements and/or such other terms and conditions that are customary in connection with the transactions contemplated therein.

Detailed terms of, among other things, transfer, in-licensing or out-licensing arrangements of such intellectual property rights and consideration involved will be included in the separate definitive agreement(s) to be entered into by Parties. As at the date of this circular, no agreement in relation to the intellectual property rights which may arise from the R&D Supporting Services has been entered into. When the terms of agreement(s) in relation to the intellectual property rights arising from the R&D Supporting Services (if any) have been finalized and if such arrangement then constitutes a notifiable transaction and/or non-exempt connected transaction, the Company will comply with the applicable requirements under Chapters 14 and/or 14A of the Listing Rules.

LETTER FROM THE BOARD

Historical Amount

There was no historical transaction between the Group and the BSC Group with respect to the transactions contemplated under the Master Service Agreement.

Proposed Annual Caps and Basis of Annual Caps

During each of the following periods, the total amount payable by (i) the BSC Group to the Group in relation to the provision of R&D Supporting Services and CSO Services by the Group to the BSC Group; and (ii) the Group to the BSC Group in relation to the receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group, shall not exceed the following caps:

	July 20, 2023 to December 31, 2023	January 1, 2024 to December 31, 2024	January 1, 2025 to December 31, 2025
Provision of R&D Supporting Services and CSO Services by the Group to the BSC Group	USD60,000,000	USD110,000,000	USD145,000,000
Receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group	USD50,000,000	USD90,000,000	USD120,000,000

The proposed annual caps for the transactions contemplated under the Master Service Agreement were determined after considering the following factors:

- (1) the estimated expenses associated with R&D Supporting Services and CSO Services based on historical expenditure on research and development (“R&D”) projects with similar scope which is within the range of expenditure (i.e. approximately US\$20 million to US\$50 million per project) as advised by Frost & Sullivan;
- (2) eight R&D projects estimated to be undertaken by the Group and the BSC Group during the term of the Master Service Agreement; and
- (3) the expected increase in expenditure in each of the periods above with the progress of the R&D projects (i.e., estimated expenditure to be incurred for each of the periods above accounted for approximately 20%, 35% and 45% of the total estimated expenditure amounts as a higher proportion of R&D expenditure will normally be incurred at later stage of R&D projects as advised by Frost & Sullivan).

The total estimated amount of receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group for each of the periods above is lower than those to be received by the BSC Group was mainly due to the expected support from the BSC Group to the Group on R&D.

LETTER FROM THE BOARD

Pricing Policies

Master Collaboration Agreement

The Parties shall engage Frost & Sullivan or any other industry expert of international repute as agreed between the Parties as the independent industry consultant to issue an industry report (the “**Collaboration Industry Report**”) within a reasonable period of time after obtaining the approval from the Independent Shareholders regarding the Master Collaboration Agreement, which shall be updated by Frost & Sullivan or such other industry expert upon renewal of the Master Collaboration Agreement or upon such shorter period as the Parties deem necessary with respect to a certain product, which shall contain, among other things, the customary profit sharing mechanisms of products similar or comparable to the BSC Products and the Acotec Products (as the case may be) and the customary fee arrangements of similar or comparable services between the service provider and the service recipient. Profit sharing mechanisms are commonly adopted by manufactures and distributors for similar or comparable products. Parties would be able to identify applicable profit sharing mechanisms by referring to the Collaboration Industry Report as profit sharing mechanisms normally vary among different products and in different regions.

For a particular Acotec Product under a particular Collaboration Definitive Agreement, the independent industry consultant will conduct research on profit sharing mechanisms which are commonly adopted for similar or comparable products with relevant price ranges in order to identify the applicable profit sharing mechanism in the Collaboration Industry Report.

Sale of the BSC Products to the Group and sale of the Acotec Products to the BSC Group

The purchase price of each of the BSC Products payable by the Group under any Collaboration Definitive Agreement shall be one single price globally and determined after arm’s length negotiation between the Parties on a product-by-product basis (for which there is no one pre-determined formula applicable to all the BSC Products) with reference to:

- (a) one of the customary profit sharing mechanisms of similar or comparable products between the manufacturer and its independent distributors as provided in the latest Collaboration Industry Report; and
- (b) the average sales price of the BSC Products, during the six (6) months period prior to the date of such Collaboration Definitive Agreement, contained in similar existing agreements with independent distributors (e.g. distribution agreements) to which the BSC Group is a party. The Company will, based on the experience of its commercial team, collect the prices of the BSC Products sold by other distributors to the end customers (if available) to assess the scope of the average sales price of the BSC Products. In addition, the business development department or the commercial team will collect market information on the relevant target markets by checking official tendering websites, i.e. the Sunshine Purchase (陽光採購) websites and other official tendering websites then.

LETTER FROM THE BOARD

The purchase price of each of the Acotec Products payable by the BSC Group under any Collaboration Definitive Agreement shall be one single price globally and determined after arm's length negotiation between the Parties on a product-by-product basis (for which there is no one pre-determined formula applicable to all the Acotec Products) with reference to:

- (a) one of the customary profit sharing mechanisms of similar or comparable products between the manufacturer and its independent distributors as provided in the latest Collaboration Industry Report. The Group will determine the sales price of the Acotec Products to end customers with reference to, among other things, the costs of the Acotec Products, the market position of the Acotec Products, the prices of competing products (if any), the differences in safety and efficacy profiles between the Acotec Products and competing products (if any), and the estimated demands for the Acotec Products; and
- (b) the average sales price of the Acotec Products, during the six (6) months period prior to the date of such Collaboration Definitive Agreement, contained in similar existing agreements with independent distributors (e.g. distribution agreements) to which the Group is a party to ensure that the sales price is on normal commercial terms.

As the Group has limited experience in the commercialization and distribution of its products in the Other Regions, the Company believes that it is important to refer to the customary profit sharing mechanisms provided in the latest Collaboration Industry Report to ensure that the sales price is on normal commercial terms.

When determining the purchase price of the BSC Products or the sales price of the Acotec Products, the Company will first determine a market price range of a given product by referencing to the customary profit sharing mechanisms, which is primarily based on the market price range of similar or comparable products sold to distributors, if and when necessary, with consideration of the ones sold to the end users, as provided in the latest Collaboration Industry Report. The Company will then negotiate with the BSC Group to determine the final price with reference to the average sales price during the six (6) months period prior to the date of the Collaboration Definitive Agreement to ensure the final price is on normal commercial terms or better.

Provision of the Manufacturing Services by the Group to the BSC Group

The service fee in relation to the Manufacturing Services provided by the Group to the BSC Group shall be paid by the BSC Group pursuant to the terms of the Collaboration Definitive Agreement and shall be determined after the arm's length negotiation between the Parties, with reference to the customary fee arrangements of similar and comparable services between the service provider and the service recipient as provided in the latest Collaboration Industry Report. If a cost-plus arrangement is adopted for particular service, the Company will consider its cost for such service and the customary mark-up rate contained in the Collaboration Industry Report in determining the service fee. If a profit sharing mechanism is adopted for particular service, the Company will consider the customary profit sharing arrangement contained in the Collaboration Industry Report in determining the service fee.

LETTER FROM THE BOARD

Master Service Agreement

The Parties shall engage Frost & Sullivan or any other industry expert of international repute as agreed between the Parties as the independent industry consultant to issue an industry report (the “**Service Industry Report**”) within a reasonable period of time after obtaining the approval from the Independent Shareholders regarding the Master Service Agreement, which shall be updated by Frost & Sullivan or such other industry expert upon renewal of the Master Service Agreement or upon such shorter period as the Parties deem necessary with respect to a certain service, which shall contain, among other things, the customary fee arrangements of similar or comparable services between the service provider and the service recipient.

The service fee in relation to the R&D Supporting Services shall be paid by the Group and the BSC Group (as the case may be) pursuant to the terms of the R&D Definitive Agreement and shall be determined after arm’s length negotiation between the Parties with reference to the customary fee arrangements of similar or comparable services between the service provider and the service recipient as provided in the latest Service Industry Report.

The service fee in relation to the CSO Services shall be paid by the Group and the BSC Group (as the case may be) pursuant to the terms of the R&D Definitive Agreement and shall be determined after arm’s length negotiation between the Parties, with reference to the customary fee arrangements of similar or comparable services between the principal and its CSOs as provided in the latest Service Industry Report.

When a cost-plus arrangement is adopted for particular service, the Company will consider its cost for such service and the customary mark-up rate contained in the Service Industry Report in determining the service fee.

The Directors consider that the pricing policies above will be able to ensure the transactions contemplated under the Framework Agreements be conducted on normal commercial terms and not prejudicial to the interest of the Company and Shareholders.

Internal Control Measures

The pricing policies for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group in charge to ensure the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders as a whole. In particular,

- (i) the business development department or the commercial team of the Company will discuss with Frost & Sullivan or any other industry expert of international repute who will prepare the Collaboration Industry Report and the Service Industry Report and review those industry reports (including the bases and assumptions thereof);

LETTER FROM THE BOARD

- (ii) the business development department or the commercial team, consisting of experienced staffs in the medical device sector, will monitor the market conditions and conduct market search, based on their experience, every half year or in exceptions cases to collect the market information on the relevant target markets by checking official tendering websites, i.e. the Sunshine Purchase (陽光採購) websites and other official tendering websites then and communicating with other customers/suppliers of the Group. If the business development department or the commercial team notes that the profit sharing mechanisms of similar or comparable products or the customary fee arrangements of similar or comparable services (as applicable) contained in the Collaboration Industry Report and the Service Industry Report deviates 10% or more from the latest market practice and such deviation becomes less favorable to the Company, it will report the same to the management of the Company;
- (iii) the management of the Company will, after receiving the report from the business development department or the commercial team, consult with Frost & Sullivan or any other industry expert of international repute to ascertain whether there is any material change in market conditions and discuss with the BSC Group whether it is necessary to update the Collaboration Industry Report and/or the Service Industry Report;
- (iv) the financial team and the legal team of the Company will supervise and monitor the Definitive Agreements to be entered into between the Group and the BSC Group pursuant to the Framework Agreements to ensure that their terms (including the pricing policies) are in compliance with the terms of the Framework Agreements and on normal commercial terms or better than terms offered by the Independent Third Parties for comparable transactions under similar conditions (if any);
- (v) the financial team and legal team of the Company will monitor the transaction amounts for the continuing connected transactions under the Framework Agreements. In the event that the transaction amounts of any continuing connected transaction reach 75% of the relevant proposed annual cap set out above, the financial team and the legal team shall report to the management of the Company; and
- (vi) the management of the Company will, after receiving the report from the financial team and the legal team, consider actions to ensure the compliance with the requirements under the Listing Rules, including obtaining the approval from Independent Shareholders to revise the proposed annual caps if necessary.

LETTER FROM THE BOARD

The independent non-executive Directors and the auditors of the Company will review the transactions contemplated under the Framework Agreements annually to check and confirm, among other things, whether the transactions were conducted in accordance with the Framework Agreements and whether the relevant proposed annual caps have been exceeded.

The Company considers that the internal control mechanism above is effective to ensure that the transactions contemplated under the Framework Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

Reasons for and Benefits of Entering into the Framework Agreements

After BSG became the Controlling Shareholder of the Company after completion of a voluntary conditional partial offer in February 2023, the Group and the BSC Group have been exploring commercial collaboration opportunities in R&D, manufacturing and commercialization to create synergistic value.

As stated in the section headed “Information of the Parties – Information about BSG and the BSC Group” below, BSC is a global developer, manufacturer and marketer of medical devices that are used in a broad range of interventional medical specialties and has been a medical technology leader for more than 40 years.

Based on BSC’s 2022 Annual Report, BSC’s key business segments included Cardiology, Peripheral Interventions, Endoscopy, Urology, and Neuromodulation and generated total revenues of USD12.682 billion in 2022. As of December 31, 2022, BSC had approximately 45,000 employees, of which approximately 56% were outside the U.S. On research and development front, BSC spent USD1.323 billion on research and development related expenses in 2022, representing approximately 10.4% of net sales. On sales and marketing front, BSC marketed products and solutions to approximately 36,000 hospitals, clinics, outpatient facilities and medical offices in 130 countries worldwide in 2022. BSC has a category leadership strategy which seeks to deepen its portfolio in helping physicians diagnose and treat complex cardiovascular, respiratory, digestive, oncological, neurological, and urological diseases and conditions through organic research and development, smart investments and acquisitions and a continuous expansion strategy to expand its presence in high-growth markets and regions.

The Company is of the view that the entering into of the Framework Agreements and the transactions contemplated thereunder would enable the Group to:

- (i) gain additional access to, and enhance reputation and recognition of the Group’s products in, the global market through the established and comprehensive global commercialization and distribution network of the BSC Group by selling the Acotec Products to the BSC Group for its distribution under the Master Collaboration Agreement;
- (ii) facilitate the R&D of its pipeline products through the established and comprehensive global R&D network of the BSC Group by receiving the R&D Supporting Services from the BSC Group under the Master Service Agreement;

LETTER FROM THE BOARD

- (iii) broaden its revenue sources by providing products and services under the Framework Agreements to the BSC Group through the existing distribution and R&D resources of the Group in the Greater China Region;
- (iv) enhance the customer relationship between the Group and its clients by distributing the BSC Products received under the Master Collaboration Agreement to such clients to satisfy their needs;
- (v) achieve synergy with the BSC Group, and enhance the effectiveness of R&D, manufacturing and commercialization of the Group.

Further, the entering into of the Framework Agreements and the transactions contemplated thereunder would enable the BSC Group to:

- (i) benefit from the reputation of the Group in the PRC;
- (ii) benefit from the Group's efficient R&D organisation;
- (iii) gain access to new products that are not currently in the BSC Group's portfolio through the Group;
- (iv) gain access to new customers in the PRC through the Group's established distribution network in the PRC; and
- (v) potentially lower the manufacturing cost by engaging the Group to provide the Manufacturing Services.

The Directors consider that, while the highest applicable percentage ratio of the proposed annual caps for the transactions under each of the Master Collaboration Agreement and the Master Service Agreement exceeds 200%, by entering into the Framework Agreements, the Group is not unduly reliant on the BSC Group for the following reasons:

(i) *Mutually beneficial and complementary relationship*

BSG has been the Controlling Shareholder of the Company since February 2023 through a voluntary partial offer with the purpose of bringing together the core competencies of the BSC Group and the Company and providing meaningful growth opportunities and creating value for both the BSC Group and the Company. Provision of services by the Group to the BSC Group and the sale of the Acotec Products to the BSC Group are revenue in nature, which may improve the Group's revenue. In particular, the sale of the Acotec Products to the BSC Group allows the Group to enhance reputation and recognition of the Acotec Products in global market through the established and comprehensive global commercialization and distribution network of the BSC Group.

LETTER FROM THE BOARD

Provision of the R&D Supporting Services by the BSC Group to the Group will facilitate the Group's R&D of its pipeline products through the established and comprehensive global R&D network of the BSC Group.

In respect of sale of the BSC Products to the Group, the Group will resell the BSC Products in the Greater China Region, with order placed by the Group's clients for the BSC Products. Such arrangement will consolidate the customer relationships between the Group and its clients and expand the Group's source of revenue (as distributor).

Based on the above-mentioned reasons, the Company believes that the business relationship between the Group and the BSC Group is mutually beneficial. It is beneficial to the Group in securing stable and long-term with the BSC Group, a global leading player in medical devices sector, and also strategically important to the BSC Group by ensuring a reliable business partner in the PRC.

(ii) Solid relationship and extremely low risk of termination

BSG has been the Controlling Shareholder of the Company since February 2023. Since then the Group and the BSC Group have been exploring commercial collaboration opportunities in R&D, manufacturing and commercialization to create synergistic value. It is expected that the Group and the BSC Group will maintain a stable and long-term business relationship, and there is an extremely low risk that the relationship between the Group and the BSC Group will materially adversely change or terminate.

(iii) No material adverse impact

Any change in the relationship with the BSC Group will not have a material adverse impact on the business of the Group. The Group is capable of carrying on its business independently of the BSC Group as it has independent management team led by Ms. LI Jing, independent administrative and operational organizational structure, and independent financial and accounting systems. As a leading medical device company in the PRC, the Company, with a strong in-house R&D team and sales and marketing team in the PRC, is able to further expand its product offering and maintain and develop its business relationship with other customers/suppliers other than the BSC Group.

As advised by Frost & Sullivan, it is not uncommon for biotech companies to grant exclusive rights to a distributor in particular territory(ies). The BSC Group's exclusive distribution rights in respect of an Acotec Selected Product shall be terminated automatically with immediate effect if the BSC Group fails to meet the minimum purchase value for such Acotec Selected Product as set forth in the applicable Collaboration Definitive Agreement. The minimum purchase value for the Acotec Selected Products in the Collaboration Definitive Agreements will be mutually agreed by both Parties.

Pursuant to the Master Collaboration Agreement, during the term of the Master Collaboration Agreement, any Party may terminate the Master Collaboration Agreement by giving the other Party not less than six months' notice in writing.

LETTER FROM THE BOARD

The Directors consider that the transactions contemplated under the Framework Agreements were entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the Parties, and the terms of the Framework Agreements were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Parties

Information about the Group

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 6669). The Company is a leading medical device company in China which provides interventional solutions for areas such as vascular surgery, cardiology, nephrology, neurology and andrology.

Information about BSG and the BSC Group

BSG is a public limited company incorporated under the laws of the Republic of Ireland, which is wholly-owned by BSC. BSG is primarily engaged in investments in subsidiaries (which in turn are primarily engaged in the development, manufacture, marketing, and sale of medical devices used in a broad range of interventional medical specialties) and providing services to affiliated group entities.

BSC is a company incorporated under the laws of the State of Delaware, the U.S., whose shares are listed on the New York Stock Exchange. BSC is a global developer, manufacturer and marketer of medical devices that are used in a broad range of interventional medical specialties and has been a medical technology leader for more than 40 years.

Listing Rules Implications

As at the date of this circular, BSG is the Controlling Shareholder of the Company holding approximately 65.0% of the issued share capital of the Company. Therefore, BSG is a connected person of the Company under the Listing Rules, and the transactions contemplated under each of the Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for the transactions under each of the Framework Agreements exceeds 5%, the transactions contemplated under each of the Framework Agreements are subject to the report, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Board Approval

Each of Mr. Arthur Crosswell BUTCHER and Ms. June CHANG, a non-executive Director, who also holds management positions in the BSC Group, has abstained from voting on the relevant board resolutions of the Company. Apart from Mr. Arthur Crosswell BUTCHER and Ms. June CHANG, none of the Directors has or is deemed to have a material interest in each of the Framework Agreements and the transactions contemplated thereunder and is therefore required to abstain from voting on the relevant Board resolutions approving the Framework Agreements and the transactions contemplated thereunder.

EGM NOTICE AND THE PROXY FORM

The EGM Notice is set out on pages 62 to 63 of this circular.

The Proxy Form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed Proxy Form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the Proxy Form shall be deemed to be revoked.

Shareholders who have appointed or intend to appoint proxies to attend the EGM are requested to pay particular attention to the following arrangement in relation to the completion and submission of the Proxy Form.

BSG, the Controlling Shareholder of the Company who held approximately 65% of the total issued share capital of the Company as of the Latest Practicable Date, shall abstain from voting at the EGM on the resolutions in relation to each of the Framework Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholders will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

For determining the eligibility of the holders of Shares to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, August 8, 2023 to Friday, August 11, 2023, 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, all transfer of Shares documents, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, August 7, 2023.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Framework Agreements and the proposed annual caps for the continuing connected transactions contemplated thereunder; and (ii) the letter from Gram Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreements and the proposed annual caps for the continuing connected transactions contemplated thereunder, as well as the principal factors and reasons taken into account by Gram Capital in arriving at its advice.

Having taken into account the terms of the Framework Agreements, the information provided in the letter from the Board and the letter from Gram Capital, the Independent Board Committee considers that (i) the terms of the Framework Agreements (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the Framework Agreements (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions as set out in the notice of EGM and to be proposed at the EGM for approving the Framework Agreements and the transactions contemplated thereunder and the proposed annual caps.

Yours faithfully

By order of the Board

Acotec Scientific Holdings Limited

Jing LI

*Chairperson of the Board, Executive Director and
Chief Executive Officer*



Acotec Scientific Holdings Limited

先瑞達醫療科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6669)

July 28, 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated July 20, 2023 (the “Circular”) which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Framework Agreements and to advise you in respect of the Framework Agreements and the transactions contemplated thereunder and the proposed annual caps under the Framework Agreements, details of which are set out in the section headed “Letter from the Board” of the Circular. Gram Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Gram Capital” as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Gram Capital as set out in their letter of advice, we are of the view that (a) the terms of the Framework Agreements (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (b) the transactions contemplated under the Framework Agreements (including the proposed annual caps) are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution for approving the Framework Agreements and the transactions contemplated thereunder and the proposed annual caps under the Framework Agreements at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Acotec Scientific Holdings Limited

Dr. Yuqi WANG
*Independent non-executive
Director*

Ms. Hong NI
*Independent non-executive
Director*

Ms. Kin Yee POON
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

28 July 2023

*To: The independent board committee and the independent shareholders
of Acotec Scientific Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Framework Agreements (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 July 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 July 2023, the Company and BSG entered into the Master Collaboration Agreement to govern the collaboration between the Parties on the commercialization of the products of the Parties from time to time with the term of agreement from 20 July 2023 to 31 December 2025.

On the even date, the Company and BSG entered into the Master Service Agreement to govern the mutual provision of R&D Supporting Services and CSO Services from time to time with the term of agreement from 20 July 2023 to 31 December 2025.

According to the Board Letter, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, annual review, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Yuqi WANG, Ms. Hong NI, Ms. Kin Yee POON (all being the independent non-executive Director) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in

LETTER FROM GRAM CAPITAL

the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Framework Agreements. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BSC Group or their respective subsidiaries or associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company is a leading medical device company in China which provides interventional solutions for areas such as vascular surgery, cardiology, nephrology, neurology and andrology. As at the Latest Practicable Date, the Group's core products included AcoArt Orchid[®] & Dhalia[®] and AcoArt Tulip[®] & Litos[®].

Pursuant to the Company's annual report (the "2022 Annual Report") for the year ended 31 December 2022 ("FY2022"), the Group's revenue was generated from sales of medical devices for FY2022. Sales of drug-coated balloons (DCB) products, being the Group's core products, contributed to major portion of the Group's revenue since its first commercialization in the PRC in 2016. The Group's revenue primarily comprised the sales of core products and venous intervention and vascular access products. The Group expected to increase its revenue by expanding the indications of the core products and enriching the Group's venous intervention and vascular access products in the near future.

Pursuant to the Company's audited consolidated financial information for FY2022, the Group's revenue for FY2022 amounted to approximately RMB395.5 million, representing an increase of approximately 30.2% as compared to that of approximately RMB303.8 million for the year ended 31 December 2021 ("FY2021"). With reference to the 2022 Annual Report, the aforesaid increase in revenue was primarily attributable to (i)

LETTER FROM GRAM CAPITAL

increase in sales of core product AcoArt Tulip[®] & Litos[®] and percutaneous transluminal angioplasty (PTA) balloon products; (ii) launch of new products AcoStream[™] since November 2021 and AcoArt Cedar[®] since April 2022 in the PRC; and (iii) sales promoted as a result of the marketing and advertising activities in both PRC and overseas market.

We also noted from the 2022 Annual Report that approximately 97.8% and approximately 97.5% of the Group's revenue for FY2021 and FY2022 respectively were generated from mainland China. As also stated in the 2022 Annual Report, as the Group's current products and product candidates receive more marketing approvals in countries and regions outside the PRC, the Group expected to generate more sales from overseas markets.

As stated in the sub-section headed "Outlook" under section headed "Management Discussion and Analysis" of the 2022 Annual Report, to enjoy early-mover advantage, the Group will rapidly advance the clinical development and commercialization of the Group's latest aged product candidates. The Group will also broaden its sales and expand its presence globally, especially in Europe and the United States. To execute the Group's global expansion strategy, the Group will continue to participate in international vascular intervention conferences and academic events, such as Leipzig Interventional Course (LINC), to further promote the Group's products and brand name. The Group also plans to conduct clinical trials for some product candidates in the PRC and Europe simultaneously. The Group believes its existing brand name in Europe will contribute to the Group's future expansion in the United States and other emerging markets. BSG may also assess opportunities to partner with the Company to register and commercialize the Company's products globally, including the United States.

Information on BSG

With reference to the Board Letter, BSG is a public limited company incorporated under the laws of the Republic of Ireland, which is wholly-owned by BSC. BSG is primarily engaged in investments in subsidiaries (which in turn are primarily engaged in the development, manufacture, marketing, and sale of medical devices used in a broad range of interventional medical specialties) and providing services to affiliated group entities. BSG became the Controlling Shareholder of the Company after completion of a voluntary conditional partial offer in February 2023. As at the Latest Practicable Date, BSC indirectly owned approximately 65.0% equity interests in the Company.

BSC is a company incorporated under the laws of the State of Delaware, the U.S., whose shares are listed on the New York Stock Exchange. BSC is a global developer, manufacturer and marketer of medical devices that are used in a broad range of interventional medical specialties and has been a medical technology leader for more than 40 years.

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We noted the followings from BSC's annual report for FY2022:

- In 2022, BSC Group generated net sales of US\$12.682 billion, compared to US\$11.888 billion in 2021. This increase of US\$794 million included operational growth as partially offset by negative impact from foreign currency fluctuations. Operational net sales growth included organic net sales growth and positive impact from BSC Group's acquisitions of Preventice Solutions, Inc. (Preventice), Farapulse, Inc. (Farapulse), the global surgical business of Lumenis, LTD (Lumenis) and Baylis Medical Company Inc. (Baylis Medical) for which there is less than a full period of comparable net sales. Increase in BSC Group's net sales was primarily driven by recent acquisitions as well as the strength and diversity of its product portfolio coupled with growth in the underlying markets in which BSC Group competes and strong commercial execution.

BSC Group reorganized its operational structure and has aggregated its core businesses, each of which generates revenues from the sale of medical devices into two reportable segments: MedSurg (comprising Endoscopy division; Urology division; and Neuromodulation division) and Cardiovascular (comprising Cardiology division; and Peripheral Interventions division).

- BSC Group's mission is to transform lives through innovative medical solutions that improve the health of patients around the world. As a medical technology leader for more than 40 years, BSC Group has advanced the practice of less-invasive medicine by helping physicians and other medical professionals diagnose and treat a wide range of diseases and medical conditions and improve patients' quality of life by providing alternatives to surgery and other medical procedures that are typically traumatic to the body. BSC Group advances science for life by providing a broad range of high performance solutions to address unmet patient needs and reduce the cost of healthcare.
- In 2022, BSC Group marketed its products and solutions to approximately 36,000 hospitals, clinics, outpatient facilities and medical offices in 130 countries worldwide. Large group purchasing organizations, hospital networks and other buying groups have become increasingly important to BSC Group's business and represent a substantial portion of its net sales. Each of BSC Group's businesses maintains dedicated sales forces and marketing teams focused on physicians who specialize in the diagnosis and treatment of different medical conditions, as well as on key hospital service line administrators.

The majority of BSC Group's net sales are derived from countries in which BSC Group has direct sales organizations. BSC Group also has a network of distributors and dealers who offer BSC Group's products in certain countries and markets. BSC Group expect to continue to leverage its infrastructure in markets where commercially appropriate and use third party distributors in those markets where it is not economical or strategic to establish or maintain a direct presence.

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- BSC Group's devices and therapies help physicians diagnose and treat complex cardiovascular, respiratory, digestive, oncological, neurological, and urological diseases and conditions. BSC Group's category leadership strategy seeks to deepen its portfolio in these areas through organic R&D, smart investments and acquisitions. BSC Group also continues to expand its presence in high-growth markets and regions to make its technologies available to more people who need them.

Reasons for and Benefits of the Transactions

With reference to the Board Letter, after BSG became the Controlling Shareholder of the Company after completion of a voluntary conditional partial offer in February 2023, the Group and the BSC Group have been exploring commercial collaboration opportunities in R&D, manufacturing and commercialization to create synergistic value.

Pursuant to the Framework Agreements, transactions contemplated thereunder include the mutual provision of services (i.e. R&D Supporting Services and CSO Services); the collaboration on the commercialization of the products by both Parties; and the provision of the Manufacturing Services by the Group to BSC Group.

Among the aforesaid transactions, the provision of services by the Group to BSC Group and the sale of the Acotec Products to the BSC Group are revenue in nature, which may improve the Group's revenue. In particular, the sale of the Acotec Products to BSC Group allows the Group to enhance reputation and recognition of the Acotec products in global market through the established and comprehensive global commercialization and distribution network of the BSC Group. The aforesaid arrangement is also in line with the Group's development strategy (i.e. the Group will also broaden its sales and expand its presence globally, especially in Europe and the United States; whereas BSC Group recorded total net sales of approximately US\$12.682 billion for FY2022, approximately 60.2% of which was generated from United States; approximately 19.9% of which was generated from Europe, Middle East and Africa and approximately 3.7% of which was generated from Latin America and Canada).

Provision of the R&D Supporting Services by BSC Group to the Group will facilitate the Group's R&D of its pipeline products through the established and comprehensive global R&D network of the BSC Group.

In respect of sale of the BSC Products to the Group, the Group will resell the BSC Products in the Greater China Region, with order placed by the Group's clients for the BSC Products. As advised by the Directors, such arrangement will consolidate the customer relationships between the Group and its clients and expand the Group's source of revenue (as distributor).

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Having considered the above and that (i) the Transactions would enable the Group to achieve synergy with the BSC Group, and enhance the effectiveness of R&D, manufacturing and commercialization of the Group; and (ii) the background of the BSC Group as stated in the section headed “Information on BSG” above, we concur with the Directors that the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal Terms of the Transactions

A. *Master Collaboration Agreement*

Major terms of the transactions contemplated under the Master Collaboration Agreement are set out below (details of which are set out under the section headed “Master Collaboration Agreement” of the Board Letter):

Date

20 July 2023

Parties

(i) the Company; and (ii) Boston Scientific Group plc

Term

20 July 2023 to 31 December 2025

Major Terms

Within the Greater China Region

The Group will continue to sell any of the Acotec Products in the Greater China Region, and the BSC Group will continue to sell any of the BSC Products in the Greater China Region.

For the purpose of mutual business development, during the term of the Master Collaboration Agreement, on a case-by-case basis, (i) the BSC Group may sell any of the BSC Products to the Group for the Group to resell the same in the Greater China Region; and (ii) the Group may sell any of the Acotec Products to the BSC Group for the BSC Group to resell the same in the Greater China Region, on the terms and conditions of the Master Collaboration Agreement and any collaboration definitive agreement (the “**Collaboration Definitive Agreement**”, as further elaborated below).

During the term of the Master Collaboration Agreement, on a case-by-case basis, the Group may provide Manufacturing Services to the BSC Group on the terms and conditions of the Master Collaboration Agreement and any Collaboration Definitive Agreement.

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Other Regions

During the term of the Master Collaboration Agreement, the BSC Group shall have the exclusive distribution rights in respect of the Acotec Selected Products in all countries and regions where any member of the BSC Group has sales network or distributor network coverage, excluding the Greater China Region (the “**Other Regions**”) and the BSC Group shall have the absolute discretion in either selling the Acotec Selected Products directly through a member of the BSC Group or by selecting a distributor network in the Other Regions, provided that the BSC Group’s exclusive distribution rights in respect of an Acotec Selected Product shall terminate automatically with immediate effect if the BSC Group fails to meet the minimum purchase value for such Acotec Selected Product as set forth in the applicable Collaboration Definitive Agreement, within 18 months of such Acotec Selected Product’s product listed date. For the avoidance of doubt, such automatic termination of exclusive distribution rights in respect of a particular Acotec Selected Product shall not affect or diminish BSC Group’s exclusive distribution rights in respect of other Acotec Selected Products.

Initial List of Acotec Selected Products: An initial list of the Acotec Selected Products is set out in the Master Collaboration Agreement (see Schedule of the Circular) and the product listed date for such Acotec Selected Products shall be the date of obtaining the approval from the Independent Shareholders regarding the Master Collaboration Agreement.

Additional Acotec Selected Products: During the term of the Master Collaboration Agreement, in the event that the BSC Group wishes to add any additional Acotec Product into the scope of the Acotec Selected Products, the BSC Group shall provide a written notice to the Company at least six months prior to the contemplated distribution date as specified in such notice. Upon receipt of such written notice, the Company shall then terminate the existing distribution arrangement(s) (if any) in respect of such Acotec Product in accordance with the relevant distribution agreement(s) between the Company and the existing distributor(s) and such Acotec Product shall be included in the scope of the Acotec Selected Products immediately after the termination of the existing distribution arrangement(s) becoming effective.

With reference to the Board Letter, the termination of the existing distribution arrangement(s) will not give rise to risks of the Group’s breaching relevant existing distribution arrangement(s) and the consequential damages/losses as the termination notice period thereunder is normally one (1) to two (2) month(s).

As advised by Frost & Sullivan, it is not uncommon for biotech companies to grant exclusive rights to a distributor in particular territory(ies). Having considered, in particular, (i) the established and comprehensive global commercialization and distribution network of the BSC Group; and (ii) the automatic termination arrangement contemplated under the Master Collaboration Agreement, the Company believes such arrangement is fair and reasonable and in the interest of the Company and its Shareholders as whole.

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Newly Registered Acotec Products: During the term of the Master Collaboration Agreement, the Company shall provide a written notice to BSG as soon as practicable each time the Group submits an application for any new Acotec Product to be registered in any of the Other Regions. The BSC Group shall have the right to notify the Company to include such new Acotec Product into the scope of the Acotec Selected Products within sixty (60) days of the receipt of such notice. The Company shall not enter into any distribution arrangement with any person in respect of such new Acotec Product unless the BSC Group notifies the Company that it does not elect to include such new Acotec Product into the scope of the Acotec Selected Products or the BSC Group fails to notify the Company within the aforementioned 60-day period.

Collaboration Definitive Agreement

Subject to the terms of the Master Collaboration Agreement, for the purpose of implementing cross-selling arrangement, distribution arrangement and the Manufacturing Services specified in the Master Collaboration Agreement, any entity within the Group on one hand and any entity within the BSC Group on the other hand shall enter into a separate purchase order, request, confirmatory document, distribution agreement, or other definitive agreement (i.e. the Collaboration Definitive Agreement) which shall include the product warranties, payment terms, delivery terms, allocation of liabilities, return policies and such other necessary and customary terms and conditions in connection with the transactions contemplated under the Master Collaboration Agreement.

Our Analyses

Based on the above terms, the Group granted exclusive distribution rights to the BSC Group in respect of the Acotec Selected Products in Other Regions. The Group is also subject to the requirements of the BSC Group for the additional Acotec Selected Products and newly registered Acotec Products.

To assess the fairness and reasonableness of the exclusive distribution rights to the BSC Group, we performed the following analyses:

- Based on our independent research, we noted that it is not uncommon for biotech companies to grant exclusive rights to counterparty in particular territory(ies).
- As stated in the section headed “Information on the Group” above, approximately 97.8% and 97.5% of the Group’s revenue for FY2021 and FY2022 respectively were generated from mainland China. According to the 2022 Annual Report, the Group recorded revenue generated from Europe of approximately RMB3.9 million for FY2022 (FY2021: approximately RMB4.3 million) and revenue generated from other countries and regions (other than mainland China and Europe) of approximately RMB6.2 million for FY2022 (FY2021: approximately RMB2.3 million). The Group’s historical revenue generated from

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overseas area for FY2021 and FY2022 is significantly lower than the proposed annual caps for the period from 20 July 2023 to 31 December 2025 (i.e. US\$20 million to US\$110 million), being the annual maximum amount of Acotec Products sales by the Group to the BSC Group pursuant to the Master Collaboration Agreement.

As also stated in the section headed “Information on BSG” above, in 2022, BSC Group marketed its products and solutions to approximately 36,000 hospitals, clinics, outpatient facilities and medical offices in 130 countries worldwide. In the meantime, BSC Group recorded total net sales of approximately US\$12.682 billion for FY2022, approximately 60.2% of which was generated from United States; approximately 19.9% of which was generated from Europe, Middle East and Africa and approximately 3.7% of which from Latin America and Canada.

- The BSC Group’s exclusive distribution rights in respect of an Acotec Selected Product shall be terminated automatically with immediate effect if the BSC Group fails to meet the minimum purchase value for such Acotec Selected Product as set forth in the applicable Collaboration Definitive Agreement. As advised by the Directors, the minimum purchase value for the Acotec Selected Products in the Collaboration Definitive Agreement will be mutually agreed by both Parties.
- Pursuant to the Master Collaboration Agreement, during the term of the Master Collaboration Agreement, any Party may terminate the Master Collaboration Agreement by giving the other Party not less than six months’ notice in writing.

Having considered above, in particular, (i) the Group’s revenue generated from overseas for FY2021 and FY2022 were significantly lower than the proposed annual caps in respect of the sale of the Acotec Products to the BSC Group for the period from 20 July 2023 to 31 December 2025; (ii) BSC Group’s background and strong connection in overseas market; and (iii) the automatic termination arrangement contemplated under the Collaboration Definitive Agreement and the termination clause of the Master Collaboration Agreement, we are of the view that the exclusive distribution rights contemplated under the Master Collaboration Agreement is justifiable.

Pricing Policies

Pursuant to the Master Collaboration Agreement, the Parties shall engage Frost & Sullivan or any other industry expert of international repute as agreed between the Parties as the independent industry consultant to issue an industry report (the “**Collaboration Industry Report**”) within a reasonable period of time after obtaining the approval from the Independent Shareholders regarding the Master Collaboration Agreement, which shall be updated by Frost & Sullivan or such other industry expert upon renewal of the Master Collaboration Agreement or

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upon such shorter period as the Parties deem necessary with respect to a certain product, which shall contain, among other things, the customary profit sharing mechanisms of products similar or comparable to the BSC Products and the Acotec Products (as the case may be) and the customary fee arrangements of similar or comparable services between the service provider and the service recipient.

With reference to the Board Letter, profit sharing mechanisms are commonly adopted by manufactures and distributors for similar or comparable products. Parties would be able to identify applicable profit sharing mechanisms by referring to the Collaboration Industry Report as profit sharing mechanisms normally vary among different products and in different regions.

For a particular Acotec Product under a particular Collaboration Definitive Agreement, the independent industry consultant will conduct research on profit sharing mechanisms which are commonly adopted for similar or comparable products with relevant price ranges in order to identify the applicable profit sharing mechanism in the Collaboration Industry Report.

Sale of the BSC Products to the Group and Sale of the Acotec Products to the BSC Group

The purchase price of each of the BSC Products payable by the Group under any Collaboration Definitive Agreement shall be one single price globally and determined after arm's length negotiation between the Parties on a product-by-product basis (for which there is no one pre-determined formula applicable to all the BSC Products) with reference to:

- (a) one of the customary profit sharing mechanisms of similar or comparable products between the manufacturer and its independent distributors as provided in the latest Collaboration Industry Report; and
- (b) the average sales price of the BSC Products, during the six months period prior to the date of such Collaboration Definitive Agreement, contained in similar existing agreements with independent distributors (e.g. distribution agreements) to which the BSC Group is a party. The Company will, based on the experience of its commercial team, collect the prices of the BSC Products sold by other distributors to the end customers (if available) to assess the scope of the average sales price of the BSC Products. In addition, the Group's business development department or the commercial team will collect market information on the relevant target markets by checking official tendering websites, i.e. the Sunshine Purchase (陽光採購) websites and other official tendering websites then.

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The purchase price of each of the Acotec Products payable by the BSC Group under any Collaboration Definitive Agreement shall be one single price globally and determined after arm's length negotiation between the Parties on a product-by-product basis (for which there is no one pre-determined formula applicable to all the Acotec Products) with reference to:

- (a) one of the customary profit sharing mechanisms of similar or comparable products between the manufacturer and its independent distributors as provided in the latest Collaboration Industry Report. The Group will determine the sales price of the Acotec Products to end customers with reference to, among other things, the costs of the Acotec Products, the market position of the Acotec Products, the prices of competing products (if any), the differences in safety and efficacy profiles between the Acotec Products and competing products (if any), and the estimated demands for the Acotec Products; and
- (b) the average sales price of the Acotec Products, during the six months period prior to the date of such Collaboration Definitive Agreement, contained in similar existing agreements with independent distributors (e.g. distribution agreements) to which the Group is a party to ensure that the sales price is on normal commercial terms.

With reference to the Board Letter, as the Group has limited experience in the commercialization and distribution of its products in the Other Regions, the Company believes that it is important to refer to the customary profit sharing mechanisms provided in the latest Collaboration Industry Report to ensure that the sales price is on normal commercial terms.

When determining the purchase price of the BSC Products or the sales price of the Acotec Products, the Company will first determine a market price range of a given product by referencing to the customary profit sharing mechanisms, which is primarily based on the market price range of similar or comparable products sold to distributors, if and when necessary, with consideration of the ones sold to the end users, as provided in the latest Collaboration Industry Report. The Company will then negotiate with the BSC Group to determine the final price with reference to the average sales price during the six (6) months period prior to the date of the Collaboration Definitive Agreement to ensure the final price is on normal commercial terms or better.

Provision of the Manufacturing Services by the Group to the BSC Group

The service fee in relation to the Manufacturing Services provided by the Group to the BSC Group shall be paid by the BSC Group pursuant to the terms of the Collaboration Definitive Agreement and shall be determined after the arm's length negotiation between the Parties, with reference to the customary fee arrangements of similar and comparable services between the service provider and the service recipient as provided in the latest Collaboration Industry Report. If a cost-plus arrangement is adopted for particular service, the Company will consider its cost

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for such service and the customary mark-up rate contained in the Collaboration Industry Report in determining the service fee. If a profit sharing mechanism is adopted for particular service, the Company will consider the customary profit sharing arrangement contained in the Collaboration Industry Report in determining the service fee.

Our analyses:

Based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving purchase or sale of materials/products/services from/to their connected persons, we noted that comparing prices with those offered by/to independent third parties for the same/similar product/service is one of the commonly adopted pricing policies.

The pricing policies contemplated under the Master Collaboration Agreement are principally based on comparison of relevant prices or customary mark-up rate with independent third parties for similar or comparable products/services, which are in line with the commonly adopted pricing policies in continuing connected transactions conducted by other companies listed on the Stock Exchange.

Upon our enquiry, the Directors advised us that the Parties intended to engage Frost & Sullivan as independent industry consultant to conduct the above-mentioned market search (i.e. a source of market information). Based on public information, Frost & Sullivan was founded in 1961 with experts based in 45 global offices. We also noted that Frost & Sullivan prepared various industry reports for the Stock Exchange listing applicants to make reference to. Accordingly, we consider the proposed engagement of Frost & Sullivan as the Company's independent industry consultant to be appropriate. As also confirmed by the Directors, should the Company intend to engage an industry consultant other than Frost & Sullivan, the Company will assess the background, experience, reputation, manpower, etc. of the potential industry consultant and such engagement will be finally approved by senior management of the Company.

Under such arrangement, we are of the view that the Group will be able to obtain market information on relevant pricing by making reference to the industry report should the Group have no historical transaction of relevant products/services with Independent Third Parties (i.e. newly registered products) for comparison purpose when determining the pricing.

Moreover, we also understood that the Company's business development department or commercial team (consisting of experienced staffs in the medical device sector) will monitor the market conditions and conduct market search, based on their experience, every half year or in exceptions cases to collect market information on relevant target markets by checking official tendering websites, i.e. the Sunshine Purchase (陽光採購) websites and other official tendering websites then and communicating with other customers/suppliers of the Group. If the business development department or the commercial team notes that the profit sharing mechanisms of similar or comparable products or the customary fee

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arrangements of similar or comparable services (as applicable) contained in the Collaboration Industry Report and the Service Industry Report (as defined below) materially deviates from the latest market practice and such deviation becomes less favorable to the Company, further actions will be taken. We consider that the Group is able to obtain the latest market information under this arrangement.

Having considered above factors, in particular, (i) pricing of products/services contemplated under the Master Collaboration Agreement will be determined based on historical average prices; and/or prices for comparable products/services, the information of which will be sourced from latest industry report issued by Frost & Sullivan (or any other industry expert) and will reflect market information/practice; and (ii) comparing purchase/sales prices with those offered by/to independent third parties for the same/similar product is one of the commonly adopted pricing policies in continuing connected transactions conducted by other companies listed on the Stock Exchange, we are of the view that pricing policies contemplated under the Master Collaboration Agreement are on normal commercial terms and are fair and reasonable.

Internal Control Policies

We understood that the Group formulated certain internal control rules to ensure the fairness pricing of the Transaction. Details of the internal control rules are set out in the section headed "Internal Control Measures" of the Board Letter.

Having considered that (i) the business development department or commercial team of the Company will discuss with Frost & Sullivan or any other industry expert who will prepare the Collaboration Industry Report and the Service Industry Report, and review those industry reports (including the bases and assumptions thereof); (ii) the industry reports may be updated on an ad hoc basis should the profit sharing mechanisms of similar or comparable products or the customary fee arrangements of similar or comparable services (as applicable) contained in the Collaboration Industry Report and the Service Industry Report materially deviates from the latest market practice and subject to the further discussion between the management of the Company (after consulting with relevant industry expert) and BSC Group; (iii) there will be various departments (i.e. business development department; commercial team; financial team; and legal team of the Group) involving in the internal control procedures; and (iv) the background and experience of Frost & Sullivan as mentioned above, we are of the view that the effective implementation of the internal control policies would help to ensure fair pricing of the transactions contemplated under the Master Collaboration Agreement.

In addition, we also noted that the financial team and legal team of the Company will monitor the transaction amounts for the continuing connected transactions under the Framework Agreements and there will be further actions to be taken if the transaction amount exceeds a threshold. We consider this arrangement will ensure that the proposed annual caps of the transactions contemplated under the Master Collaboration Agreement not being exceeded.

To assess the effectiveness of the implementation of the internal control policies, we discussed with senior management and staff of (i) business development department; (ii)

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commercial team; (iii) financial team; and (iv) legal team of the Group, all of which will be involved in the internal control procedures for fair pricing and annual cap monitoring, to check whether they were aware of and would comply with the internal control policies. The relevant staffs acknowledged their awareness of the internal control procedures for the Transactions and would comply with relevant procedures when conducting the Transactions. Upon our request, we obtained the internal control document of the Transactions.

After reviewing the document, we acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Transactions as disclosed in the Board Letter. In addition, the Company also provided us supporting document, showing company secretary of the Company provided the internal control document to all relevant departments and required such departments to strictly follow the internal control measures as contained in the document. Therefore, we do not doubt the effectiveness of the implementation of the internal control policies.

Proposed Annual Caps

Set out below are the proposed annual caps of the transactions contemplated under the Master Collaboration Agreement:

	For the period from 20 July 2023 to 31 December 2023 (“2023 Period”) US\$	For the year ending 31 December 2024 (“FY2024”) US\$	For the year ending 31 December 2025 (“FY2025”) US\$
Sale of the BSC Products to the Group	2,000,000	2,000,000	2,000,000
Sale of the Acotec Products to the BSC Group	20,000,000	50,000,000	110,000,000
Provision of the Manufacturing Services to the BSC Group	5,000,000	8,000,000	10,000,000

The proposed annual caps set out above were determined based on the factors as set out under the sub-section headed “Proposed Annual Caps and Basis of Annual Caps” under the section headed “Master Collaboration Agreement” of the Board Letter.

With reference to the Board Letter, there was no historical transaction between the Group and the BSC Group with respect to the transactions contemplated under the Master Collaboration Agreement.

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To assess the fairness and reasonableness of the proposed annual caps for the period from 20 July 2023 to 31 December 2025, we conducted the following works and analyses:

1. *Sale of the BSC Products to the Group*

As advised by the Directors, they expected that the commercial collaboration to be developed between the Group and BSC Group will be on the fields of peripheral arterial disease and venous disease. The Directors further expected that the BSC Products will be mainly used for the peripheral disease.

We understood that when determining relevant estimated figures, the Company made reference to, among other things, the statistics relating to the industry in which the Group operates (the “**Statistics**”) as prepared by Frost & Sullivan.

Frost & Sullivan’s Background and Qualification

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of Frost & Sullivan; (ii) Frost & Sullivan’s background information and its experience in relation to the preparation of Statistics; and (iii) the steps and due diligence measures taken by Frost & Sullivan for preparing the Statistics.

From the mandate letter and other relevant information provided by Frost & Sullivan and based on our interview with Frost & Sullivan, we were satisfied with the terms of engagement of Frost & Sullivan as the scope of Frost & Sullivan pursuant to the engagement could meet the requirement of the Company (i.e. collect market statistics for determining the annual caps). As mentioned above, (i) based on public information, Frost & Sullivan was founded in 1961 with experts based in 45 global offices; and (ii) Frost & Sullivan prepared various industry reports for the Stock Exchange listing applicants to make reference to.

As advised by Frost & Sullivan, during the past two years immediately preceding the Latest Practicable Date, Frost & Sullivan (including any of its members) was engaged as independent service provider to prepare and issue industry reports for the Company and BSC Group. Save for the aforesaid engagements, there was no other service provided by Frost & Sullivan (including any of its members) to the Company or BSC during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, as at the Latest Practicable Date, Frost & Sullivan were not aware of any relationships or interests between them and members of BSC (including the Company), or any other parties that could be reasonably regarded as hindrance to Frost & Sullivan’s independence to act as industry consultant.

Besides, apart from the service fees and expenses payable to Frost & Sullivan in connection with the aforesaid engagements, there is no arrangement whereby Frost & Sullivan shall be entitled to receive any other fees or benefits from the Company or BSC Group.

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As confirmed by Frost & Sullivan, due to the facts that (i) the aforesaid past engagements will not affect Frost & Sullivan's independence to act as service provider as the scope of Frost & Sullivan is to prepare relevant industry report; (ii) Frost & Sullivan acted as independent service provider and they maintained their independence from the Company, BSG and their respective core connected persons (as defined under the Listing Rules); and (iii) the service fees of the aforesaid past engagements paid by members of BSC (including the Company) to Frost & Sullivan accounted for an insignificant portion of its revenue for the relevant period, Frost & Sullivan consider that there is no relationship which affects its independence with the Company, BSG and their respective core connected persons (as defined under the Listing Rules).

Based on the above facts as stated and confirmed by Frost & Sullivan, we do not consider the independence of Frost & Sullivan will be affected by the aforesaid engagements.

As also advised by Frost & Sullivan, they have consulting experiences, including vascular intervention procedure medical device industry. Having considered the background and experience of Frost & Sullivan, we were also satisfied with Frost & Sullivan's experience for the preparation of the Statistics.

We also discussed with Frost & Sullivan and enquired into Frost & Sullivan on the methodologies adopted and the basis and assumptions adopted in arriving at the Statistics. We understood that Frost & Sullivan conducted primary and secondary research to derive the Statistics, including the interview with top-tier industry participants in respect of historical sales amounts and proposed business plans; and China Association for Medical Devices Industry, Chinese Center for Disease Control and Prevention, CDC WONDER of Centers for Disease Control and Prevention (CDC) and HCUP US-database in respect of historical market conditions. After collecting the data, Frost & Sullivan cross-checked the same type of data from different sources to ensure the reasonableness of such data. As confirmed by Frost & Sullivan, these methodology and information source are commonly used by other experts in the same field. In addition, Frost & Sullivan confirmed that they also prepare relevant statistics for other participants in vascular intervention procedure medical device industry with same methodologies. As also confirmed by Frost & Sullivan, there was no formal or informal representations made by the Company or BSG to Frost & Sullivan for the purpose of preparing the Statistics. During our discussion with Frost & Sullivan, we have not identified any major factor which caused us to doubt the reasonableness of the Statistics.

Having also considered Frost & Sullivan's background and experience, we consider the Statistics prepared by Frost & Sullivan to be reliable. Accordingly, we consider that it is appropriate for the Company to determine relevant figures (for the purpose of calculation of proposed annual caps) with reference to the Statistics.

With reference to the Board Letter, the proportion of the Group's sales to market size of medical devices (stents and DCBs) used during peripheral vascular interventional surgery (artery subsector) in the PRC market (the "**Proportion**") was

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considered for the purpose of determination of proposed annual caps. As also advised by the Directors, they assumed the Proportion for the year ending 31 December 2023 (“FY2023”) remained stable for the sake of prudence. Having considered that (i) the BSC Products are expected to be mainly used for the peripheral disease, for which the Group’s DCB products are also used; and (ii) the sales of BSC Products will be accounted for the Group’s sales, we are of the view that it is justifiable for the Company to determine the proposed annual cap in respect of sale of the BSC Products to the Group for the 2023 Period by making reference to the Proportion.

According to Statistics, the market size of medical devices (stents and DCBs) used during peripheral vascular interventional surgery (artery subsector) in the PRC market for FY2021 was approximately RMB2,170 million (being the latest available actual figures). According to the 2022 Annual Report, the Group generated revenue of approximately RMB299.165 million from DCB products which will be applied for peripheral vascular interventional surgery (artery subsector) for FY2021. Based on the above, the indicated Proportion would be approximately 13.8% for FY2021.

According to the 2022 Annual Report, the Group generated revenue of approximately RMB307.283 million from DCB products for FY2022. As also stated in the 2022 Annual Report, in 2022, due to the COVID-19 pandemic, the product supply and sales of DCB products in several important revenue contributing regions were temporarily affected, resulting in a slowdown in growth of revenue from the Core Products. Therefore, the Company made reference to the average growth of the sales of DCB products for the three years ended 31 December 2022 (i.e. approximately 38.3%) for calculating the proposed annual cap for the 2023 Period. With the possible growth rate of approximately 38.3% (being the average annual growth of the Group’s revenue generated from DCB products for the three years ended 31 December 2022), the Group’s revenue generated from DCB products may reach approximately RMB425.0 million for FY2023 (Note: For the avoidance of doubt, the aforesaid assumptions and estimations are used for calculating the proposed annual cap in respect of the sale of the BSC Products to the Group, which are not indications of the actual amounts of revenue to be recorded by the Group for FY2023). Based on the Statistics, the estimated market size of medical devices (stents and DCBs) used during peripheral vascular interventional surgery (artery subsector) in the PRC market for FY2023 will be approximately RMB3,150 million. Based on the aforesaid possible revenue generated from DCB products for FY2023 and the proposed annual cap of US\$2 million for the 2023 Period (which indicated the maximum amounts of BSC Products to be purchased for resale), the estimated Proportion may reach approximately 13.9% for FY2023, which is close to the indicated Proportion for FY2021 as mentioned above.

Given the above, we are of the view that the proposed annual cap in respect of sale of the BSC Products to the Group for the 2023 Period is fair and reasonable.

As advised by the Directors, the Company expects the amounts of the Group’s resale of BSC Products in the Greater China Region will remain stable for FY2024

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and FY2025. We consider the aforesaid assumption is justifiable based on our understanding from the Directors that the Group will focus on the development of its own products for FY2024 and FY2025. As the proposed annual caps for FY2024 and FY2025 are the same as that for the 2023 Period and based on the aforesaid assumption, we are of the view that the proposed annual caps in respect of sale of the BSC Products to the Group for FY2024 and FY2025 are fair and reasonable.

2. *Sale of the Acotec Products to the BSC Group*

According to the above table, the proposed annual caps in respect of the sale of the Acotec Products to the BSC Group were US\$20 million for the 2023 Period, US\$50 million for FY2024 and US\$110 million for FY2025.

To assess the fairness and reasonableness of the proposed annual cap in respect of sale of the Acotec Products to the BSC Group for the 2023 Period, we conducted the following analyses:

We noted that the proposed annual cap of US\$20 million for the 2023 Period represents approximately 14 times of the Group's revenue generated from overseas area for FY2022 (i.e. RMB10.1 million (equivalent to approximately US\$1.45 million)).

Based on our discussion with the Directors, we understood that in determining the proposed annual caps in respect of the sale of the Acotec Products to the BSC Group, the Company also considered the size of BSC Group in various aspects, in particular, total assets, net assets and net sales, as compared to those of the Group.

Set out below is a summary of the (i) total assets and net assets as at 31 December 2022; and (ii) revenue generated from peripheral interventions segment (being the segment that the Acotec Products categorized for) for FY2022, of the Group and the BSC Group, as extracted from the 2022 Annual Report and BSC's annual report for FY2022:

	The Group	BSC Group	
	(A)	(B)	(B)/(A)
	<i>US\$'million</i>	<i>US\$'million</i>	
Total assets as at 31 December 2022	203	32,469	160x
Net assets as at 31 December 2022	183	17,573	96x
Revenue generated from peripheral interventions segment for FY2022	57 <i>(Note)</i>	1,899	33x

Note: As advised by the Directors, the Group's total revenue of approximately RMB395.5 million (equivalent to approximately US\$57 million) for FY2022 was generated from peripheral interventions segment.

As further advised by the Directors, for the purpose of calculating proposed annual caps in respect of sale of the Acotec Products to the BSC Group, they expected that most of

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the sale of the Acotec Products to the BSC Group under the proposed annual caps to be in the Other Regions. According to BSC's annual report for FY2022, BSC Group's net sales generated from U.S. accounted for approximately 60.2% of the BSC Group's net sales for FY2022 and BSC Group's net sales of peripheral interventions segment generated from U.S. accounted for approximately 55.2% of the BSC Group's net sales of peripheral interventions segment for FY2022.

Having considered that (i) BSC Group's revenue generated from peripheral interventions segment for FY2022 represented approximately 33 times to that of the Group for FY2022; (ii) BSC Group's net sales generated from U.S. accounted for approximately 60.2% of the BSC Group's net sales for FY2022 and BSC Group's net sales of peripheral interventions generated from U.S. accounted for approximately 55.2% of BSC Group's net sales of peripheral interventions segment for FY2022; and (iii) the Directors expected that U.S. market will be one of the major target markets in the Other Regions that the Acotec Products will be sold, we consider that the proposed annual cap of US\$20 million for the 2023 Period (representing approximately 14 times of the Group's revenue generated from overseas area for FY2022 (i.e. RMB10.1 million (equivalent to approximately US\$1.45 million)) is justifiable. Accordingly, we are of the view that the proposed annual cap in respect of sale of the Acotec Products to the BSC Group for the 2023 Period is fair and reasonable.

We also noted that the proposed annual caps in respect of sale of the Acotec Products to the BSC Group for FY2024 and FY2025 represented increases of 150% and 120% as compared to those for the 2023 Period and FY2024 respectively. As advised by the Directors, such increases are mainly due to the possible increase in number of the Group's product portfolio for overseas sales. Pursuant to the Master Collaboration Agreement, the BSC Group shall have the right to notify the Company to include the new Acotec Product into the scope of the Acotec Selected Products. Therefore, we consider that it is appropriate to estimate the growth in the proposed annual caps for FY2024 and FY2025 based on the estimated number of new product candidates.

We noted from the 2022 Annual Report that the Group obtained registration approval in relevant overseas market for six product candidates as at the date of 2022 Annual Report. As advised by the Directors, the Group sold two products in overseas markets for FY2022. The Directors expected the Group to record meaningful revenue from the remaining three to four products for FY2024 after considering the time schedule from obtaining approval to commercialization. The estimated number of product candidates (i.e. 5 to 6 in total in 2024) represented an increase of 150% to 200% as compared to the current number of product candidates which have been sold in overseas markets. In addition to the aforesaid estimated increase in number of new product candidates in the next years, the sales of existing Acotec Products were also expected to increase in the corresponding periods.

Based on the above, we consider that the increase of 150% for the proposed annual cap for FY2024 as compared to that for the 2023 Period to be justifiable. Accordingly, we are of the view that the proposed annual cap in respect of sale of the Acotec Products to the BSC Group for FY2024 is fair and reasonable.

In respect to the proposed annual cap for FY2025, the Directors assumed that increase in the estimated number of product candidates would remain at similar level to

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that for FY2024. As further advised by the Directors, the possibility of the Group's successful development of new product candidate will be heavily relied on the capability of the Group's R&D team.

According to the 2022 Annual Report, as of 31 December 2022, the headcount of the Group's R&D team increased to 118 employees (86 employees as at 31 December 2021), and the Group's original technical team covers the aspects of material science, mechanical design manufacturing, chemistry and biomedical engineering. During FY2022, the Group supplemented its R&D team with technicians in the field of electronic science and technology, automation and computer programming, which further improved its talent pool. The Group believed that the support of talents from different aspects will accelerate the implementation of its multi product pipeline projects.

Furthermore, the Group recorded research and development expenses of approximately RMB85.5 million for the year ended 31 December 2020, approximately RMB141.3 million for FY2021 and approximately RMB183.8 million for FY2022, which formed an increasing trend.

We also noted from the 2022 Annual Report that the Group has over 10 product candidates under R&D (for the avoidance of doubt, the six product candidates which the Group obtained registration approval in relevant overseas markets were not included herein). We understood that with the approval for such products, the Group may apply the launch of such product in the overseas markets in the future. The Company estimated that there will be 10 new products to be launched in the overseas markets in FY2025, the estimated number of which (i.e. 10 products, being the minimum number of the aforesaid "over 10 product candidates") represented an increase of approximately 166% as compared to the estimated maximum number of product candidates which have been and will be sold in overseas markets for FY2024 (i.e. 6 in total based on the assumption above). Based on the aforesaid, we consider that the increase of 120% for the proposed annual cap for FY2025 as compared to that for FY2024 to be justifiable. Accordingly, we are of the view that the proposed annual cap in respect of sale of the Acotec Products to the BSC Group for FY2025 is fair and reasonable.

3. Provision of the Manufacturing Services to the BSC Group

We understood that the proposed annual caps in respect of the provision of the Manufacturing Services to the BSC Group was determined with reference to (i) the annual production capacity of the production line for providing Manufacturing Services to the BSC Group; and (ii) the market price range for providing manufacturing services for similar products.

Upon our enquiry, the Directors advised that the Company planned to provide Manufacturing Services by using one production line with the annual production capacity of 140,000 units with one shift operation.

Based on the proposed annual cap for the 2023 Period of US\$5 million and annual production capacity of 140,000 units, the implied average price for providing manufacturing services would be approximately US\$36 per unit. The implied price is

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close to the midpoint of the market price range for providing manufacturing services for vascular interventional medical devices such as auxiliary supplies, wires and catheters (being similar products of products under the Manufacturing Services as expected by the Company), according to the Statistics as provided by Frost & Sullivan. Therefore, we are of the view that the implied price is justifiable.

Based on the above, we are of the view that the proposed annual cap in respect of the provision of the Manufacturing Services to the BSC Group for the 2023 Period is fair and reasonable.

We also noted that the proposed annual caps for FY2024 and FY2025 represented increases of 60% and 25% as compared to those for the 2023 Period and FY2024 respectively. As advised by the Directors, they expected that production line with one shift operation will be applied at the beginning and gradually advance to two shifts operation after considering (i) the cooperation between the Group and BSC Group will be deepened as time goes by; and (ii) the Group is also required to obtain certain approval for being the manufacturer before producing such products. Therefore, one to two shifts were applied in the calculation of proposed annual cap for FY2024 and two shifts were applied in the calculation of proposed annual cap for FY2025.

Based on the proposed annual caps for FY2024 and FY2025 of US\$8 million and US\$10 million respectively; and annual production capacity of 210,000 units for FY2024 (being the mid-point of annual production capacity with one shift and two shifts) and 280,000 units for FY2025, the implied prices for providing manufacturing services would be approximately US\$36 to US\$38 per unit. The implied prices are close to the midpoint of the market price range for providing manufacturing services for similar products, according to the Statistics as provided by Frost & Sullivan. Therefore, we are of the view that the implied prices are justifiable.

In light of the above factors, we are of the view that the proposed annual caps in respect of the provision of the Manufacturing Services to the BSC Group for FY2024 and FY2025 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/income/cost arising from the transactions contemplated under the Master Collaboration Agreement. Consequently, we express no opinion as to how closely the actual revenue/income/cost arising from the transactions contemplated under the Master Collaboration Agreement will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the transactions contemplated under the Master Collaboration Agreement and the proposed annual caps, we are of the view that the terms of the transactions contemplated under the Master Collaboration Agreement are fair and reasonable.

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B. Master Service Agreement

Major terms of the transactions contemplated under the Master Service Agreement are set out below (details of which are set out under the section headed “Master Service Agreement” of the Board Letter):

Date

20 July 2023

Parties

(i) the Company; and (ii) Boston Scientific Group plc

Term

20 July 2023 to 31 December 2025

Major Terms

R&D Supporting Services: During the term of the Master Service Agreement, the Group may provide the BSC Group and vice versa any R&D Supporting Services as agreed by the Parties on the terms and conditions of the Master Service Agreement and any R&D Definitive Agreement (as defined below).

CSO Services: During the term of the Master Service Agreement, on a case-by-case basis, the Group may provide the BSC Group and vice versa the CSO Services as agreed by the Parties on the terms and conditions of the Master Service Agreement and any R&D Definitive Agreement.

R&D Definitive Agreement: Subject to the terms of the Master Service Agreement, for the purpose of implementing R&D Supporting Services arrangement and the CSO Services arrangement, any entity within the Group on one hand and any entity within the BSC Group on the other hand shall enter into a separate service request, confirmatory document, or other definitive agreement (i.e. the R&D Definitive Agreement) which shall include the service scope, the service period and such other necessary and customary terms and conditions in connection with the transactions contemplated under the Master Service Agreement.

Intellectual Property Rights: The Parties will enter into separate agreement(s) to govern any intellectual property rights which may arise from the R&D Supporting Services, which shall include, among other things, the ownership, utilization and commercialization of such intellectual property rights, any applicable license arrangements and/or such other terms and conditions that are customary in connection with the transactions contemplated therein.

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Pricing Policies

Pursuant to the Master Service Agreement, the Parties shall engage Frost & Sullivan or any other industry expert of international repute as agreed between the Parties as the independent industry consultant to issue an industry report (the “**Service Industry Report**”) within a reasonable period of time after obtaining the approval from the Independent Shareholders regarding the Master Service Agreement, which shall be updated by Frost & Sullivan or such other industry expert upon renewal of the Master Service Agreement or upon such shorter period as the Parties deem necessary with respect to a certain service, which shall contain, among other things, the customary fee arrangements of similar or comparable services between the service provider and the service recipient.

The service fee in relation to the R&D Supporting Services shall be paid by the Group and the BSC Group (as the case may be) pursuant to the terms of the R&D Definitive Agreement and shall be determined after arm’s length negotiation between the Parties with reference to the customary fee arrangements of similar or comparable services between the service provider and the service recipient as provided in the latest Service Industry Report.

The service fee in relation to the CSO Services shall be paid by the Group and the BSC Group (as the case may be) pursuant to the terms of the R&D Definitive Agreement and shall be determined after arm’s length negotiation between the Parties, with reference to the customary fee arrangements of similar or comparable services between the principal and its CSOs as provided in the latest Service Industry Report.

When a cost-plus arrangement is adopted for particular service, the Company will consider its cost for such service and the customary mark-up rate contained in the Service Industry Report in determining the service fee.

Our analyses:

Based on our independent research on continuing connected transactions conducted by other companies listed on the Stock Exchange involving acceptance or provision of services from/to their connected persons, we noted that comparing prices with those offered by/to independent third parties for the same/similar service is one of the commonly adopted pricing policies.

The pricing policies contemplated under the Master Services Agreement were principally based on customary fee arrangements or customary mark-up rate of similar or comparable services with other service providers, customers or CSOs, which are in line with the commonly adopted pricing policies adopted in continuing connected transactions conducted by other companies listed on the Stock Exchange.

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Upon our enquiry, the Directors advised us that the Parties intended to engage Frost & Sullivan as independent industry consultant to conduct the above-mentioned market research. As also confirmed by the Directors, should the Company intend to engage an industry consultant other than Frost & Sullivan, the Company will assess the background, experience, reputation, manpower, etc. of the potential industry consultant and such engagement will be finally approved by senior management of the Company. Under this arrangement, we are of the view that the Group will be able to obtain the market information on relevant pricing by making reference to the industry report.

Moreover, we also understood that the Company's business development department or commercial team, consisting of experienced staffs in the medical device sector, will monitor the market conditions and conduct market search, based on their experience, every half year or in exceptions cases to collect market information on relevant target markets by checking official tendering websites, i.e. the Sunshine Purchase (陽光採購) websites and other official tendering websites then and communicating with other customers/suppliers of the Group. If the business development department or the commercial team notes that the profit sharing mechanisms of similar or comparable products or the customary fee arrangements of similar or comparable services (as applicable) contained in the Collaboration Industry Report and the Service Industry Report materially deviates from the latest market practice and such deviation becomes less favorable to the Company, further actions will be taken. We consider that the Group is able to obtain the latest market information under this arrangement.

Having considered above factors, in particular, (i) pricing of services contemplated under the Master Service Agreement will be determined based on prices for comparable services, the information of which will be sourced from latest industry report issued by Frost & Sullivan (or any other industry expert of international repute as agreed between the Parties); and (ii) comparing prices with those offered by/to independent third parties for the same/similar services is one of the commonly adopted pricing policies in continuing connected transactions conducted by other companies listed on the Stock Exchange, we are of the view that pricing policies contemplated under the Master Service Agreement are on normal commercial terms and are fair and reasonable.

Internal Control Policies

We understood that the Group formulated certain internal control rules to ensure the fairness pricing of the Transaction. Details of the internal control rules are set out in the section headed "Internal Control Measures" of the Board Letter.

Having considered that (i) the business development department or the commercial team of the Company will discuss with Frost & Sullivan or any other industry expert of international repute who will prepare the Collaboration Industry Report and the Service Industry Report and review those industry reports (including the bases and assumptions thereof); (ii) the industry report may be updated on an ad-hoc basis should the profit sharing mechanisms of similar or comparable products or the customary fee arrangements

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of similar or comparable services (as applicable) contained in the Collaboration Industry Report and the Service Industry Report materially deviates from the latest market practice and subject to the further discussion between the management of the Company (after consulting with relevant industry expert) and BSC Group; (iii) there will be various departments involving in the internal control procedures; and (iv) the background and experience of Frost & Sullivan as mentioned above, we are of the view that the effective implementation of the internal control policies would help to ensure fair pricing of the transactions contemplated under the Master Service Agreement.

In addition, we also noted that the financial team and legal team of the Company will monitor the transaction amounts for the continuing connected transactions under the Framework Agreements and there will be further actions to be taken if the transaction amount exceeds a threshold. We consider this arrangement will ensure that the proposed annual caps of the transactions contemplated under the Master Service Agreement not being exceeded. As stated in the sub-section headed “Internal control policies” under the section headed “Master Collaboration Agreement” above, we do not doubt the effectiveness of the implementation of the internal control policies.

Proposed Annual Caps

Set out below are the proposed annual caps of the transactions contemplated under the Master Service Agreement:

	For the period from 20 July 2023 to 31 December 2023 US\$	For the year ending 31 December 2024 US\$	For the year ending 31 December 2025 US\$
Provision of R&D Supporting Services and CSO Services by the Group to the BSC Group	60,000,000	110,000,000	145,000,000
Receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group	50,000,000	90,000,000	120,000,000

The proposed annual caps set out above were determined based on the factors as set out under the sub-section headed “Proposed Annual Caps and Basis of Annual Caps” under the section headed “Master Service Agreement” of the Board Letter.

With reference to the Board Letter, there was no historical transaction between the Group and the BSC Group with respect to the transactions contemplated under the Master Service Agreement.

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To assess the fairness and reasonableness of the proposed annual caps for the period from 20 July 2023 to 31 December 2025, we conducted the following works and analyses:

The Directors advised that they mainly considered the estimated expenditure of R&D Supporting Services for the determination of proposed annual caps of the transactions contemplated under the Master Service Agreement for the period from 20 July 2023 to 31 December 2025.

Upon our request, the Directors advised us the estimated expenditure on R&D Supporting Services per project with similar scope. We noted that the estimated expenditure on R&D Supporting Services per project is close to the midpoint of the research and development expenditure per project (for most innovative interventional medical device companies) range (i.e. US\$20 million to US\$50 million), according to the Statistics as provided by Frost & Sullivan. Therefore, we are of the view that the estimated expenditure on R&D Supporting Services per project is justifiable.

The Company further provided us the estimated number of BSC Group's projects which require the R&D Supporting Services. We noted that such number of projects was estimated with reference to number of BSC Group's operating business segments and their components (i.e. five operating segments with eight components) according to BSC's annual report for FY2022.

Based on the above, the estimated amounts of provision of R&D Supporting Services by the Group to the BSC Group would be amounted to US\$286.4 million in total for the three years ending 31 December 2025.

In addition, the Company adopted a buffer of 10% on the abovementioned estimated amounts to determine the proposed annual caps. Having considered (i) that unexpected circumstances may take place during the period from 20 July 2023 to 31 December 2025 (e.g. the actual number of R&D projects being more than the estimated number of R&D projects, the expenditure of R&D Supporting Services being higher than the estimated amounts, the demand of CSO Services, etc.); and (ii) that other Hong Kong listed companies' circulars regarding continuing connected transactions had buffer of 10% in proposed annual caps are common among companies listed on the Stock Exchange, we consider the buffer to be acceptable. Therefore, we consider the total estimated amounts of R&D Supporting Services and CSO Services to be provided by the Group to the BSC Group in total for the period from 20 July 2023 to 31 December 2025 to be justifiable.

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In respect of the estimated amount of receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group for the period from 20 July 2023 to 31 December 2025, the Directors mainly took into account the methodology of estimated amount of provision of R&D Supporting Services and CSO Services by the Group to the BSC Group for the period from 20 July 2023 to 31 December 2025 (i.e. US\$315 million). The total estimated amount of receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group for the period from 20 July 2023 to 31 December 2025 (i.e. US\$260 million) is less than the estimated amount of provision of R&D Supporting Services and CSO Services by the Group to the BSC Group for the period from 20 July 2023 to 31 December 2025 (i.e. US\$315 million). Based on our discussion with the Directors, we understood that the estimated amount of receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group for the period from 20 July 2023 to 31 December 2025 was calculated based on (i) the estimated number of projects (i.e. eight) for the R&D Supporting Services to be provided by BSC Group, which was determined with reference to number of BSC Group's operating business segments and their components (i.e. five operating segments with eight components) according to BSC's annual report for FY2022 as the Group expected to cooperate with BSC Group in such fields; (ii) less estimated expenditure on R&D Supporting Services per project was adopted (which is close to one quartile of the research and development expenditure per project (for most innovative interventional medical device companies) range (i.e. US\$20 million to US\$50 million)) having considered the expected support from BSC; and (iii) a buffer of 10% was adopted on the results of (i) and (ii). Therefore, we consider the total estimated amounts of receipt of R&D Supporting Services and CSO Services by the Group from the BSC Group in total for the period from 20 July 2023 to 31 December 2025 to be fair and reasonable.

The estimated expenditure to be incurred for the 2023 Period, FY2024 and FY2025 for both of the above accounted for approximately 20%, 35% and 45% of the total estimated expenditure amounts in total for the period from 20 July 2023 to 31 December 2025. As advised by the Directors, the aforesaid distribution was mainly due to their understanding on that higher proportion of R&D expenditure of projects will normally be incurred at later stage of R&D progress, which is also confirmed by Frost & Sullivan.

Based on the above, we are of the view that the proposed annual caps for the transactions contemplated under the Master Service Agreement for the period from 20 July 2023 to 31 December 2025 are fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/income/cost arising from the transactions contemplated under the Master Service Agreement. Consequently, we express no opinion as to how closely the actual revenue/income/cost arising from the transactions contemplated under the Master Service Agreement will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the transactions contemplated under the Master Service Agreement and the proposed annual caps, we are of the view that the terms of the transactions contemplated under the Master Service Agreement are fair and reasonable.

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Listing Rules Implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the proposed annual caps; (ii) the terms of the Transactions (together with the proposed annual caps) must be reviewed by the independent non-executive directors annually; and (iii) details of the independent non-executive directors' annual review on the terms of the Transactions (together with the corresponding the proposed annual caps) must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps.

In the event that the total amounts of the Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including the proposed annual caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions (including the proposed annual caps) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

Name of Director	Capacity/Nature of interest	Total number of Shares/underlying Shares held ⁽¹⁾	Approximate percentage of shareholding interest in the Company (%) ⁽¹⁾
Ms. Jing LI ("Ms. Li")	Controlled corporation ⁽²⁾	36,127,456 (L)	11.53
Mr. Silvio Rudolf SCHAFFNER ("Mr. Schaffner")	Beneficial owner	807,078 (L)	0.26

Notes:

- (1) As at the Latest Practicable Date, the Company had issued 313,389,171 Shares in total. The letter "L" denotes the person's long position in the Shares.
- (2) Cosmic Elite Holdings Limited is a subsidiary owned as to 95.31% by Nexus Partners Group Limited. Nexus Partners Group Limited is wholly owned by Vistra Trust (Singapore) Pte. Limited (as the trustee of Joy Avenue Family Trust which was established by Ms. Li as the settlor). The voting rights attached to the Shares held by Sino Fame Ventures Limited ("**Sino Fame**") are vested with Ms. Li. Therefore, Ms. Li is deemed to be interested in the 18,391,016 Shares held by Cosmic Elite Holdings Limited, 7,208,000 Shares in which Cosmic Elite Holdings Limited is interested as the holder of equity derivatives, and 10,528,440 Shares held by Sino Fame under the SFO.

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

Name of Director	Associated corporation	Capacity/Nature of interest	Total number of shares/underlying shares held in the associated corporation	Approximate percentage of shareholding interest in the associated corporation (%)
Mr. Arthur Crosswell BUTCHER	Boston Scientific Corporation	Beneficial owner	387,920 (L)	0.03
Ms. June CHANG	Boston Scientific Corporation	Beneficial owner	169,363 (L)	0.01

Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors is a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any business that constitutes or may constitute a competing business of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTEREST

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. QUALIFICATION OF EXPERTS AND CONSENT

The qualification of the experts who have given opinions or advices in this circular is as follow:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Frost & Sullivan	Industry consultant

As at the Latest Practicable Date, the expert mentioned above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors have confirmed that there is no material adverse change in the financial or trading position of the Company since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

A copy of each of the following documents will be available on display online on the Stock Exchange's website and on the Company's website from the date of this circular up to and including the date of the EGM:

- (a) the written consents of Gram Capital and Frost & Sullivan, which were referred to in the section headed "Qualification of Experts and Consent" in this appendix;
- (b) the Master Collaboration Agreement; and
- (c) the Master Service Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Acotec Scientific Holdings Limited
先瑞達醫療科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6669)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of the Company will be held at 10 a.m. on Friday, August 11, 2023 at Conference Room Dhalia, 6/F., Office Building, 16 North Hongda Road, Beijing Economic-Technological Development Area, Beijing, PRC for the following purpose:

Ordinary Resolutions

1. “That:
 - (A) the Master Collaboration Agreement entered into between the Company and BSG dated July 20, 2023, a copy of which is tabled at the meeting and marked “A” and initialed by the chairperson of the meeting for identification purpose, the terms thereof and the continuing connected transaction contemplated thereunder together with the proposed annual caps, be and are hereby approved, ratified and confirmed;
 - (B) the Master Service Agreement entered into between the Company and BSG dated July 20, 2023, a copy of which is tabled at the meeting and marked “B” and initialed by the chairperson of the meeting for identification purpose, the terms thereof and the continuing connected transaction contemplated thereunder together with the proposed annual caps, be and are hereby approved, ratified and confirmed; and
 - (C) any one Director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in the Framework Agreements.”

Yours faithfully

By order of the Board

Acotec Scientific Holdings Limited

Jing LI

*Chairperson of the Board, Executive Director and
Chief Executive Officer*

Hong Kong, July 28, 2023

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Notes:

- i. **A form of proxy (the “Proxy Form”) containing the resolutions under item numbered 1 has been enclosed with the circular of the Company dated July 28, 2023 (the “Circular”). Please refer to the section headed “Notice of Extraordinary General Meeting” on pages 62 to 63 of the Circular for arrangements on the completion and submission of the Proxy Form.**
- ii. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed Proxy Form in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.
- iii. Completion and return of the Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the Proxy Form shall be deemed to be revoked.
- iv. All times and dates referred to in this notice refer to Hong Kong times and dates.

As at the date of this notice, the executive Directors are Ms. Jing LI and Mr. Silvio Rudolf SCHAFFNER, the non-executive Directors are Mr. Arthur Crosswell BUTCHER and Ms. June CHANG, and the independent non-executive Directors are Dr. Yuqi WANG, Ms. Hong NI and Ms. Kin Yee POON.

SCHEDULE
INITIAL LIST OF ACOTEC SELECTED PRODUCTS

1. AcoArt Orchid[®] & Dhalia[®]/Orchid Plus
2. AcoArt Tulip[®] & Litos[®]
3. AcoArt Iris[™] & Jasmin[™]
4. AcoArt Lily[™] & Rosmarin[™]
5. AcoStream[™] Peripheral Aspiration System
6. AcoArt Cedar[®] Radiofrequency Ablation System
7. Vericor[®] Peripheral Support Catheter
8. P-Conic PTA Balloon
9. YAN Semi-Compliant PTCA Balloon
10. AcoArt Orchid[®] & Dhalia[®]/Orchid Plus (DCB) – AV Fistula
11. Neo-Skater[®] – Intracranial PTA Balloon