

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), MicroPort will, through its wholly owned subsidiary, MP Scientific, be indirectly interested in approximately [REDACTED]% of the total share capital of our Company. Accordingly, MicroPort and MP Scientific will be our Controlling Shareholders under the Listing Rules.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

MicroPort, together with its subsidiaries, is a leading medical device company focusing on innovating, manufacturing and marketing high-end medical devices whose shares have been listed on the Main Board of the Stock Exchange since 2010 (stock code: 853). MicroPort maintains world-wide operations in a broad range of business segments. As of December 31, 2020, MicroPort has eight major business segments: cardiovascular devices, orthopedics devices, cardiac rhythm management, endovascular and peripheral vascular devices, neurovascular devices, heart valve devices, surgical robot and surgical devices, offering more than 300 varieties of medical devices, and provides nearly 300 medical solutions to doctors and patients in more than 10,000 hospitals across over 80 countries or regions. MP Scientific is an investment holding company wholly owned by MicroPort.

DELINEATION OF BUSINESS

There is clear delineation between the businesses of the MicroPort Group (the “**Retained Business**”) and our business. The table below sets forth the principal business of our Group and the Retained Business undertaken by the MicroPort Group:

Our Group:	R&D manufacturing and commercialization of neuro-interventional medical devices for neurovascular diseases including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke (the “ Principal Business ”)
The MicroPort Group:	(i) cardiovascular devices business offering products and services for the interventional treatment of coronary artery related diseases (the “ Cardiovascular Business ”); (ii) orthopedics devices business offering an extensive range of products that includes reconstructive joints, spine, trauma and other professional implants and equipment (the “ Orthopedics Business ”); (iii) cardiac rhythm management business focusing on solutions for the management of cardiac rhythm disorders and heart failure. It offers devices that monitor patient cardiac information in order to (a) identify abnormal heart conditions such as bradycardia and tachy-arrhythmia; and (b) apply electrical pulses and shocks to prevent or treat such abnormal conditions (the “ CRM Business ”); (iv) endovascular and peripheral vascular devices business offering a range of products and services for the interventional treatment of thoracic and abdominal aortic aneurysm, peripheral vascular disease, aortic dissection and other endovascular related diseases (the “ EV Business ”). The MicroPort Group carries on the EV Business through a non-wholly owned subsidiary, Shanghai

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MicroPort Endovascular MedTech (Group) Co., Ltd. (上海微創心脈醫療科技 (集團) 股份有限公司) (“**MicroPort Endovascular**”), which shares are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code:688016);

- (v) heart valve devices business focusing on the R&D manufacturing and sale of devices treating valvular heart diseases (the “**Heart Valve Business**”). The MicroPort Group carries on the Heart Valve Business through a non-wholly owned subsidiary, MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司) (“**MicroPort CardioFlow**”), which shares are listed on the Main Board of the Stock Exchange (stock code: 2160);
- (vi) the surgical robots business focusing on the research, development and commercialization of surgical robots that are used to assist surgeons to perform surgical procedures (the “**Surgical Robot Business**”). The MicroPort Group carries on the Surgical Robot Business through a non-wholly owned subsidiary, Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人 (集團) 股份有限公司), whose shares are listed on the Main Board of the Stock Exchange (stock code: 2252); and
- (vii) surgical devices business focusing on extracorporeal circulation products used for cardiac surgery and occlusion series products used for congenital heart disease (the “**Surgical Devices Business**”).

As illustrated above, the MicroPort Group focuses on different types of medical devices that are of different nature and have different applications from those of our Principal Business. Our Group provides neuro-interventional medical devices for neurovascular diseases including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke. The business of our Group is not related to the businesses of the MicroPort Group. The products of our Group and the MicroPort Group are not interchangeable, nor are they complementary. The following sets forth further illustration on the differences between our Principal Business and the Retained Business.

<u>Business</u>	<u>Key products, services and/or business activities</u>	<u>Nature of key products</u>	<u>Technical requirement</u>	<u>Treatment of relevant diseases</u>	<u>Applications</u>
Principal Business	Neuro-interventional medical devices for neurovascular diseases	See “Business—Our Product Portfolio.”	See “Business—Our Product Portfolio.”	Neurovascular diseases including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke.	See “Business—Our Product Portfolio.”

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Cardiovascular Business	Coronary stent system	Through implantation of stent in the coronary artery for the treatment of coronary artery stenosis; stent coated with the drug rapamycin can effectively inhibit the proliferation and migration of smooth muscle cells and prevent the reoccurrence of stenosis at the same location.	Combining drug loading stent design and drug-eluting stent body, drug and formula design, the cycle of drug release are the key technical requirements.	Coronary heart diseases caused by artery stenosis and restenosis, myocardial infarction. Open the narrowed artery, restore blood flow and prevent the recurrence of the treated vessel narrow or blockage.	Implantation in the stenosis site of coronary artery.
Orthopedics Business	Joint replacement and internal spinal, trauma fixation products	Surgically implanted prosthesis to replace defected hip, knee; internal fixation devices surgically implanted to treat, stabilize the spine and limb fractures and other orthopedics injuries.	Implant design, material selection, surface treatment and manufacturing process.	Osteoarthritis of the knee; hip fracture or femoral head necrosis; hip deformity; extremity long bone fracture; spinal trauma; spinal degenerative diseases and tumors.	Implants for partial or complete hip or knee replacement; limbs long bone; cervical, thoracic, lumbar and pelvis.
CRM Business	Management of cardiac rhythm disorders and heart failure and implantable pacemaker	Through implantation of pacemaker to generate electrical impulses with certain frequency of pulse current stimulates the myocardium contacted by the electrode treating bradycardia.	Low-power hardware platform design of the pacemaker, automated and physiological pacing algorithms, pacemaker assembly process.	Bradycardia due to abnormal cardiac electrical conduction in the ventricle or atrium, including sick sinus syndrome, AV block.	Implantation in ventricle and atrium.

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Heart Valve Business	VitaFlow™ and VitaFlow™ Liberty transcatheter aortic valve and its delivery system.	Self-expanding nitinol frame bovine pericardial valve leaflets, double-layer PET skirt and motorized handle.	Anti-calcification treatment of the bovine pericardium, high radial force of the frame, durability of the valve, low incidences after implantation and ease of use of the motorized delivery system.	Valvular heart diseases, in particular aortic stenosis, mitral regurgitation and tricuspid regurgitation.	Using artificial aortic valve to replace the natural aortic valve in human body for the treatment of heavy aortic stenosis.
EV Business	Thoracic and abdominal aortic stent-graft	Through implantation of stent-graft in the thoracic and abdominal aortic artery to exclude (isolate) aortic aneurysms and prevent aneurysm rupture.	The stent-graft is made of Nitinol alloy stent and Dacron graft with medical suture assembly. The key technology is to prevent stent-graft endoleak, migration and fully exclude aneurysm sac.	Thoracic and abdominal aneurysm, stent-graft implantation can isolate aortic aneurysms and prevent blood pressure from impacting the aneurysms, leading to vascular rupture and massive bleeding.	Implantation in the thoracic and abdominal aneurysm lesion.
	Peripheral products	Treatment of peripheral arterial or venous stenosis and occlusive lesions.	By dilating the stenosis lesions to reopen the vascular or by removing the thrombus in vessel through the thrombectomy device. The key technology is how to more effectively clear the blockage and avoid long-term restenosis caused by smooth muscle proliferation without damaging the intima.	Peripheral vascular arteriosclerosis, iliac vein compression syndrome, deep vein thrombosis, pulmonary thrombosis.	Peripheral vascular arteriosclerosis, iliac vein compression syndrome, deep vein thrombosis, pulmonary thrombosis.

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Surgical Robot Business	Surgical robots	Surgical robots applied in surgeries to enable greater operative precision and less invasiveness.	Robot ontology, control algorithms, electrical engineering, image-based navigation and precision imaging.	For application in surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous procedures.	Assisting surgeons in performing complex surgical procedures.
Surgical Devices Business	Products required for surgical bypass surgery, including membrane oxygenator (Membrane Oxygenation System), Hollow Fiber Hemofilter, Arterial Filter and Suction Catheters.	Artificial piping to connect the arteries and the artificial heart-lung machine to enable oxygenation of blood in cardiac surgery to replace short-term heart and lung function.	Oxygenation performance, temperature performance, and pre-charge priming pressure loss.	The need for human blood oxygenation exchange conditions apply to bypass surgery and organ transplant, cardiac arrest, respiratory surgery, accident and emergency rescue.	Application for surgical bypass surgery by connecting membrane oxygenator to heart of patient and artificial heart-lung machine.

Given that there is a clear delineation between the businesses of our Group and the MicroPort Group, our Directors are of the view that the Retained Business does not compete and is unlikely to compete, directly or indirectly, with our Group’s business.

As of the Latest Practicable Date, none of our Controlling Shareholders and Directors had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

For reasons set out below, we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [REDACTED].

Management Independence

Our Board comprises two executive Directors, three non-executive Directors, and three independent non-executive Directors. Save for our two non-executive Directors, namely Mr. Peng Bo, who is currently serving as the chief marketing officer of Shanghai MicroPort Medical, the chairman of MicroPort Endovascular and the chairman of the Greater China Executive Committee of MicroPort, and Ms. Wu Xia, who is currently serving as a non-executive director of MicroPort CardioFlow, none of our Directors or members of our senior management team holds any position in our Controlling Shareholders or their respective close associates.

Despite their overlapping roles, Mr. Peng Bo and Ms. Wu Xia as our non-executive Directors will not be involved in the day-to-day management and operations of our businesses. Our executive Directors and senior management team will carry out the business operations of our Group independently from our Controlling Shareholders and their respective close associates.

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Each of the Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is any potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the [REDACTED].

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [REDACTED]. Our Group is able to operate without reliance on our Controlling Shareholders and their respective close associates.

R&D

We have our own R&D center which is independent from the R&D centers of our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, our R&D center comprised over 100 members, who are all full-time employees of our Group and do not hold any position in our Controlling Shareholders or their respective close associates. In addition, as of the Latest Practicable Date, we had 117 registered patents in the PRC and other countries for our R&D and operations. With such independent R&D center, an experienced and independent R&D team and self-owned patents, our Group has all the requisite resources to carry on our R&D process independently.

Customers, sales and marketing/distribution

We have our independent sales and marketing teams. Members of our marketing team were recruited by our Group independently.

There is no cross-selling between our Controlling Shareholders (including their respective close associates) and our Group. We do not rely on our Controlling Shareholders and their respective close associates as a source of its sales and we do not sell our products through our Controlling Shareholders and their respective close associates.

Both our Controlling Shareholders (including their respective close associates) and our Group adopt a sales model through the appointment of distributors, in line with the industry norm. For the three years ended December 31, 2020 and the eight months ended August 31, 2021, our Group had 89, 79, 60 and 17 distributors, respectively, out of which 14, 13, 18 and 11 were overlapping distributors with the MicroPort Group. There is no reliance of our Group on the overlapping distributors, having taken into account, (i) the total transaction amount to the overlapping distributors accounted for approximately 20.1%, 11.0%, 33.1% and 42.4% of our total sales for the three years ended December 31, 2020 and the eight months ended August 31, 2021, respectively; (ii) these overlapping

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distributors were selected by our Group and the MicroPort Group independently; (iii) the sales of the MicroPort Group and our Group through the overlapping distributors are not bundled with each other and are not irreplaceable; and (iv) our Group may appoint other distributors offering comparable quality and standard of services with similar terms through selection process.

The distribution of medical devices in the PRC is generally carried out by national platforms distributors which carry a comprehensive range of medical devices and products with nationwide coverage, and regional distributors which carry a smaller range of products with focus on specific regions. We shifted our strategy from distributing our products through regional distributors to distributing through large scale and reputable platform distributors with sufficient capital resources, strong logistics capacity and nationwide coverage. These overlapping large scale and reputable platform distributors are equipped with strong capital strength, professional experience and efficient supply chain and logistics, and are qualified to distribute medical devices used to treat various diseases (including the products of the MicroPort Group and our products). The shift of distribution strategy is also in line with our business expansion during the Track Record Period. The number of our commercialized products increased from four in 2018 to five in 2019, to eight in 2020 and further to nine in 2021.

Among the 14, 13, 18 and 11 overlapping distributors, 2, 3, 5 and 4 are large-scale and reputable platform distributors and the transaction amount to these overlapping large-scale and reputable platform distributors accounted for approximately 91.2%, 78.3%, 94.2% and 94.2% of the total transaction amount to the overlapping distributors for the three years ended December 31, 2020 and for the eight months ended August 31, 2021, respectively. The transaction amount from our Group to each of these overlapping large-scale and reputable platform distributors only accounts for a small proportion of their respective total sales amount. Set out below are the items distributed through the overlapping distributors.

Hemorrhagic Stroke Therapeutic Products

For the three years ended December 31, 2020 and the eight months ended August 31, 2021, we had 4, 4, 14 and 10 overlapping distributors, respectively, engaged in distribution of our hemorrhagic stroke therapeutic products, including *NUMEN*, *NUMEN FR*, *Tubridge* and *Willis*. Such transactions accounted for approximately 93.0%, 78.9%, 43.6% and 44.2% of our total sales through overlapping distributors for the three years ended December 31, 2020 and for the eight months ended August 31, 2021, respectively.

Cerebral Atherosclerotic Stenosis Products

For the three years ended December 31, 2020 and the eight months ended August 31, 2021, we had 4, 4, 4 and 3 overlapping distributors, respectively, engaged in distribution of our cerebral atherosclerotic stenosis products, including *APOLLO* and *Bridge*. Such transactions accounted for approximately 1.5%, 5.0%, 8.5% and 27.8% of our total sales through overlapping distributors for the three years ended December 31, 2020 and for the eight months ended August 31, 2021, respectively.

Access Products

For the three years ended December 31, 2020 and the eight months ended August 31, 2021, we had 6, 6, 5 and 9 overlapping distributors, respectively, engaged in distribution of our access products,

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including Asahi guidewires, *Fastrack* and *U-track*. Such transactions accounted for approximately 5.5%, 16.1%, 47.8% and 28.0%, respectively, of the our total sales through overlapping distributors for the three years ended December 31, 2020 and for the eight months ended August 31, 2021, respectively.

While the products of the MicroPort Group and our Group have overlapping customers, our products form a totally different market segment from the MicroPort Group’s products. Given that the medical devices are used to treat different diseases and there are differences in the nature and applications of the products in different departments of the hospitals, the MicroPort Group and our Group have different requirements for distributors. We negotiate our engagement terms, and enter into agreements with the distributors independently from the MicroPort Group. The sales agreements of the MicroPort Group and our Group are not bundled together, and neither the MicroPort Group nor our Group will generate any benefits by virtue of the sales of the other to the overlapping customers.

Production

We have our own production facilities, which are different from and not interchangeable with the production facilities of our Controlling Shareholders and their respective associates. We have our own production team dedicated to our production and operating process. The production facilities are operated by our own production team and we do not rely on our Controlling Shareholders and their respective close associates for our production.

Suppliers/ procurement

We procure parts and materials used in R&D and manufacturing independently. We have a separate procurement team and run our election and procurement process independently from our Controlling Shareholders and their respective close associates. There are overlapping suppliers between our Group and our Controlling Shareholders and their respective close associates. For the three years ended December 31, 2020 and for the eight months ended August 31, 2021, we had 77, 69, 130 and 105 overlapping suppliers with the MicroPort Group, respectively. The total transaction amount for the overlapping suppliers accounted for approximately 24.9%, 31.1%, 69.3% and 55.3%, respectively, of our Group’s total procurement amount for the corresponding periods. These overlapping suppliers were selected by our Group and the MicroPort Group independently. Due to the following reasons, our Directors are of the view that procurement from overlapping suppliers does not result in any reliance on our Controlling Shareholders and their respective close associates:

- (a) we have full discretion to select our suppliers, and all the transactions between our Group and the overlapping suppliers are negotiated independently from our Controlling Shareholders and their respective close associates;
- (b) most of the overlapping suppliers were suppliers of raw materials (including some low-value raw materials) such as coils, tubes and other standard parts. For the three years ended December 31, 2020 and for the eight months ended August 31, 2021, we had 67, 67, 102 and 77 overlapping suppliers for the procurement of raw materials and standard parts and such transactions accounted for approximately 73.7%, 99.8%, 90.2% and 20.7%, respectively, of our total procurement amount from our overlapping suppliers with the MicroPort Group. The majority of these overlapping suppliers are reputable suppliers,

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which are professional and provide sufficient quality assurance in the industry and the purchases from the overlapping suppliers were made after considering the product quality and service quality based on their track record with our Group. Asahi Intecc (one of our major suppliers) became one of the overlapping suppliers as MicroPort Endovascular made an one-off procurement from Asahi Intecc at a transaction amount of US\$1,400 in 2020, which led to the increase in the procurement amount of key materials and standard parts from overlapping suppliers in 2020. Except for 2020, the majority of the raw materials and standard parts procured from the overlapping suppliers are materials and parts for non-key and peripheral supporting functions for our business for the three years ended December 31, 2020 and for the eight months ended August 31, 2021, and are readily available from alternative suppliers in the market at comparable prices, quality and terms as the overlapping suppliers;

- (c) the remaining overlapping suppliers mainly provide general parts for localized production (including plant construction and decoration) and common non-medical equipment automation parts (including laser welding machine and braiding machine). We commenced the construction of our new production facilities with a total GFA of approximately 7,000 sq.m. in 2021 to expand our production capacity. Since the supplier candidates of construction and decoration materials in the supplier list of the MicroPort Group have already passed its strict selection process and are believed to be able to supply high quality products at competitive prices, we consider it commercially sensible and time-efficient to collect quotes from them and compare with the terms offered by other supplier candidates, which led to an increase in the one-off or piecemeal procurement of construction and decoration materials and parts from overlapping suppliers in 2021. The majority of these overlapping suppliers are reputable suppliers, which are professional and provide sufficient quality assurance in the industry;
- (d) the purchase agreements for the parts and materials in R&D and production of our Group and our Controlling Shareholders and their respective close associates are not bundled together. We do not have packaged deal with our Controlling Shareholders and/or their respective close associates in procurement, or vice versa;
- (e) while the types of materials supplied by the overlapping suppliers to our Controlling Shareholders and their respective close associates are similar to those supplied to our Group, they differ in their specifications and usage. The raw materials such as polymeric materials and wires procured by our Group normally have smaller specifications and are used in R&D and production of our products that are of different nature and have different applications from those of our Controlling Shareholders and their respective close associates; and
- (f) the procurement amount from each overlapping supplier is relatively low. The low supplier concentration minimizes the risk that may be caused by potential change of any single supplier.

Administrative Support

We have independent R&D center and production facilities, full-time management team and staff to carry out our own administration and operation independent from our Controlling

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Shareholders and their respective close associates. Save for the administrative support services as set out in the section headed “Connected Transactions—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders’ Approval Requirement”, all key administrative functions will be carried out by our own team without reliance or the support of our Controlling Shareholders and their respective close associates.

Continuing connected transactions with our Controlling Shareholders

The section headed “Connected Transactions” in this document sets out the continuing connected transactions between our Group and our Controlling Shareholders or their associates which will continue after the completion of the [REDACTED]. The terms of all such transactions will be determined after arm’s length negotiations and on normal commercial terms. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Financial Independence

As of the Latest Practicable Date, our Group did not have any outstanding loans, advances or balances due to or from our Controlling Shareholders or their respective close associates or financial assistance arrangement with our Controlling Shareholders or their respective close associates, and our Group had not provided any guarantee in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it fully comprehends its obligations to act in our Shareholders’ best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

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- (c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to “Directors and Senior Management—Board of Directors—Independent non-executive Directors” in this document;
- (d) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors’ duties and corporate governance; and
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.