

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, the directors, substantial shareholders and chief executive of our Company and our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was a director of our Company or our subsidiaries within 12 months preceding the [REDACTED] and any of their respective associates will be connected persons of our Company upon [REDACTED].

Our Group [has entered into] certain continuing transactions with our connected persons in our ordinary and usual course of business. Upon completion of the [REDACTED], the transactions disclosed in this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

(A) CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

Trademark Licensing

On September 26, 2021, MP NeuroTech Shanghai, our principal operating subsidiary, entered into a master trademark licensing agreement (the “**Master Trademark Licensing Agreement**”) with Shanghai MicroPort Medical, pursuant to which Shanghai MicroPort Medical agreed to grant our Group a license to use certain “MicroPort” series of trademarks registered in the PRC (the “**Licensed Trademarks**”), either exclusively or non-exclusively, on a royalty-free basis for a perpetual term commencing on January 1, 2021, which is subject to the renewal of the licensed trademarks. The Licensed Trademarks, details of which are set out in “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights—(a) Trademarks” in Appendix IV to this document, contain “微創” and “MicroPort” word and graphic trademarks registered in the PRC which are not assignable since such marks under the “MicroPort” brand are continuously used by the members of the MicroPort Group as well.

We believe that entering into the Master Trademark Licensing Agreement with a term of more than three years can ensure the stability of our operations and is beneficial to us and our Shareholders as a whole. The Joint Sponsors are of the view that it is normal business practice for agreements of this type to be of such duration.

Shanghai MicroPort Medical is a wholly owned subsidiary of MicroPort, one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the [REDACTED].

As the right to use the licensed trademarks is granted to us on a royalty-free basis, the transactions under the Master Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM CIRCULAR AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENT

1. Procurement of Property Management Services

On [●], MP NeuroTech Shanghai [entered into] a master property management services agreement with MicroPort Sinica (the “**Master Property Management Services Agreement**”), pursuant to which MicroPort Sinica agreed to provide property management services to our Group, including but not limited to management and maintenance of communal buildings and public usage facilities (the “**Property Management Services**”) for our office and production area (the “**Property**”). The Master Property Management Services Agreement has a term commencing from the [REDACTED] until December 31, 2023.

As a result of the recent relocation of the offices and production facilities of our Group in the PRC, property management services for such premises are required. The entering into of the Master Property Management Services Agreement can ensure a safe, comfortable and tailored working environment for the employees of our Group. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Property Management Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

As the procurement of the Property Management Services commenced on January 1, 2022, there is no historical transaction amount in respect of the Property Management Services paid by MP NeuroTech Shanghai to MicroPort Sinica for each of the three years ended December 31, 2021.

The fees to be charged for the Property Management Services will be determined with reference to the prevailing market price, which shall be taken into account (i) the nature, area, age, infrastructure features, geographical location and neighborhood profile of the Property; (ii) the scope of the Property Management Services; and (iii) the anticipated operational costs including but not limited to labor costs, administrative costs and costs of materials. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party service providers.

It is estimated that the maximum transaction amounts in relation to the procurement of the Property Management Services for each of the two years ending December 31, 2023 will not exceed RMB1.40 million and RMB1.40 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the nature, area, age, infrastructure features, geographical location and neighborhood profile of the Property
- the scope of the Property Management Services; and
- the costs of the Property Management Services (primarily labor costs, administrative costs and costs of materials).

MicroPort Sinica is a wholly owned subsidiary of MicroPort, one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the

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transactions under the Master Property Management Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the [REDACTED].

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Property Management Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Property Management Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

2. Procurement of Catering Services

On [●], MP NeuroTech Shanghai [entered into] a master catering services agreement with MicroPort Sinica (the “**Master Catering Services Agreement**”), pursuant to which MicroPort Sinica and its subsidiaries agreed to provide or procure the provision of catering services to our Group, including but not limited to provision of (i) daily meals for our employees; and (ii) catering services for conferences and business meals (the “**Catering Services**”). The Master Catering Services Agreement has a term commencing from the [REDACTED] until December 31, 2023.

The entering into of the Master Catering Services Agreement is favorable to our Company as conducting the transactions thereunder will be conducive to reducing our Group’s operating costs and to obtaining convenient and quality services for our Group. Meanwhile, it could provide quality food and beverage services for our employees as part of their benefit package and to ensure quality food to be offered to the guests of our Group during its business functions. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Catering Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

As the procurement of the Catering Services commenced on January 1, 2022, there is no historical transaction amount in respect of the Catering Services paid by MP NeuroTech Shanghai to MicroPort Sinica for each of the three years ended December 31, 2021.

The fees to be charged for the Catering Services will be determined with reference to the prevailing market price, which shall be taken into account (i) the estimated number of our employees; (ii) the scope of the Catering Services; and (iii) the costs such as the labor costs and costs of materials. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party service providers.

It is estimated that the maximum transaction amounts in relation to the procurement of the Catering Services for each of the two years ending December 31, 2023 will not exceed RMB2.1 million and RMB3.0 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the estimated increase in number of our employees;
- the scope of the Catering Services; and
- the Catering Services costs (primarily labor costs and costs of materials).

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MicroPort Sinica is a wholly owned subsidiary of MicroPort, one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Catering Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the [REDACTED].

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Catering Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Catering Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

3. Procurement of Supporting Services

On [●], our Company [entered into] a master supporting services procurement agreement (the “**Master Supporting Services Procurement Agreement**”) with MicroPort, pursuant to which the MicroPort Group and its joint ventures and associates agreed to provide our Group certain supporting services, including but not limited to animal testing services, product testing services, simulation technical services, sterilization services and administrative support services (the “**Supporting Services**”). The Master Supporting Services Procurement Agreement has a term commencing from the [REDACTED] until December 31, 2023. In addition, in order to avoid leakage of our test data and/or information, as well as our sensitive business data, formulations or patent information during the provision of the Supporting Services, the Master Supporting Services Procurement Agreement contains, among others, confidentiality clauses, pursuant to which each party is required to keep all information received strictly confidential. Due to the strict implementation of information confidentiality measures, during the Track Record Period and up to the Latest Practicable Date, the procurement of the Supporting Services did not result in leakage of sensitive business data, formulas or patents of our Group.

Due to the long and close relationship between the MicroPort Group and our Group, the MicroPort Group is familiar with our specific requirements and expected deliverables, which helped to reduce communication costs, accumulate tacit knowledge of the provision of the Supporting Services and has enabled us to constantly procure the high-quality Supporting Services that met our specific requirements. As such, the entering into of the Master Supporting Services Procurement Agreement will enable us to constantly obtain the high-quality Supporting Services. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Supporting Services Procurement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2021, the transaction amounts for the procurement of the Supporting Services were approximately RMB2.4 million, RMB2.2 million and RMB3.9 million, respectively.

The fees for the Supporting Services are determined after arm’s length negotiations and mainly calculated based on the unit service fee and the expected services for each type of the Supporting

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Services required by our Group from MicroPort Group and its joint ventures and associates. The service fees are determined by taking into account (i) the procurement volume of each type of the Supporting Services; (ii) the prevailing market rate of similar services (having taken into account the nature, complexity and scope of the Supporting Services, the method of delivery and the anticipated operational costs including but not limited to labor costs and costs of materials used for providing the Supporting Services); and (iii) the fees charged for historical transactions of similar services. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party service providers.

It is estimated that the maximum transaction amounts in relation to the procurement of the Supporting Services for each of the two years ending December 31, 2023 will not exceed RMB5.0 million and RMB3.2 million, respectively.

The following factors were considered in arriving at the above annual caps:

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

The expected higher annual cap for the procurement of the Supporting Services for the year ending December 31, 2022 as compared to the historical transaction amounts during the Track Record Period is primarily due to the following reasons:

- the MicroPort Group updated the calculation methodology of the fee arrangement for the supporting R&D services by including the test site usage fee, which has been charged by the MicroPort Group since December 2021; and
- our increased demand of product testing services for our newly developed products’ R&D and commercialization.

The decrease in the relevant proposed annual caps is primarily due to our plans to establish our own product testing laboratory and to independently carry out product testing services going forward.

MicroPort is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supporting Services Procurement Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the [REDACTED].

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Supporting Services Procurement Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Supporting Services Procurement Agreement constitute continuing connected transactions for our Company which are

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subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

4. Procurement of Materials

On [●], our Company [entered into] a master materials procurement agreement (the “**Master Materials Procurement Agreement**”) with MicroPort, pursuant to which our Group agreed to procure from or procure through the MicroPort Group and its joint ventures and associates semi-finished products of stents and delivery systems and Rapamycin (the “**Materials**”) for use in our R&D and production of our products, including *APOLLO*, *Willis* and *Bridge*. The Master Materials Procurement Agreement has a term commencing from the [REDACTED] until December 31, 2023.

The Materials have been produced in high and stable quality standards that meet our R&D and production requirements. As such, the entering into of the Master Materials Procurement Agreement will enable us to constantly obtain the high-quality Materials. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Materials Procurement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2021, the total transaction amounts for the procurement of the Materials were approximately RMB11.6 million, RMB8.6 million and RMB10.8 million, respectively.

The fees for the procurement of the Materials are determined after arm’s length negotiations and mainly calculated based on the unit price and the procurement volume of each of the Materials. Given each of the Materials is readily available from independent third party suppliers at a comparable price, the prices for the procurement of the Materials are determined by taking into account (i) the prevailing market price of the materials of the similar specification, as well as the quality, volume, method of procurement, cost of procurement to the MicroPort Group and its joint ventures and associates (in respect of the Materials procured on our behalf); and (ii) the fees charged for historical transactions of similar materials. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party suppliers.

It is estimated that the maximum transaction amounts for the procurement of the Materials for each of the two years ending December 31, 2023 will not exceed RMB7.4 million and RMB6.6 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts in relation to the procurement of the Materials during the Track Record Period;
- the estimated demand for the Materials for the two years ending December 31, 2023; and
- the estimated price of the Materials to be charged by the MicroPort Group and its joint ventures and associates, which is based on the historical price.

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The decrease in the relevant proposed annual caps is primarily due to the following reasons:

- we started to independently produce semi-products of the stents; and
- we plan to source delivery systems from independent suppliers at similar quality and terms to those offered by the MicroPort Group and its joint ventures and associates.

MicroPort is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Materials Procurement Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the [REDACTED].

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Materials Procurement Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Materials Procurement Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

5. Leasing of Properties

On [●], MP NeuroTech Shanghai [entered into] a master property lease agreement (the “**Master Property Lease Agreement**”) with MicroPort, pursuant to which MP NeuroTech Shanghai agreed to lease certain premises to the MicroPort Group (the “**Premises**”) for office and/or production uses. The Master Property Lease Agreement has a term commencing from the [REDACTED] until December 31, 2023.

The MicroPort Group leased the Premises from our Group for office and/or production uses pursuant to the previous leasing agreement. The rent has been determined by MP NeuroTech Shanghai and the MicroPort Group with reference to the prevailing market rent of comparable properties in the area where the Premises are situated and the historical rent paid by the MicroPort Group to MP NeuroTech Shanghai for the lease of the Premises. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Property Lease Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2021, the transaction amounts for the lease of the Premises were nil and approximately RMB0.3 million and RMB1.1 million, respectively.

The amounts for the lease of the Premises are determined after arm’s length negotiations and mainly calculated based on the monthly rent and the lease term. The rent is determined by taking into account (i) the historical transaction amounts paid to MP NeuroTech Shanghai by the MicroPort Group for the lease of the relevant Premises; and (ii) the market rent of similar premises in proximity of those leased by the MicroPort Group from MP NeuroTech Shanghai.

It is estimated that the maximum transaction amounts in relation to the lease of the Premises for each of the two years ending December 31, 2023 will not exceed RMB1.9 million and RMB1.9 million, respectively.

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The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts payable to MP NeuroTech Shanghai by the MicroPort Group for the lease of the relevant Premises; and
- the prevailing market rates of the Premises in the same locality with similar scale and quality.

The expected higher annual cap for the lease of the Premises for the year ending December 31, 2022 as compared to the historical transaction amounts during the Track Record Period is primarily due to the number of the Premises leased by the MicroPort Group from MP NeuroTech Shanghai increased from one in 2020 to four in 2021, with one leasing commencing in May 2021.

MicroPort is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Lease Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the [REDACTED].

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Property Lease Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Property Lease Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

(C) APPLICATION FOR WAIVER

The transactions described in “—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders’ Approval Requirement” in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent shareholders’ approval requirement of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted] us, waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders’ Approval Requirement” in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the announcement requirement for which waiver from strict compliance with [has been] obtained, our Company will comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will apply for and obtain a separate waiver from the Stock Exchange.

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(D) DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in “—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders’ Approval Requirement” in this section have been and will be carried out: (i) in the ordinary and usual course of our business, (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions in “—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders’ Approval Requirement” in this section are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

(E) JOINT SPONSORS’ VIEW

The Joint Sponsors are of the view (i) that the continuing connected transactions described “—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders’ Approval Requirement” in this section have been and will be carried out in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.