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**Shanghai MicroPort MedBot (Group) Co., Ltd.**

**上海微创医疗机器人(集团)股份有限公司**

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

**(Stock Code: 2252)**

**CONTINUING CONNECTED TRANSACTION**

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



**CONTINUING CONNECTED TRANSACTION**

On 6 December 2022 (after trading hours), the Company and MicroPort entered into the Sales Framework Agreement, pursuant to which, the Group agreed to sell and the MicroPort Group agreed to purchase the Products, for the purposes of the commercialization and distribution of the Products in the relevant target markets, which includes (i) surgical robot equipment (namely Honghu (鴻鵠)); and (ii) surgical robot equipment supporting accessories and consumables.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, MicroPort is one of the controlling shareholders of the Company. Therefore, MicroPort is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Sales Framework Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the highest amount of the annual caps under the Sales Framework Agreement exceed 5%, the transactions contemplated under the Sales Framework Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## CONTINUING CONNECTED TRANSACTION

On 6 December 2022 (after trading hours), the Company and MicroPort entered into the Sales Framework Agreement, which sets out the principal terms for the sale of the Products by the Group to the MicroPort Group. The principal terms of the Sales Framework Agreement are set out below:

**Date:** 6 December 2022

**Parties:** (i) MicroPort, for and on behalf of its subsidiaries and associates; and  
(ii) the Company, for and on behalf of its subsidiaries.

**Scope:** The Group agreed to sell and the MicroPort Group agreed to purchase the Products, for the purposes of the commercialization and distribution of the Products in the relevant target markets, which includes (i) surgical robot equipment (namely Honghu (鴻鶴)); and (ii) surgical robot equipment supporting accessories and consumables.

**Term:** The term of the Sales Framework Agreement commences upon the obtaining the Independent Shareholders' approval at the EGM or from 1 January 2023 (whichever is the later) to 31 December 2025 (both days inclusive).

**Pricing and other terms:** The parties to the Sales Framework Agreement have agreed as follows:

- (i) the parties shall enter into specific agreements which will set out the necessary terms and conditions for the relevant transactions contemplated under the Sales Framework Agreement in the ordinary course of business after arm's length negotiations on normal commercial terms; and
- (ii) such specific agreements shall conform with the principles and provisions set out in the Sales Framework Agreement.

**Annual caps:**

Pursuant to the Sales Framework Agreement, it is proposed that the annual caps for the transactions contemplated thereunder for the three years ending 31 December 2025 are expected not to exceed the following:

|                    | <b>For the year ending 31 December</b> |             |             |
|--------------------|--|-------------|-------------|
|                    | <b>2023</b>                            | <b>2024</b> | <b>2025</b> |
|                    | <i>(RMB in millions)</i>               |             |             |
| <b>Annual caps</b> | <u>80</u>                              | <u>150</u>  | <u>215</u>  |

There was no historical transaction between the Group and the MicroPort Group with respect of the sale of the Products. After taking into account of the commercialization plan for each stage upon the listing of Honghu (鴻鵠) with the benefit of the rapid clinical demand for orthopedic surgical robot, the excellent quality of PRC's surgical robot proven by clinical trial, the proposed annual caps for the transactions contemplated under the Sales Framework Agreement were determined after considering the following factors:

- (i) the price of the Products based on the pricing policy as more particularized in the section headed "Pricing Policy" below;
- (ii) the estimated number of the installation of joint replacement surgical robot in the USA, for the three years ending 31 December 2025 provided by Frost & Sullivan, as the largest market for the orthopedics surgical robots, the USA market represents a market share of over half of the global market;
- (iii) the estimated global installation of Honghu (鴻鵠) based on (A) the estimated global market share of Honghu (鴻鵠) (based on (a) the global market share of orthopedics business of the MicroPort Group as at 31 December 2021 and an assumption that such market share will remain stable for the three years ending 31 December 2025; and (b) the assumption that the market share of the Products in the relevant target markets will be able to gradually expand leveraging the sales channels (including the strong clinical medical resources of the MicroPort Group)); (B) the estimated number of the installation of joint replacement surgical robot in the targeted global market for the three years ending 31 December 2025 based on the estimation mentioned in (ii) above; and (C) the requirement of Honghu (鴻鵠) for commercialization purpose for 2023;

- (iv) the estimated annual consumption of the supporting accessories and consumables per surgical robot for the joint replacement surgeries in the USA market calculated based on the market data provided by Frost & Sullivan, and the accumulated global installation of Honghu (鴻鵠) (which was arrived from (iii) above); and
- (v) an estimation of 10% buffer for fluctuation of (including) market prices and currency exchange rate.

## **Pricing Policy**

Pursuant to the Sales Framework Agreement, the MicroPort Group was engaged to commercialise, market and sell the Products in the relevant target markets. All the Products will be sold to the MicroPort Group directly without involving any dealers under Sales Framework Agreement. Apart from the Final Price (as defined below), the MicroPort Group will not receive any further commission or distribution fee pursuant to the Sales Framework Agreement. In order to ensure the transactions conducted under the Sales Framework Agreement are on normal commercial terms, the Company will take into account the market data obtained from Frost & Sullivan in the relevant target markets to determine the pricing policy for the Products. As a general principle, the prices to be charged by the Group under the Sales Framework Agreement for the sale of the Products will be determined in accordance with the following pricing principles:

- (i) For surgical robot equipment, the price to be charged by the Group will be determined after arms' length negotiation with reference to:
  - (a) the market prices range of similar products sold to the end customers in the relevant target market based on the latest industry report issued by Frost & Sullivan with specialization in the orthopedics sector engaged by the Group;
  - (b) the range of market commission rate for the dealers to sell similar products in the relevant target market based on the latest industry report issued by Frost & Sullivan; and
  - (c) the prices of the same products in the relevant target market under similar conditions offered by the Group to other Independent Third Party dealers (if available) within six months of the subject transaction.
- (ii) For surgical robot equipment supporting accessories and consumables, the price to be charged by the Group will be determined after arms' length negotiation with reference to:
  - (a) the market prices of similar products in the relevant target market sold by other companies to Independent Third Parties. If the market prices of similar products are not available to the Group, the market price range for similar accessories and consumables in the relevant target market based on the latest industry report issued by Frost & Sullivan; and

- (b) the prices of the same products under similar conditions in the relevant target market offered by the Group to other Independent Third Party dealers (if available) within six months of the subject transactions.

As at the date of this announcement, the Group had not engaged any Independent Third Party dealers for the sales of the Products. It is expected that the prices of the Products to be charged by the Group to the MicroPort Group shall not be more favorable to the Group than prices charged to Independent Third Party dealers for the same Products under similar conditions in the relevant target market. The Group will sell the Products to the MicroPort Group on a non-exclusive basis and will sell the Products to Independent Third Parties or engage other dealers.

The Directors consider that the above relevant procedures conducted by the Group in determining the Products prices chargeable and terms under a specific agreement can ensure the transactions contemplated under the Sales Framework Agreement will 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) as mentioned in the section headed “Pricing Policy” in this announcement, the Group will make reference to market price of similar products and market commission rate as dealers in the relevant target market for pricing the Products under the Sales Framework Agreement. The Group will involve Frost & Sullivan to conduct market search to ascertain the market prices range for the similar products sold to the end customers in the relevant target market and the range of market commission rate for the dealers selling similar products in such target market and issue an industry report on an annual basis for the purpose of determining the price to be charged by the Group to the MicroPort Group as well as to Independent Third Party dealers for the Products. Such industry report will be updated annually. The business department of the Group consists of experienced sale staffs focused in the surgical robot/medical device sector. They will conduct market search, based on their experience, to collect the prices for the similar products in the relevant target markets sold by other companies to the end customers (if available) and the market commission rate of dealers for selling the similar products in the relevant target markets (if available). Should the business department aware that the prices and/or the commission rate are not within the End-price Range (as defined below) and/or the Commission Range (as defined below), it shall immediately report the same to the board affair department. The board affair department will then consult with Frost & Sullivan to ascertain if there is any material fluctuation of market prices and/or commission rate, and to prepare a latest industry report as appropriate.

Before signing any specific agreement for the sale of the Products, the board affairs department will make reference to market price range of similar products (the “**End-price Range**”) and the commission rate range to be charged by dealers (the “**Commission Range**”) in the relevant target markets contained in the latest industry report to work backwards to find out the price that the Group should charge to the MicroPort Group and the business team of the Group will then negotiate with the MicroPort Group to ascertain a final price (the “**Final Price**”) to be charged by the Group after considering the quantity of the order, the delivery schedule, the purpose for usage and the cost of transportation. Such determination basis will also apply to transactions with the Independent Third Parties. The business team will also obtain the transaction details of at least three (if available) comparable transactions conducted by the Group with Independent Third Party dealers (if any) within six months of the subject transaction for determining the terms of the Products to be sold to the MicroPort Group. The Final Price shall in any event no favourable than the prices offered by the Group to the Independent Third Party dealers for comparable transactions (if any). All the relevant documents, together with the specific agreement shall be reviewed and approved by the board affairs department and the finance department to ensure the terms of the Products to be sold to the MicroPort Group are on normal commercial terms and no more favourable than terms for the same Products offered to Independent Third Party dealers for comparable transactions under similar conditions (if any);

- (ii) the finance department and the board affairs department of the Group will supervise and monitor the individual agreements to be entered into between the Group and the MicroPort Group pursuant to the Sales Framework Agreement to ensure that their respective pricing policies are in compliance with the terms of the Sales Framework Agreement;
- (iii) the management team will ensure that the actual transaction amounts do not exceed the relevant annual caps set out under the Sales Framework Agreement. The finance department of the Group will prepare and provide a designated management account on a monthly basis for the continuing connected transaction amounts under the Sales Framework Agreement. In the event that the transaction amounts of any continuing connected transaction expected to be incurred during the financial year will reach 80% of the relevant annual caps, the functional department shall report to the management and consider to take actions to ensure the compliance with the requirements under the Listing Rules, including obtaining the approval from Independent Shareholders, if necessary; and
- (iv) if any amendment or adjustment is required to be made to the terms of the individual agreements (including but not limited to the Products prices) under the Sales Framework Agreement, subject to such amendment or adjustment being in compliance with the Sales Framework Agreement and the Listing Rules, the business team of the Group will file an application with, among others, the board affairs department of the Company for approval.

The independent non-executive Directors will continue to review the management’s annual review reports on the transactions contemplated under the relevant continuing connected transaction and the auditors of the Company will review the transactions contemplated under Sales Framework Agreement

annually to check and confirm, among others, whether the pricing policies have been adhered to, whether the transactions were conducted in accordance with the Sales Framework Agreement and whether the relevant proposed annual caps have been exceeded.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Sales Framework Agreement 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 SALES FRAMEWORK AGREEMENT**

The Company is a top-tier surgical robot company dedicated to designing, developing and commercializing surgical robots to assist surgeons in performing complex surgical procedures.

The Group is of the view that, given the established and comprehensive global commercialization and distribution network of the MicroPort Group, the execution of the Sales Framework Agreement enables the followings: (1) the Group will be able to make full use of the advantages of MicroPort's position in the orthopedics industry to diversify international market access of the Group, and quickly establish and enhance Honghu (鴻鵠)'s reputation and recognition in global market; (2) the Group will be able to expedite our international market rollout, seize more global market opportunities with accelerating client base expansion, by leveraging on MicroPort's well-established sales channels in global orthopedic industry; and (3) the Group is expected to be favoured with the synergy from the corporation with MicroPort and substantially enhance the efficiency and effectiveness of Honghu (鴻鵠)'s commercialization and distribution.

The Directors (excluding the independent non-executive Directors whose views will be expressed after obtaining the advice from Gram Capital) are of the view that the terms of the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps thereof) are fair and reasonable, on normal commercial terms and will be conducted in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ON MICROPORT AND THE GROUP**

### **MicroPort**

MicroPort is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices, whose shares are listed on the main board of the Stock Exchange (stock code: 00853). As at the date of this announcement, MicroPort is one of the controlling shareholders of the Company.

### **The Group**

The Group is principally engaged in designing, developing and commercializing surgical robots to assist surgeons in performing complex surgical procedures.



## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, MicroPort is one of the controlling shareholders of the Company. Therefore, MicroPort is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Sales Framework Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the highest amount of the annual caps under the Sales Framework Agreement exceed 5%, the transactions contemplated under the Sales Framework Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BOARD APPROVAL**

Mr. Sun Hongbin, the non-executive Director and chairman of the Board, who also holds management positions in MicroPort, has abstained from voting on the relevant board resolutions of the Company. Apart from Mr. Sun Hongbin, none of the Directors has or is deemed to have a material interest in the Sales Framework Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant Board resolutions approving the Sales Framework Agreement.

## **GENERAL**

The Company will convene and hold the EGM on 30 December 2022 for the purpose of, among other things, considering and if thought fit, approving the Sales Framework Agreement and the transactions contemplated thereunder.

For determining the eligibility of the holders of H Shares to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 28 December 2022 to Friday, 30 December 2022, both days inclusive, during which period no transfer of H Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer of H 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 Friday, 23 December 2022.

Voting at the EGM will be conducted by way of poll. As at the date of this announcement, MicroPort through its indirectly wholly owned subsidiary Shanghai Latent holds 483,767,176 Shares. Pursuant to a concert party agreement, Shanghai Latent and Shanghai Qingzhen are parties acting-in-concert. Thus, the 16,963,831 Shares held by Shanghai Qingzhen and the 483,767,176 Shares held by Shanghai Latent, representing approximately 52.24% of the total issued share capital of the Company, shall abstain from voting at the EGM on the resolution in relation to the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save as disclosed



above, none of the other Shareholders has a material interest in the Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and is required to abstain from voting on the relevant resolution in the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Sales Framework Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sales Framework Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Sales Framework Agreement; (ii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders regarding its advice on the terms of the Sales Framework Agreement; (iii) the recommendations from the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM to be convened and held to approve, *inter alia*, the Sales Framework Agreement will be despatched to Shareholders in accordance with the Listing Rules.

## **DEFINITIONS**

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

|                              |   |
|------------------------------|---|
| “associate”                  | has the meaning ascribed to it under the Listing Rules  |
| “Board”                      | the board of Directors  |
| “China” or the “PRC”         | the People’s Republic of China, but for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan                                  |
| “Company”                    | Shanghai MicroPort Medbot (Group) Co., Ltd. (上海微创医疗机器人(集团)股份有限公司), a company incorporated in the PRC, the H Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2252) |
| “connected person”           | has the meaning ascribed to it under the Listing Rules  |
| “controlling shareholder(s)” | has the meaning ascribed to it under the Listing Rules  |
| “Director(s)”                | the director(s) of the Company  |
| “Domestic Shareholder(s)”    | holder(s) of the Domestic Share(s)  |

|   |  |
|---|--|
| “Domestic Share(s)”                               | ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB   |
| “EGM”   | the extraordinary general meeting of the Company to be convened and held on 30 December 2022 to consider and, if appropriate, to approve, among others, the Sales Framework Agreement, or any adjournment thereof  |
| “Group”   | the Company and its subsidiaries   |
| “H Share(s)”                                      | the overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the main board of the Stock Exchange and such Domestic Share(s) converted into H Share(s) upon the Domestic Share(s) been approved for full circulation under the full circulation scheme                       |
| “H Shareholder(s)”                                | holder(s) of the H Share(s)  |
| “Hong Kong”                                       | the Hong Kong Special Administrative Region of the PRC   |
| “Honghu (鴻鵠)”                                     | the SkyWalker™ Total Knee System (registered name in China of which is Honghu (鴻鵠®))   |
| “Independent Board Committee”                     | the independent committee of the Board, comprising all the independent non-executive Directors namely Dr. Li Minghua, Mr. Yao Haisong and Mr. Mui Wing Hong, to advise the Independent Shareholders in respect of the Sales Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated thereunder   |
| “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 Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sales Framework Agreement and the transactions contemplated thereunder |
| “Independent Shareholders”                        | the Shareholders who are not required to abstain from voting at the EGM for the relevant resolution with respect to the Sales Framework Agreement  |

|                                |  |
|--------------------------------|--|
| “Independent Third Party(ies)” | a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Group and its connected persons and their respective ultimate beneficial owner(s) or their respective associates                |
| “Listing Rules”                | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “MicroPort”                    | MicroPort Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 00853), and one of the controlling shareholders of the Company |
| “MicroPort Group”              | MicroPort and its subsidiaries and associates excluding MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司) (stock code: 2160) and MicroPort Neurotech Limited (微創腦科學有限公司) (stock code: 2172)  |
| “Products”                     | the products subject to transactions contemplated under the Sales Framework Agreement namely Honghu (鴻鵠) and supporting accessories and consumables for surgical robot equipment   |
| “RMB” or “Renminbi”            | Renminbi, the lawful currency of the PRC   |
| “Sales Framework Agreement”    | the sales framework agreement entered into between the Company and MicroPort on 6 December 2022  |
| “Shanghai Latent”              | Shanghai Latent Artificial Intelligence Co., Ltd. (上海默化人工智能科技有限公司), a company established in the PRC with limited liability, being one of the controlling shareholders of the Company  |
| “Shanghai Qingzhen”            | Shanghai Qingzhen Enterprise Management Consultation Center (Limited Partnership) (上海擎禎企業管理諮詢中心(有限合夥)), a limited liability partnership established in the PRC   |
| “Share(s)”                     | share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the H Share(s) and the Domestic Share(s)  |
| “Shareholder(s)”               | the holder(s) of the Share(s)  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited  |
| “USA”                          | the United States of America   |

“%”

per cent

By Order of the Board  
**Shanghai MicroPort MedBot (Group) Co., Ltd.**  
**Mr. Sun Hongbin**  
*Chairman*

Shanghai, China, 6 December 2022

*As at the date of this announcement, the executive Director is Dr. He Chao, the non-executive Directors are Mr. Sun Hongbin, Mr. Sun Xin and Mr. Chen Chen, and the independent non-executive Directors are Dr. Li Minghua, Mr. Yao Haisong and Mr. Mui Wing Hong.*