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MicroPort NeuroTech Limited

微創腦科學有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2172)

CONTINUING CONNECTED TRANSACTIONS

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On December 1, 2023 (after trading hours), the Company and MicroPort agreed to renew the 2022 Master Materials Procurement Agreement; the 2022 Master Supporting Services Procurement Agreement; and the 2022 Master Catering Services Agreement (the “**Existing CCTs**”) by entering into (i) the 2023 Master Materials Procurement Agreement; (ii) the 2023 Master Supporting Services Procurement Agreement; and (iii) the 2023 Master Catering Services Agreement (the “**New CCTs**”).

On the same day, the Company and MicroPort agreed to enter into the 2023 Master Technical Cooperation Service Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, MicroPort is one of the controlling shareholders of the Company and indirectly held approximately 53.35% of the total issued share capital of the Company, and thus MicroPort and its associates are connected persons of the Company. Therefore, entering into the New CCTs and the 2023 Master Technical Cooperation Service Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratios in respect of the highest amount of the annual caps under each of the the 2023 Master Materials Procurement Agreement, the 2023 Master Supporting Services Procurement Agreement, the 2023 Master Catering Services Agreement and the 2023 Master Technical Cooperation Service Agreement is more than 0.1% but less than 5%, the New CCTs, the 2023 Master Technical Cooperation Service Agreement and the transactions contemplated thereunder are therefore 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.

INTRODUCTION

On December 1, 2023 (after trading hours), the Company and MicroPort agreed to renew the 2022 Master Materials Procurement Agreement; the 2022 Master Supporting Services Procurement Agreement; and the 2022 Master Catering Services Agreement (the “**Existing CCTs**”) by entering into (i) the 2023 Master Materials Procurement Agreement; (ii) the 2023 Master Supporting Services Procurement Agreement; and (iii) the 2023 Master Catering Services Agreement (the “**New CCTs**”).

On the same day, the Company and MicroPort agreed to enter into the 2023 Master Technical Cooperation Service Agreement.

THE 2023 MASTER MATERIALS PROCUREMENT AGREEMENT

The principal terms of the 2023 Master Materials Procurement Agreement are set out below:

Date:	December 1, 2023
Parties:	The Company MicroPort
Nature of the transaction:	The 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 by the Group in its R&D, and production of the products.
Term:	From January 1, 2024 to December 31, 2026 (both dates inclusive)
Payment arrangement:	Payments under the 2023 Master Materials Procurement Agreement will be made by the Group to the respective members of the MicroPort Group and its joint ventures and associates from time to time during the term of the 2023 Master Materials Procurement Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each of the Materials.

Pricing Policy

The fees for the procurement under the 2023 Master Materials Procurement Agreement 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.

Historical Amount

For the year ended December 31, 2022 and 10 months ended October 31, 2023, the historical transaction amounts under the 2022 Master Materials Procurement Agreement were approximately RMB11.3 million and RMB14.7 million, respectively.

Annual Caps and Basis of Determination

It is estimated that the maximum transaction amounts for the procurement under the 2023 Master Materials Procurement Agreement for each of the three years ending December 31, 2026 will not exceed RMB26.0 million, RMB26.5 million and RMB27.0 million, respectively.

The proposed annual caps for the transactions contemplated under the 2023 Master Materials Procurement Agreement were determined after considering the factors including that (i) the historical transaction amounts and grow trend in relation to the procurement under the 2022 Master Materials Procurement Agreement; (ii) the estimated demand for the materials to be procured under the 2023 Master Materials Procurement Agreement for the three years ending December 31, 2026, taking into consideration the increasing market demand of the relevant products, the R&D schedule and the business development of the Group; and (iii) 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.

Reasons for the Transaction

By comparison, the MicroPort Group and its joint ventures and associates is able to supply Materials produced in stable and high-quality standards that meet the specific R&D and production requirements of the Group. As such, the entering into of the 2023 Master Materials Procurement Agreement will enable the Group to constantly obtain the high-quality Materials.

THE 2023 MASTER SUPPORTING SERVICES PROCUREMENT AGREEMENT

The principal terms of the 2023 Master Supporting Services Procurement Agreement are set out below:

Date:	December 1, 2023
Parties:	The Company MicroPort
Scope of service:	The MicroPort Group and its joint ventures and associates agreed to provide the 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 ”).
Term:	From January 1, 2024 to December 31, 2026 (both dates inclusive)
Payment arrangement:	Payments under the 2023 Master Supporting Services Procurement Agreement will be made by the Group to the respective members of the MicroPort Group and its joint ventures and associates from time to time during the term of the 2023 Master Supporting Services Procurement Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each of the Supporting Services.

Pricing Policy

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

Historical Amount

For the year ended December 31, 2022 and 10 months ended October 31, 2023, the historical transaction amounts under the 2022 Master Supporting Services Procurement Agreement were approximately RMB7.1 million and RMB5.8 million, respectively.

Annual Caps and Basis of Determination

It is estimated that the maximum transaction amounts for the procurement of the Supporting Service for each of the three years ending December 31, 2026 will not exceed RMB7.2 million, RMB7.5 million and RMB7.8 million, respectively.

The proposed annual caps for the transactions contemplated under 2023 Master Supporting Services Procurement Agreement were determined after considering the factors including that (i) the historical transaction amounts; (ii) the estimated growing demand for the Supporting Services for the three years ending December 31, 2026 which is primarily driven by the R&D and commercialization of the products, having taken into account the R&D schedule, the registration progress, the increasing market demand of and the estimated production volume of relevant products; and (iii) the estimated service fees to be charged by the MicroPort Group and its joint ventures and associates, which is based on the historical price.

Reasons for the Transaction

Due to the long and close cooperation relationship built by the Group with MicroPort, the MicroPort Group and its joint ventures and associates is familiar with the specific requirements and expected deliverables of the Group, which helped to reduce communication costs, accumulate tacit knowledge of the provision of the Supporting Services and has enabled the Group to constantly procure the high-quality Supporting Services that met our specific requirements. As such, the entering into of the 2023 Master Supporting Services Procurement Agreement will enable the Group to constantly obtain the high-quality Supporting Services.

THE 2023 MASTER CATERING SERVICES AGREEMENT

The principal terms of the 2023 Master Catering Services Agreement are set out below:

Date: December 1, 2023

Parties: The Company
MicroPort

Scope of service:	The MicroPort Group and its joint ventures and associates agreed to provide or procure the provision of catering services to the Group, including but not limited to provision of (i) daily meals for the employees; and (ii) catering services for conferences and business meals (the “ Catering Services ”).
Term:	From January 1, 2024 to December 31, 2026 (both dates inclusive)
Payment arrangement:	The Group shall pay the service fees on a monthly basis to the MicroPort Group and its joint ventures and associates, provided that the MicroPort Group and its joint ventures and associates shall issue the valid value-added tax invoice to the Group in a timely manner, and the Group shall pay the same amount within 15 working days upon the valid value-added tax invoice issued legally by the MicroPort Group and its joint ventures and associates.

Pricing Policy

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 along with the development of the Group; (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.

Historical Amount

For the year ended December 31, 2022 and 10 months ended October 31, 2023, the historical transaction amounts under the 2022 Master Catering Services Agreement were approximately RMB0.6 million and RMB1.9 million, respectively.

Annual Caps and Basis of Determination

It is estimated that the maximum transaction amounts in relation to the procurement of the Catering Services for each of the three years ending December 31, 2026 will not exceed RMB3.3 million, RMB3.7 million and RMB3.9 million, respectively.

The proposed annual caps for the transactions contemplated under 2023 Master Catering Services Agreement were determined after considering the factors including that (i) the estimated increase in number of our employees; (ii) the scope of the Catering Services; and (iii) the Catering Services costs (primarily labor costs and costs of materials).

Reasons for the Transaction

The entering into the 2023 Master Catering Services Agreement is favorable to the Group for the reason that conducting the transactions thereunder will be conducive to reducing our operating costs and will allow the Group to obtain convenient and quality services. Meanwhile, it could provide quality food and beverage services for our employees as part of their benefit package and ensure quality food to be offered to the guests of our Group during its business functions.

THE 2023 MASTER TECHNICAL COOPERATION SERVICE AGREEMENT

The principal terms of the 2023 Master Technical Cooperation Service Agreement are set out below:

Date:	December 1, 2023
Parties:	The Company MicroPort
Term:	From the date of the 2023 Master Technical Cooperation Service Agreement to November 30, 2026 (both dates inclusive)
Subject Matter:	The MicroPort Group and its joint ventures and associates agreed to cooperate with the Group on multiple R&D projects and provide technical service to the Group including technical design and development, design verification and confirmation, supply chain management, entrusted production and processing in relation to the R&D projects, technical consultation and support, licenses and the transfer of technology and other technical services (the “ Technical Services ”).
Payment:	Payments under the 2023 Master Technical Cooperation Service Agreement will be made by the Group to the respective members of the MicroPort Group and its joint ventures and associates from time to time during the term of the 2023 Master Technical Cooperation Service Agreement in accordance with each specific agreement entered into between respective parties in respect of each of the Technical Services.

Pricing Policy

The fees to be charged by the MicroPort Group and its joint ventures and associates for the Technical Services will be determined with reference to (i) prevailing market prices for similar services, taking into account the nature, complexity and scope of such services, delivery methods and expected operating costs (including but not limited to labor costs and material costs used to provide such services); and (ii) fees charged for similar services in the past. 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.

Historical Amount

As of the date of this announcement, the technical cooperation service transaction between the Group and the MicroPort Group and its joint ventures and associates has incurred an amount of RMB2.6 million during the year of 2023 and there is no historical amount incurred under the 2023 Master Technical Cooperation Service Agreement.

Proposed Annual Caps and Basis of Determination

It is estimated that the maximum transaction amounts in relation to the upcoming procurements of the Technical Services for the period from December 1, 2023 to December 31, 2023, the year ending December 31, 2024, the year ending December 31, 2025 and the eleven months ending November 30, 2026 will not exceed RMB1.5 million, RMB5.9 million, RMB5.9 million and RMB5.9 million, respectively.

The proposed annual caps for the transactions contemplated under the 2023 Master Technical Cooperation Service Agreement were determined after considering the factors including that (i) the scope of services provided under the 2023 Master Technical Cooperation Service Agreement; (ii) the amount of the Technical Service to be provided and their schedule; and (iii) the prevailing market price of services of similar nature.

Reasons for and Benefits of the Transaction

As one of the global leading medical device companies, MicroPort obtained rich experiences and technical accumulation in terms of research and development, and is familiar with the Group's specific requirements and expected deliverables, which helps reduce the communication costs. Entering into 2023 Master Technical Cooperation Service Agreement will further improve the Group's R&D efficiency and promote the long-term and stable development of the Group's business.

INTERNAL CONTROL

To ensure that the continuing connected transactions under the New CCTs and the 2023 Master Technical Cooperation Service Agreement, or as revised from time to time (the same hereinafter), will be conducted on normal commercial terms and on terms which are similar or comparable to contracts of the Group with independent third parties, and are in accordance with the terms of the relevant agreement, the Company has a set of internal control policy to monitor its continuing connected transactions.

The relevant business and operational departments of the Group will review and compare at least two quotations from independent third parties, if available, and ensure that the continuing connected transactions under the New CCTs and the 2023 Master Technical Cooperation Service Agreement will be conducted on normal commercial terms and on terms which are similar or comparable to contracts of the Group with independent third parties, if applicable. The relevant internal audit personnel and management of the Group responsible for such internal control task will conduct checks every six months to ensure the relevant continuing connected transactions would be conducted under normal commercial terms and on terms which are similar or comparable with independent third parties. This would involve reviewing (i) the transactions are conducted in accordance with the terms of the New CCTs and the 2023 Master Technical Cooperation Service Agreement, (ii) the pricing terms are in accordance with the pricing policy of the New CCTs and the 2023 Master Technical Cooperation Service Agreement and the policy of the Group and that the transactions would not be prejudicial to the interests of the Company and the Shareholders as a whole, and (iii) the annual caps have not been exceeded.

The Company will re-comply with the requirements of the Listing Rules if there is material change to the terms of the continuing connected transactions or the annual caps are exceeded. The transactions contemplated under the New CCTs and the 2023 Master Technical Cooperation Service Agreement are subject to the review by the independent non-executive Directors on an annual basis, who will confirm in the annual report whether the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. In addition, the transactions will also be subject to the review on an annual basis by the auditors of the Group, who will confirm to the Directors as to whether there is anything which has come to their attention that causes them to believe that such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

INFORMATION ON THE PARTIES TO INVOLVED IN THE TRANSACTION

The Company is principally engaged in the R&D, manufacture and sale of innovative neuro-interventional medical devices and is a 53.35% owned subsidiary of MicroPort as at the date of this announcement.

MicroPort is a company whose shares are listed on the main board of the Stock Exchange under the stock code of 00853. MicroPort is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices.

OPINION OF THE BOARD

The Board (including the independent non-executive Directors) is of the view that the transactions contemplated under the New CCTs and the 2023 Master Technical Cooperation Service Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the New CCTs and the 2023 Master Technical Cooperation Service Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each of Dr. Chang Zhaohua and Mr. Sun Qingwei, who holds positions in the MicroPort Group, has abstained from voting on the relevant Board resolutions approving entering into the New CCTs and the 2023 Master Technical Cooperation Service Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, MicroPort is one of the controlling shareholders of the Company and indirectly held approximately 53.35% of the total issued share capital of the Company, and thus MicroPort and its associates are connected persons of the Company. Therefore, entering into the New CCTs and the 2023 Master Technical Cooperation Service Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratios in respect of the highest amount of the annual caps under each of the the 2023 Master Materials Procurement Agreement, the 2023 Master Supporting Services Procurement Agreement, the 2023 Master Catering Services Agreement and the 2023 Master Technical Cooperation Service Agreement is more than 0.1% but less than 5%, the New CCTs, the 2023 Master Technical Cooperation Service Agreement and the transactions contemplated thereunder are therefore 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.

DEFINITION

“2022 Master Catering Services Agreement”	a master catering services agreement entered into between the Company and MicroPort on June 29, 2022
“2022 Master Materials Procurement Agreement”	a master materials procurement agreement entered into between the Company and MicroPort on June 29, 2022 and as supplemental by the master materials procurement supplemental agreement on September 30, 2022
“2022 Master Supporting Services Procurement Agreement”	a master supporting services procurement agreement entered into between the Company and MicroPort on June 29, 2022 and as supplemental by the master supporting services procurement supplemental agreement on September 30, 2022
“2023 Master Catering Services Agreement”	a master catering services agreement entered into between the Company and MicroPort on December 1, 2023
“2023 Master Materials Procurement Agreement”	a master materials procurement agreement entered into between the Company and MicroPort on December 1, 2023
“2023 Master Supporting Services Procurement Agreement”	a master supporting services procurement agreement entered into between the Company and MicroPort on December 1, 2023
“2023 Master Technical Cooperation Service Agreement”	a master technical cooperation service agreement entered into between the Company and MicroPort on December 1, 2023
“Board”	the board of Directors
“Company”	MicroPort NeuroTech Limited (微創腦科學有限公司), 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: 02172)

“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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)
“MicroPort Group”	MicroPort and its subsidiaries
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited
“%”	percent

By order of the Board
MicroPort NeuroTech Limited
Dr. Chang Zhaohua
Chairman

Hong Kong, December 1, 2023

As at the date of this announcement, the executive Directors are Mr. Xie Zhiyong and Mr. Wang Yiqun Bruce, the non-executive Directors are Dr. Chang Zhaohua, Mr. Sun Qingwei, Mr. Wang Lin and Ms. Wu Xia, and the independent non-executive Directors are Dr. Xu Yi, Dr. Zhang Haixiao and Mr. Siu Chi Hung

* For identification purpose only