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微創醫療科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00853)

**CONTINUING CONNECTED TRANSACTION
2024 DISTRIBUTION FRAMEWORK AGREEMENT**

CONTINUING CONNECTED TRANSACTION

On 15 December 2023, the Company and Thai Otsuka entered into the 2024 Distribution Framework Agreement to continue the Company's appointment of Thai Otsuka as distributor for the Products of the Group in Thailand for a period of three years ending 31 December 2026.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the ultimate controlling shareholder of Thai Otsuka is Otsuka, which indirectly holds approximately 20.88% of the total number of shares of the Company in issue through its subsidiary, Otsuka Medical Devices Co., Ltd.. Therefore, Thai Otsuka is an associate of Otsuka and a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the 2024 Distribution Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the 2024 Distribution Framework Agreement is more than 0.1% and less than 5%, the 2024 Distribution Framework Agreement is subject to the reporting and announcement requirements and exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

On 15 December 2023, the Company and Thai Otsuka entered into the 2024 Distribution Framework Agreement. The details of the 2024 Distribution Framework Agreement are summarized below:

- Date:** 15 December 2023
- Parties:** the Company, as the supplier; and
Thai Otsuka, as the distributor
- Terms:** From 1 January 2024 to 31 December 2026
- Subject matter:** The Company will appoint Thai Otsuka as distributor for the Products in Thailand. The Products will include the medical devices produced by the Group, including but not limited to drug-eluting stent systems, balloon catheters, inflation devices, Y-connector Pack, manifolds, pressure monitoring tubings, OptimAblate System, ablation catheters, Diagnostic Catheter, heart valve, and AngioPlus Core.
- The Group will also sell the Products to Thai Otsuka for the purpose of developing and commercializing new products, OEM and other transactions from time to time.
- Pricing standards:** The purchase price for each of the Products shall be mutually negotiated between the Group and Thai Otsuka with reference to the prevailing market prices (including but not limited to the comparable tender prices approved by local governments or hospitals) of similar products within Thailand.
- The relevant department of the Group responsible for international business will use reasonable efforts to collect at least two market prices from third party suppliers (if applicable) in Thailand. The unit prices for each Product will be specified in each separate agreement.
- The purchase price of the Products may be revised from time to time through consultation and agreement between the parties thereto, taking into account demand and the prevailing market price for the relevant product in Thailand.
- Payment terms:** The payment terms will be set out in each of the separate distribution agreements to be entered by the members of the Group and shall be in line with the credit policy extended by the Group to independent customers.

Historical figures and annual caps

The table below summarises the historical transaction amounts in respect of the supply of the Products by the Group to Otsuka under the Distribution Framework Agreement for the two years ended 31 December 2022 and the 6 months ended 30 June 2023.

Period	Annual cap <i>US\$' million</i>	Transaction amount <i>US\$' million</i>	Transaction amount (Thailand only) <i>US\$ million</i>
Year ended 31 December 2021	8.9	3.4	2.9
Year ended 31 December 2022	9.0	0.9	0.7
6 months ended 30 June 2023	9.8 ^(note)	1.5	1.5

Note: The figure is for the entire year of 2023.

The proposed annual caps for the three years ending 31 December 2026 under the 2024 Distribution Framework Agreement are as follows:

	Financial year ending 31 December		
	2024	2025	2026
	<i>US\$' million</i>	<i>US\$' million</i>	<i>US\$' million</i>
Annual transaction amount	3.63	4.36	5.45

The proposed annual caps for the three years ending 31 December 2026 for the 2024 Distribution Framework Agreement have been determined based on:

- (1) the historical transaction amounts;
- (2) the anticipated purchase amounts of the Products in Thailand;
- (3) the estimated growth in sales volume of Thai Otsuka; and
- (4) a buffer amount to accommodate for any unexpected increase in sales volume.

The Board is of the view that the proposed annual caps for the 2024 Distribution Framework Agreement set out above are fair and reasonable so far as the Company and its Shareholders are concerned.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE 2024 DISTRIBUTION FRAMEWORK AGREEMENT

The Group has been supplying medical products, mainly including drug-eluting stent systems and balloon catheters, to Otsuka since January 2008.

As Thai Otsuka has extensive distribution networks in Thailand, it would be beneficial for the Group to utilize the distribution channels of Thai Otsuka to increase the sales of products of the Group. Furthermore, it is not viable for the Group to set up a distribution network in Thailand solely for the purpose of distributing the Products as this would result in additional cost and consume the resources of the Company. Therefore, the best alternative is to utilize the established networks of Thai Otsuka for their services. As the Distribution Framework Agreement will expire on 31 December 2023, the 2024 Distribution Framework Agreement is entered into to enable the Company to continue to engage Thai Otsuka for the distribution services in Thailand.

In view of the long-established relationships between the Group and Otsuka (including Thai Otsuka) and the aforesaid benefits of the established distribution networks, the Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the 2024 Distribution Framework Agreement will be carried out in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the 2024 Distribution Framework Agreement are on normal commercial terms or on terms not less favourable than those of similar transactions with independent third parties and are fair and reasonable to the Company and its Shareholders; and (iii) the proposed annual caps of the continuing connected transactions contemplated under the 2024 Distribution Framework Agreement for the three years ending 31 December 2026 are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL

To ensure that the continuing connected transaction under the 2024 Distribution Framework 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, and are in accordance with the terms of the relevant agreement, the Company has a set of internal control policies to monitor its continuing connected transactions.

The relevant department of the Group responsible for international business will review and compare at least two quotations from independent third parties (including comparable tender prices approved by local governments or hospitals), if available, and ensure that the continuing connected transaction under the 2024 Distribution Framework 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 2024 Distribution Framework Agreement, (ii) the pricing terms are in accordance with the pricing policy of the 2024 Distribution Framework 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 2024 Distribution Framework 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

The Company

The Company is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange. The Company, together with its subsidiaries, is a leading medical device group focusing on innovating, manufacturing and marketing high-end medical devices globally in a broad range of business segments including cardiovascular devices, orthopedics devices, cardiac rhythm management, endovascular and peripheral vascular devices, neurovascular devices, heart valve, surgical robot, surgical devices and other business.

Thai Otsuka

Thai Otsuka is a company incorporated in Thailand with limited liability and is principally engaged in manufacturing and distribution of medical products. As at the date of this announcement, the ultimate controlling shareholder of Thai Otsuka is Otsuka, which indirectly holds approximately 20.88% of the total number of shares of the Company in issue through its subsidiary, Otsuka Medical Devices Co., Ltd..

Otsuka is a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange (stock code: 4578). Otsuka and its subsidiaries are primarily involved in developing, manufacturing and selling pharmaceutical, medical devices and nutraceutical products.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the ultimate controlling shareholder of Thai Otsuka is Otsuka, which indirectly holds approximately 20.88% of the total number of shares of the Company in issue through its subsidiary, Otsuka Medical Devices Co., Ltd.. Therefore, Thai Otsuka is an associate of Otsuka and a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the 2024 Distribution Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the 2024 Distribution Framework Agreement is more than 0.1% and less than 5%, the 2024 Distribution Framework Agreement is subject to the reporting and announcement requirements and exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

No Director is interested in the transactions contemplated under the 2024 Distribution Framework Agreement and need to abstain from the Board meeting held to approve the 2024 Distribution Framework Agreement.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2024 Distribution Framework Agreement”	the distribution framework agreement dated 15 December 2023 between the Company and Thai Otsuka in relation to the distribution of the Products by Otsuka;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	MicroPort Scientific Corporation (微創醫療科學有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 00853);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Distribution Framework Agreement”	the distribution framework agreement dated 15 December 2020 between the Company and Otsuka in relation to the distribution of the Products by Otsuka
“Group”	the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Otsuka”	Otsuka Holdings Co., Ltd., a company incorporated in Japan with limited liability and a substantial shareholder of the Company;
“PRC”	the People’s Republic of China;
“Products”	the medical devices produced by the Group, including but not limited to drug-eluting stent systems, balloon catheters, inflation devices, Y-connector Pack, manifolds, pressure monitoring tubings, OptimAblate System, ablation catheters, Diagnostic Catheter, heart valve, and AngioPlus Core;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Thai Otsuka”	Thai Otsuka Pharmaceutical Co., Ltd, a company incorporated in Thailand with limited liability
“US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
MicroPort Scientific Corporation
Dr. Zhaohua Chang
Chairman

Shanghai, the PRC, 15 December 2023

As at the date of this announcement, the executive Director of the Company is Dr. Zhaohua Chang; the non-executive Directors are Mr. Hiroshi Shirafuji, Mr. Norihiro Ashida, Ms. Weiqin Sun, Dr. Qiyi Luo and Mr. Bo Peng; and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Guoen Liu and Mr. Chunyang Shao.

* For identification purpose only.