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**MicroPort Scientific Corporation**

**微創醫療科學有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00853)**

## **EXEMPT CONTINUING CONNECTED TRANSACTION DISTRIBUTION FRAMEWORK AGREEMENT**

### **EXEMPT CONTINUING CONNECTED TRANSACTION**

On 15 December 2020, the Company and Otsuka entered into the Distribution Framework Agreement to continue the Company's appointment of Otsuka's subsidiaries and associates as distributors for the medical devices of the Group in certain countries or regions where the business of Otsuka covers for a period of three years ending 31 December 2023.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Otsuka indirectly holds approximately 21.17% of the total number of shares of the Company in issue through its subsidiary, Otsuka Medical Devices Co., Ltd., and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the 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 Distribution Framework Agreement is more than 0.1% and less than 5%, the 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 2020, the Company and Otsuka entered into the Distribution Framework Agreement. The details of the Distribution Framework Agreement are summarized below:

## DISTRIBUTION FRAMEWORK AGREEMENT

- Date:** 15 December 2020
- Parties:** the Company, as the supplier; and  
Otsuka, as the distributor
- Term:** three financial years ending 31 December 2023
- Subject matter:** the Company will appoint Otsuka's subsidiaries and associates as distributors for the Products of the Group in certain countries or regions where the business of Otsuka covers, including without limitation, Japan, Thailand, the Philippines, Indonesia and Pakistan. The Products will include drug-eluting stent systems, balloon catheters, inflation devices, Y-connector pack, hip and knees products, etc.
- The Group will also sell Products to Otsuka's subsidiaries and associates 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 under the Distribution Framework Agreement shall be negotiated between the relevant Distributors and members of the Group 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 the respective markets.
- The relevant department of the Group responsible for international business will use reasonable efforts to collect the market prices in the respective markets. The unit prices for each product in the respective markets 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, taking into account demand and the prevailing market price for the relevant product in the specific market.
- Payment terms:** The payment terms will be set out in each of the 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 amounts in respect of the supply of Products by the Group to the Distributors for the three years ended 31 December 2019 and the six months ended 30 June 2020.

<b>Year ended 31 December</b>	<b>Annual cap</b> <i>US\$' million</i>	<b>Transaction amount</b> <i>US\$' million</i>
2017	10.0	3.6
2018	11.0	4.0
2019	12.0	6.7
Six months ended 30 June 2020	9.0 <sup>[Note]</sup>	2.3

*Note:* The figure is for the entire year of 2020.

The proposed annual caps for the three years ending 31 December 2023 under the Distribution Framework Agreement are as follows:

	<b>Financial year ending 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>
Annual transaction amount	8.9	9.0	9.8

The proposed annual caps for the three years ending 31 December 2023 for the Distribution Framework Agreement have been determined based on:

- (1) the historical transaction amounts;
- (2) the anticipated purchase amounts of the Products (including certain new products) in the countries and regions covered by the Distributors;
- (3) the estimated growth in sales volume of the Distributors; 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 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 DISTRIBUTION FRAMEWORK AGREEMENT**

The Group has been supplying medical products, mainly including drug-eluting stent systems and balloon catheters, to the Distributors since January 2008. The Group has also been supplying inflation devices, Y-connector park, manifolds, and pressure monitoring tubes to the Distributors since June 2016; and expects to supply orthopedics and other medical devices to the Distributors.

As Otsuka has extensive distribution networks in the countries or regions its operates, it would be beneficial for the Group to utilize these distribution channels to increase the sales of products of the Group. Furthermore, it is not viable for the Group to set up a distribution network in these countries solely for the purpose of distributing its products as this would result in significant cost and consume the resources of the Company. Therefore, the best alternative is to utilize the established networks of the Distributors for their services. As certain distribution agreements entered into with the Distributors will expire on 31 December 2020, the Distribution Framework Agreement is entered into to enable the Company to continue to engage the Distributors for the distribution services.

In view of the long-established relationships between the Group and the Otsuka and the aforesaid benefits of the established distribution networks, the Directors (including the independent non-executive Directors but excluded the interested Directors) are of the view that (i) the continuing connected transactions contemplated under the Distribution Framework Agreements 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 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 Distribution Framework Agreement for the three years ending 31 December 2023 are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

## **INTERNAL CONTROL**

As a general rule, the price and terms of the individual service agreements of the continuing connected transactions of the Group must be conducted in the ordinary course of business of the Group, on normal commercial terms and on terms which are similar or comparable to contracts of the Group with independent third parties.

The pricing policy of all the continuing connected transactions of the Group are supervised and monitored by the relevant internal audit personnel and management of the Group with the aim to ensure that all the continuing connected transactions are being conducted on normal commercial terms and in accordance with the pricing policy of the Group and would not be prejudicial to the interests of the Company and the Shareholders as a whole.

The relevant internal audit personnel and the management of the Group would conduct regular checks and assess whether individual transactions contemplated under the continuing connected transactions are conducted in accordance with the terms of the relevant agreement and they would also regularly review whether the prices charged under the relevant continuing connected transactions are fair and reasonable and in accordance with the aforesaid pricing policy.

The independent non-executive Directors would review the continuing connected transactions and the auditors of the Company would also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control system of the Group is effective to ensure that the continuing connected transactions of the Group have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **The Company**

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, orthopedics, cardiac rhythm management, endovascular, neurovascular, heart valve, surgical robot and other business.

### **Otsuka**

Otsuka is a company incorporated in Japan and is a substantial shareholder indirectly holding approximately 21.17% of the total number of shares of the Company in issue as at the date of this announcement. The shares of Otsuka are listed on the Tokyo Stock Exchange, First Section (stock code: 4578). The Otsuka group of companies is primarily involved in developing, manufacturing and selling pharmaceutical, medical devices, nutraceutical products and so on.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Otsuka indirectly holds approximately 21.17% of the total number of shares of the Company in issue through its subsidiary, Otsuka Medical Devices Co., Ltd., and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the 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 Distribution Framework Agreement is more than 0.1% and less than 5%, the 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.

Mr. Norihiro Ashida and Dr. Yasuhisa Kurogi, both being non-executive Directors of the Company and holding senior management positions in Otsuka group, have abstained from voting at the Board meeting of the Company to approve the Distribution Framework Agreement.

## 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 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;
“Distributors”	the subsidiaries and associates of Otsuka that will provide distribution services under the Distribution Framework Agreement;
“Distribution Framework Agreement”	the distribution framework agreement dated 15 December 2020 between the Company and 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”	medical devices produced by the Group, including but not limited to drug-eluting stent systems, balloon catheters, inflation devices, Y-connector pack, hip and knees products, etc.

“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	U.S. dollar, the lawful currency of the United States; and
“United States” or “US.”	the United States of America.

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

Shanghai, the PRC, 15 December 2020

*As at the date of this announcement, the executive Director is Dr. Zhaohua Chang; the non-executive Directors are Mr. Norihiro Ashida, Dr. Yasuhisa Kurogi and Mr. Hongliang Yu; and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Guoen Liu, and Mr. Chunyang Shao.*

\* *For identification only*