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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
ENTERING INTO SUPPLEMENTAL AGREEMENTS AND REVISION
OF ANNUAL CAPS**

On September 30, 2022, the Company and MicroPort entered into the Supplemental Agreements to revise the annual caps for the continuing connected transactions under the Master Materials Procurement Agreement and the Master Supporting Services Procurement Agreement for each of the two years ending December 31, 2023.

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 Supplemental Agreements to revise the annual caps for the continuing connected transactions under the Master Materials Procurement Agreement and the Master Supporting Services Procurement Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratios in respect of the highest Revised Annual Caps under each of the Supplemental Agreements are expected to be more than 0.1% but less than 5% respectively, the Supplemental Agreements 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.

REVISION OF ANNUAL CAPS UNDER THE MASTER MATERIALS PROCUREMENT AGREEMENT AND THE MASTER SUPPORTING SERVICES PROCUREMENT AGREEMENT

Reference is made to the Master Materials Procurement Agreement and the Master Supporting Services Procurement Agreement entered into between the Company and MicroPort on June 29, 2022 as set out in the Prospectus. On September 30, 2022, the Company and MicroPort entered into the Supplemental Agreements to revise the Original Annual Caps.

Save for the revision of annual caps, the rest of the material terms of the Master Materials Procurement Agreement and the Master Supporting Services Procurement Agreement remain unchanged.

Master Materials Procurement Supplemental Agreement and the Master Materials Procurement Agreement

Principal terms

On September 30, 2022, the Company and MicroPort entered into the Master Materials Procurement Supplemental Agreement, pursuant to which, the annual caps for the transaction amounts payable by the Group under the Master Materials Procurement Agreement for the two years ending December 31, 2023 are amended as follows:

	For the year ending December 31, 2022	For the year ending December 31, 2023
Original annual caps (<i>RMB in millions</i>)	7.4	6.6
Revised annual caps (<i>RMB in millions</i>)	11.3	18.5

Pursuant to the Master Materials Procurement Agreement, the Group procures from or procures 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 its products, including *APOLLO*, *Willis* and *Bridge* (the “**Relevant Products**”).

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.

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. The Group will procure at least two quotations from independent third party suppliers (if applicable) for the material to be procured to understand the prevailing market price of the Materials, taking into consideration the specification, quality, volume and delivery time of the relevant purchase.

Payments under the Master Materials Procurement Agreement will be made by the Group to the respective members of the MicroPort Group from time to time during the term of the Master Materials Procurement Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each of the Materials.

Historical transaction amounts

The historical transaction amounts for the procurement of the Materials were approximately RMB11.6 million, RMB8.6 million and RMB10.8 million, and RMB6.9 million for each of three years ended December 31, 2021 and the eight months ended August 31, 2022, respectively.

Master Supporting Services Procurement Supplemental Agreement and the Master Supporting Services Procurement Agreement

Principal terms

On September 30, 2022, the Company and MicroPort entered into the Master Supporting Services Procurement Supplemental Agreement, pursuant to which, the annual caps for the transaction amounts payable by the Group under the Master Supporting Services Procurement Agreement for the two years ending December 31, 2023 is amended as follows:

	For the year ending December 31, 2022	For the year ending December 31, 2023
Original annual caps (<i>RMB in millions</i>)	5.0	3.2
Revised annual caps (<i>RMB in millions</i>)	7.6	7.0

Pursuant to the Master Supporting Services Procurement Agreement, the MicroPort Group and its joint ventures and associates provide the Group with 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 fees for the procurement of 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 Service required by the 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. The Group will procure at least two quotations from independent third party suppliers (if applicable) for the Supporting Services to be procured to understand the prevailing market price of the Supporting Services, taking into consideration the quality, volume and delivery time of the relevant purchase.

Payments under the Master Supporting Services Procurement Agreement will be made by the Group to the respective members of the MicroPort Group from time to time during the term of the Master Supporting Services Procurement Agreement in accordance with each specific procurement agreement entered into between respective parties in respect of each of the Supporting Service.

Historical transaction amounts

The historical transaction amounts for the procurement of the Supporting Services were approximately RMB2.4 million, RMB2.2 million and RMB3.9 million, and RMB4.1 million for each of three years ended December 31, 2021 and the eight months ended August 31, 2022, respectively.

BASIS OF REVISION OF ANNUAL CAPS

The above Revised Annual Caps were determined by the Board taking into account the following:

Due to the increased market demand of the Relevant Products, the historical transaction amounts under the Master Materials Procurement Agreement and the Master Supporting Services Procurement Agreement are approaching the Original Annual Caps for the year ending December 31, 2022. Based on the management accounts of the Group, approximately 93.2% and 82.0% of the respective Original Annual Caps for the year ending December 31, 2022 had been utilized as of August 31, 2022. In addition, the Group has also planned to advance the research and development schedule of certain new projects of the Group, including the development project of Bridge of new specification, which would in turn increase the Group's demand of the Materials and the Supporting Services. Taking into account the MicroPort Group's high quality and standard in the supply of Materials, the Group has decided to increase the procurement of the Materials for the Relevant Products. Concurrently, the Group expects the demand of the Supporting Service will increase owing to the expected increase in procurement of the Materials. As a result, the respective Original Annual Caps are amended in order to fulfill the increasing demand and support the subsequent business operation and development of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENTS AND REVISION OF ANNUAL CAPS

By comparison, MicroPort Group is able to supply Materials produced in stable and high quality standards, and high-quality Supporting Services catering for Group's specific requirements. In view of this, the Master Materials Procurement Agreement and Master Supporting Services Procurement Agreement enables the Group to continuously obtain high-quality Materials and Supporting Services. The Board and senior management of the Company has been closely monitoring, among other things, the continuing connected transactions contemplated under the Master Materials Procurement Agreement and the Master Supporting Services Procurement Agreement on a regular basis.

The Board (including the independent non-executive Directors) is of the view that the transactions contemplated under the Master Materials Procurement Agreement, the Master Supporting Services Procurement Agreement and the Supplemental Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Master Materials Procurement Agreement, the Master Supporting Services Procurement Agreement and the Supplemental Agreements (including the Revised Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Peng Bo, being a senior management of MicroPort Group, has abstained from voting on the relevant Board resolutions approving entering into Supplemental Agreements to revise the Original Annual Caps.

INFORMATION ON THE PARTIES

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.

INTERNAL CONTROL

To ensure that the continuing connected transactions under the Master Materials Procurement Agreement and the Master Supporting Services Procurement 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 Master Materials Procurement Agreement and the Master Supporting Services Procurement 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 Master Materials Procurement Agreement or Master Supporting Services Procurement Agreement, (ii) the pricing terms are in accordance with the pricing policy of the Master Materials Procurement Agreement or Master Supporting Services Procurement 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 Master Materials Procurement Agreement and the Master Supporting Services Procurement 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.

LISTING RULES IMPLICATION

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As the highest applicable percentage ratio in respect of the highest Revised Annual Caps under each of the Supplemental Agreements are expected to be more than 0.1% but less than 5% respectively, the Supplemental Agreements 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.

DEFINITIONS

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

“APOLLO”	APOLLO™ Intracranial Stent System
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bridge”	Bridge® Rapamycin Target Eluting Vertebral Artery Stent System
“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 Date”	July 15, 2022, the date on which the Shares became listed on the Main Board of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Master Materials Procurement Supplemental Agreement”	a supplemental agreement to Master Materials Procurement Agreement entered into between the Company and MicroPort on September 30, 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
“Master Supporting Services Procurement Supplemental Agreement”	a supplemental agreement to Master Supporting Services Procurement Agreement entered into between the Company and MicroPort on September 30, 2022
“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 our controlling shareholder
“MicroPort Group”	MicroPort and its subsidiaries
“Original Annual Caps”	the original annual caps under the Master Materials Procurement Agreement and the Master Supporting Services Procurement Agreement for each of the two years ending December 31, 2023, as disclosed in this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated June 29, 2022
“Revised Annual Caps”	the revised annual caps under Supplemental Agreements for each of the two years ending December 31, 2023, as disclosed in this announcement
“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
“Supplemental Agreements”	Master Materials Procurement Supplemental Agreement and the Master Supporting Services Procurement Supplemental Agreement
“Willis”	Willis® Intracranial Stent Graft System
“%”	per cent.

* *For identification purpose only*

By order of the Board
MicroPort NeuroTech Limited
Mr. Peng Bo
Chairman

Hong Kong, September 30, 2022

As at the date of this announcement, the executive Directors are Mr. Xie Zhiyong and Mr. Wang Yiqun Bruce, the non-executive Directors are Mr. Peng Bo, 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.