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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)

MAJOR TRANSACTION

ACQUISITION OF THE CRM BUSINESS FROM LIVANOVA PLC

ACQUISITION OF THE CRM BUSINESS FROM LIVANOVA PLC

The Board is pleased to announce that on 20 November 2017 (after trading hours), the Company (as the guarantor), the Purchaser (a wholly-owned subsidiary of the Company) and the Seller entered into a legally binding Letter of Intent, pursuant to which the parties have agreed to enter into the Stock and Asset Purchase Agreement upon clearance of the Works Council Process in France.

Pursuant to the Stock and Asset Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the CRM Business for an initial consideration of US\$190 million (equivalent to approximately HK\$1.5 billion), subject to working capital and other customary adjustments. For the financial year ended 31 December 2016, the CRM Business had revenue of approximately US\$245.9 million (equivalent to approximately HK\$1.9 billion) based on the unaudited management accounts of the CRM Business prepared in accordance with the US GAAP.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but less than 75%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders and/or their associate(s) has a material interest in the Acquisition and the transaction contemplated thereunder and hence, none of the Shareholders is required to abstain from voting for approving the Acquisition, the Letter of Intent, the Stock and Asset Purchase Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, (i) further information on the Acquisition; (ii) the accountants' reports on the CRM Business; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) notice of the General Meeting and a form of proxy, is expected to be despatched to the Shareholders on or before 31 March 2018, as additional time is required for the preparation of the financial and other information on the CRM Business and the Enlarged Group.

WARNING

Closing is subject to clearance of the Works Council Process in France, the execution of the Stock and Asset Purchase Agreement and the satisfaction and/or waiver of the conditions to the Stock and Asset Purchase Agreement, and therefore, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

(I) BACKGROUND

The Board is pleased to announce that on 20 November 2017 (after trading hours), the Company (as the guarantor), the Purchaser (a wholly-owned subsidiary of the Company) and the Seller entered into a legally binding Letter of Intent, pursuant to which the parties have agreed to enter into the Stock and Asset Purchase Agreement upon clearance of the Works Council Process in France.

Pursuant to the Stock and Asset Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the CRM Business for an initial consideration of US\$190 million (equivalent to approximately HK\$1.5 billion), subject to Adjustment.

(II) INFORMATION OF THE PARTIES INVOLVED

The Group

The Group is a leading medical device company, focused on innovating, manufacturing and marketing high-quality and high-end medical devices globally. Its portfolio of products covers a wide spectrum of therapeutic markets such as cardiovascular, endovascular, neurovascular, electrophysiology, orthopedic, surgical management, diabetes care and endocrinal management.

The Company

The Company is incorporated in the Cayman Islands with limited liability and the shares of which have been listed on the Stock Exchange since 2010.

The Purchaser

The Purchaser is incorporated in the Netherlands with limited liability, and is an investment holding company. It is a wholly-owned subsidiary of the Company.

The Seller

LivaNova PLC is incorporated in the U.K. and listed on the Nasdaq Global Select Market (symbol: LIVN). LivaNova PLC is a global medical technology company built on nearly five decades of experience with a relentless commitment to improve the lives of patients around the world. Its advanced technologies and breakthrough treatments provide meaningful solutions for the benefit of patients, healthcare professionals and healthcare systems. Headquartered in London, U.K. and with a presence in more than 100 countries worldwide, LivaNova PLC operates as three business franchises: cardiac surgery, neuromodulation and CRM, with operating headquarters in Mirandola (Italy), Houston (U.S.) and Clamart (France), respectively.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Seller and its ultimate beneficial owner(s) are third parties independent of the Company and are not connected persons of the Company.

(III) INFORMATION ON THE CRM BUSINESS

The CRM Business has a global presence and consists of the development, design, manufacture, marketing, promotion, sale, distribution, implementation and support of devices that monitor patient cardiac information in order to both (i) identify abnormal heart conditions such as arrhythmias and ventricular fibrillation and (ii) apply electrical current to prevent or treat such abnormal conditions (“**CRM Devices**”). The principal products include (i) CRM Devices, (ii) ancillary devices such as programmers, external monitors, and other systems, in each case, that link to a CRM Device in order to obtain and communicate diagnostic and patient status information, (iii) cardiac leads, pads, and other components, in each case, that are implanted with an implantable CRM Device, or that are used in connection with affixing or implanting a CRM Device in or on a patient, (iv) algorithms and components such as ASICs boards, and software that implement the detection and correction algorithms in a CRM Device and (v) networks and systems used in patient interactions with physicians and emergency responders in connection with a CRM Device.

Net Loss, Adjusted Net Loss, Revenue and Assets Value

Based on the unaudited management accounts of the CRM Business prepared in accordance with the US GAAP (which has not been reviewed or audited by the Company's auditors), the assets value of the CRM Business as at 30 June 2017 was approximately US\$345.0 million (equivalent to approximately HK\$2.7 billion), the revenue for the financial year ended 31 December 2016 was approximately US\$245.9 million (equivalent to approximately HK\$1.9 billion), the net loss before taxation attributable to the CRM Business for the financial year ended 31 December 2016 was approximately US\$68.8 million (equivalent to approximately HK\$536.6 million), and the adjusted net loss before extraordinary items and taxation was approximately US\$2.8 million (equivalent to approximately HK\$21.8 million) for the financial year ended 31 December 2016. Set out below is the breakdown of the adjusted net loss before extraordinary items and taxation for the financial year ended 31 December 2016:

Items	Amount <i>(US\$ million)</i>
Net loss before taxation	<u>(68.8)</u>
Extraordinary items	
Impairment of goodwill	18.7
Restructuring charges <i>(Note 1)</i>	18.6
PPA adjustment <i>(Note 2)</i>	16.4
Inventory step-up <i>(Note 2)</i>	10.0
Equity compensation <i>(Note 3)</i>	2.1
Others <i>(Note 4)</i>	<u>0.2</u>
Adjusted net loss before extraordinary items and taxation	<u><u>(2.8)</u></u>

Note 1: related to the 2016 research & development restructuring plan with 64 employees as at 30 June 2017.

Note 2: PPA adjustments and inventory step-up are related to the Merger and will not have any impact on the CRM Business post-Closing.

Note 3: cost of employee retention compensation plan.

Note 4: integration costs in relation to the Merger.

PPA adjustment and inventory set-up as shown in the above breakdown relates to the accounting adjustments arising as a result of the Merger between Cyberonics, Inc. and Sorin S.p.A. As a result of the Merger, the Seller became the holding company of the combined businesses of Cyberonics, Inc. and Sorin S.p.A. The Company believes that such items will not have any impact on the CRM Business post-Closing and as such, the adjusted net loss before extraordinary items and taxation better reflects the profit and loss position of the CRM Business for the financial year ended 31 December 2016.

The above financial information was based on the unaudited management accounts of the CRM Business prepared in accordance with the US GAAP (which has not been reviewed or audited by the Company's auditors). The accountants' report of the CRM Business for the three years ended 31 December 2015, 2016 and 2017 is currently being prepared in accordance with the HKFRS and will be included in the Circular. Details on the financial information of the CRM Business to be disclosed in the Circular shall prevail.

(IV) APPLICATION FOR AND CONDITIONS OF WAIVER

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.58(7) of the Listing Rules from including the net profit (loss) (both before and after taxation) of the CRM Business for the financial year ended 31 December 2015 (the “**Outstanding Information**”), subject to that the Outstanding Information will be disclosed in the Circular.

The Company will not be able to include the Outstanding Information due to (i) the accounting complications brought about by the Merger; and (ii) the Outstanding Information currently forms part of the wider business of the Seller, therefore, the Outstanding Information cannot be segregated at the time of the publication of this announcement. The Board believes that the Outstanding Information is of minor importance only because the Company did not consider such information when determining the consideration for the Acquisition.

This announcement, taking into account the exclusion of the Outstanding Information as required under Rule 14.58(7) of the Listing Rules, remains accurate and complete in all material respects and is not misleading or deceptive as required under Rule 2.13(2) of the Listing Rules.

(V) REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE CRM BUSINESS FROM LIVANOVA PLC

In order to improve the overall financial performance of the Company, the Directors have continued to review its existing products and operations and strived to improve the financial position of the Company by proactively seeking potential acquisition opportunities that could enhance its research and development competency, diversify its existing product portfolio, and broaden its source of income and enhance value to the Shareholders. The Board believes that the Acquisition is in line with the development strategies of the Group and it will bring long-term and strategic benefits to the Company. The Board believes these benefits include:

1. Enable the Company to become the most advanced domestic company in the PRC with CRM know-how

The Acquisition will provide the Company with a comprehensive CRM portfolio and will enhance the Company's research and development platform with an innovative CRM technology pipeline. Upon closing of the Acquisition, the Company will immediately become one of the most advanced domestic companies in the PRC with CRM know-how in the global CRM market which is estimated to be of US\$10 billion. In addition, the Acquisition will provide the

Company with a competitive product portfolio and a scaled entry point to compete with the top international CRM market leaders such as Medtronic, Abbott, and Boston Scientific. With the PRC being one of the world's largest treatable patient populations as the Company's home market, the Company can accelerate the development of new CRM products to better serve patients suffering from arrhythmias in the PRC, which will further enhance the Company's competitiveness in the global CRM industry.

2. Strengthen the Company's leadership position in the PRC's cardiovascular medical device market

The Acquisition will further strengthen the Company's leadership position in the PRC cardiovascular medical device market. The Company's cardiovascular technology product portfolio includes: a world-class drug eluting stent in Firehawk; a highly innovative transcatheter aortic valve replacement technology in VitaFlow; a comprehensive electrophysiology 3-D mapping system with a full portfolio of ablation catheters; and a full line of pacemaker and implantable cardioverter-defibrillator devices. The Company is capable of providing a total solution to cardiologists to treat patients.

3. Accelerate the time to market for CRM devices for the PRC market

In 2014, the Company established the Joint Venture with Sorin CRM Holding S.A.S., a subsidiary of the Seller (formerly a subsidiary of Sorin S.p.A) to market the CRM devices, including implantable pacemakers, defibrillators, cardiac resynchronization devices in the PRC. During the past four years, the Joint Venture has made great achievements in promoting Sorin CRM products. The first PRC domestic manufactured pacemaker called Rega that meets international standards developed by the Joint Venture was approved by the China Food and Drug Administration in September 2017. Currently, the Joint Venture's pipeline of CRM products are in development stage and require further testing and conducting of clinical trials which could lead to uncertainty as to the time of entering into the market. We believe that the Acquisition will help the Joint Venture to accelerate its in-house research and development process and reduce unforeseeable uncertainties through better management of the overall development process, and overall improvement of its operational efficiency. The synergy of imported and in-house research and development of CRM products will promote rapid expansion of the Company's CRM business in the PRC. Meanwhile, as the Joint Venture is still at the early stage of development and is still yet profitable, earnings from the CRM Business can be used to mitigate the net losses of the Joint Venture in the coming year.

4. Increase the Company's operational scale in Europe with a predominantly European-based CRM operation

With approximately 80% of the Company's revenue derived from European countries, the CRM Business is predominantly a European based business which has offices in over 10 countries and over 775 employees in Europe. With manufacturing facilities and key commercial offices in France and Italy, the Acquisition will provide additional critical mass in two important European markets and the opportunity for the Company to leverage the CRM infrastructure

in the European Union together with other portfolio products, such as the orthopedic devices, cardiovascular devices, endovascular devices, electrophysiology devices, neurovascular devices.

5. Expand institutional investors' interests in the Company

We believe that the Acquisition represents a unique opportunity for Shareholders and potential investors of the Company to participate in one of the leading multi-brand global medical device companies with a strong CRM Business. The Directors further believe that the Acquisition would support a market re-rating of the Company which would expand institutional investors' interests in the Company and broaden its Shareholders base.

The Directors consider that the Acquisition, the Letter of Intent, the Stock and Asset Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(VI) THE LETTER OF INTENT

The principal terms of the Letter of Intent are summarised below:

Date

20 November 2017 (after trading hours)

Parties

1. MicroPort Cardiac Rhythm B.V., as the Purchaser;
2. LivaNova PLC, as the Seller; and
3. the Company, as the guarantor.

Subject matter

Commencement of the Works Council Process

The Seller shall commence the Works Council Process in connection with the Acquisition as promptly as reasonably practicable (and in any event no later than five days) after execution of the Letter of Intent.

Execution of the Stock and Asset Purchase Agreement

The Seller and the Purchaser have agreed to enter into the Stock and Asset Purchase Agreement as soon as reasonably practicable (and in any event no later than ten days) following the earlier of (a) the issuance of the last to be issued of the final written opinions of the relevant authorities in

France in accordance with the applicable laws for the Works Council Process in connection with the Acquisition, and (b) the date when the relevant authorities in France are deemed to have rendered an opinion for the Works Council Process following the expiration period under the applicable laws (or the expiration of such longer period as may be ordered by the competent court in France).

Exclusivity

During the term of the Letter of Intent, the Seller will negotiate exclusively with the Purchaser with respect to the Acquisition.

Termination

The Letter of Intent may be terminated:

- (i) by mutual written consent between the Seller and the Purchaser;
- (ii) by either the Seller or the Purchaser, if the Stock and Asset Purchase Agreement is not executed on or prior to 10 November 2018 (the “**Termination Date**”) provided that such right shall not be available to any party whose failure to perform any of its obligations under the Letter of Intent has been a substantial cause of the failure of the Stock and Asset Purchase Agreement to be entered into on or prior to the Termination Date;
- (iii) by the non-breaching party, if the breaching party shall have materially breached any of its covenants under the Letter of Intent, or any of the representations or warranties of the breaching party as set out in the Stock and Asset Purchase Agreement fails to be true and correct, and such breach or inaccuracy cannot be cured by the breaching party by the Termination Date, or if capable of being cured, shall not have been cured by the earlier of (1) the thirtieth day following receipt by the breaching party of written notice of termination from the non-breaching party, and (2) the Termination Date, provided that the non-breaching party is not in material breach of the Letter of Intent; and
- (iv) by either the Purchaser or the Seller, if a governmental entity shall have issued any order or taken any other action, in each case, which has become final and non-appealable and which restrains, permanently enjoins or otherwise prohibits the Acquisition; provided that this right of termination shall not be available to any party whose failure to comply with its obligations under the Letter of Intent has been the primary cause of or resulted in such order.

The Letter of Intent shall be automatically terminated upon the execution of the Stock and Asset Purchase Agreement.

In the event that the Letter of Intent is terminated pursuant to paragraph (iii) above because the breaching party fails to execute the Stock and Asset Purchase Agreement pursuant to the Letter of Intent, the breaching party shall pay the non-breaching party a termination fee equal to US\$6,000,000 (equivalent to approximately HK\$46.8 million), which shall be payable within three Business Days following receipt of written payment instructions from the non-breaching party.

Guarantee

The Company shall guarantee the timely performance and observance by the Purchaser of all its obligations to be performed or observed under the Letter of Intent, including all the Purchaser's payment obligations pursuant to the Letter of Intent; and any money damages required to be paid by the Purchaser arising from any breach by the Purchaser of its pre-Initial Closing obligations under the Letter of Intent or the Stock and Asset Purchase Agreement.

(VII) THE STOCK AND ASSET PURCHASE AGREEMENT

The principal terms of the Stock and Asset Purchase Agreement are summarized as follows:

Date

Not later than 10 days following clearance of the Works Council Process in France

Parties

1. MicroPort Cardiac Rhythm B.V., as the Purchaser;
2. LivaNova PLC, as the Seller; and
3. the Company, as the guarantor.

Subject matter

Pursuant to the Stock and Asset Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the CRM Business for an initial consideration of US\$190 million (equivalent to approximately HK\$1.5 billion), subject to the Adjustment.

The transfer of the CRM Business will include the transfer to the Purchaser of the Transferred Shares and the Transferred Assets, and the assumption by the Purchaser of certain Liabilities relating to the CRM Business (the "**Assumed Liabilities**"), in each case, effective as of the Initial Closing Date.

The Transferred Shares

The Transferred Shares consists of all of the issued and outstanding shares of capital stock of the Transferred Subsidiaries.

The Transferred Assets

The Transferred Assets primarily consist of (i) all contracts relating to the CRM Business, including contracts between a Transferred Subsidiary, on the one hand, and a supplier, vendor or customer of the CRM Business, on the other hand, in effect as of the Closing; (ii) certain leases and subleases relating to the CRM Business, and all buildings, structures, improvements and fixtures located on such leased properties, as provided under the Stock and Asset Purchase Agreement; (iii) certain intellectual and/or proprietary rights owned by the Seller and its subsidiaries that is used or held for use in the operation or conduct of the CRM Business; (iv) all furniture and equipment related to the CRM Business; (v) all inventory of the CRM Business; (vi) lists of, and currently available contact information for, current and prospective customers, vendors and suppliers, sales and marketing information, and other books, records, files and papers in relation to the CRM Business; (vii) personnel records and employee benefit plans for employees of the Transferred Subsidiaries; (viii) any goodwill in relation to the CRM Business; (ix) all expenses, credits or deposits relating to the CRM Business that have been paid or prepaid by the Seller and its subsidiaries; (x) all guarantees, warranties, indemnities and similar rights in favour of the Seller and its subsidiaries to the extent related to the CRM Business; (xi) all claims, rights, defenses against third parties and similar rights in relation to the CRM Business or any Assumed Liability; (xii) all trade accounts receivable in relation to the CRM Business; (xiii) all permits owned, utilised or licensed by the Seller and its subsidiaries in relation to the CRM Business; (xiv) the Seller's indirect ownership interest in the Joint Venture; (xv) all assets reflected in the Seller's latest balance sheet as determined pursuant to the Stock and Asset Purchase Agreement; and (xvii) all other assets related to the CRM Business unless specifically excluded.

The Excluded Assets

The assets to be retained by the Seller and its subsidiaries primarily include (i) any rights or interests in any assets, properties, contracts and claims of an Asset Seller not expressly included as a Transferred Asset; (ii) cash and cash equivalents (other than cash and cash equivalents held by the Transferred Subsidiaries); (iii) any right, title or interest in or to real property; (iv) any contracts other than contracts and certain leases and subleases related to the CRM Business; (v) rights to tax refunds related to the Transferred Assets or of the Transferred Subsidiaries in respect of any tax period prior to the Initial Closing Date; and (vi) insurance policies of the Seller and its subsidiaries.

The Assumed Liabilities

The Assumed Liabilities primarily include (i) all taxes incurred as a result of the Acquisition and taxes levied with respect to the Transferred Assets and the Transferred Subsidiaries for any period and allocable to the Purchaser as provided under the Stock and Asset Purchase Agreement; (ii) all liabilities arising out of any contracts transferred as a result of the Acquisition pursuant to the Stock and Asset Purchase Agreement; (iii) all trade accounts payable in relation to the CRM Business; and (iv) any employment liabilities required to be assumed by the Purchaser pursuant to the Stock and Asset Purchase Agreement.

The Consideration

The initial consideration payable by the Purchaser to the Seller for the Acquisition, subject to the assumption by the Purchaser of the Assumed Liabilities, is US\$190 million (equivalent to approximately HK\$1.5 billion) (subject to Adjustment). The initial consideration will be paid in cash by the Purchaser on the Initial Closing Date and will be subject to Adjustment. The consideration for the Acquisition will be funded by the internal resources of the Group and/or external financing if necessary.

If, following the Initial Closing Date, the parties disagree with the consideration for the Acquisition paid on the Initial Closing Date (the “**Initial Closing Consideration**”), any matters remaining in dispute shall be submitted to Deloitte or, if Deloitte is unable or unwilling to serve, another internationally recognised independent accounting firm to be mutually agreed by the Seller and the Purchaser in writing. The entire amount of any excess or shortfall of the Initial Closing Consideration determined after such post-closing adjustment shall be paid within ten days after such amount has been finally determined pursuant to the Stock and Asset Purchase Agreement.

The consideration for the Acquisition was determined based on arm’s length negotiations between the parties with reference to the historical and expected earnings of the CRM Business before interest, tax, depreciation and amortization. In particular, the initial consideration of US\$190 million implies a 0.8 times enterprise value to revenue multiple based on the revenue of US\$245.9 million for the financial year ended 31 December 2016 and a 10.0 times enterprise value to EBITDA (earnings before interest, taxes, depreciation and amortization) multiple based on the 2017 EBITDA Target.

Conditions

Closing of the Acquisition under the Stock and Asset Purchase Agreement is conditional upon the satisfaction of, amongst other things, the following conditions:

- (i) approval of the Acquisition by the Shareholders having been obtained in accordance with the Listing Rules;
- (ii) any governmental approval as required under applicable laws having been obtained (or any applicable waiting period having expired or been terminated), including either (x) a ruling from the French Ministry of Economy confirming that the Acquisition does not fall within the scope of the French foreign investment regulations, or (y) the approval of the Acquisition by the French Ministry of Economy under the French foreign investment regulations, and such approval not being conditioned on or resulting in a Burdensome Effect;
- (iii) no governmental entity of competent jurisdiction having enacted, issued, promulgated or enforced any law or preliminary or permanent injunction or order which is in effect and which seeks or contemplates to prohibit, enjoin or otherwise restrain the purchase of any portion of the Transferred Shares or Transferred Assets, or the assumption of any portion of the Assumed Liabilities, in each case, that is material, individually or in the aggregate, to the CRM Business;

- (iv) the restructuring undertaken by the Seller and its affiliates as contemplated under the Stock and Asset Purchase Agreement having been completed in accordance to its terms;
- (v) unless otherwise specified in the Stock and Asset Purchase Agreement, the Seller shall cause each director of a Transferred Subsidiary to resign in such capacity effective as of the Initial Closing, or if applicable, the Deferred Closing;
- (vi) the representations and warranties of the Seller set forth in the Stock and Asset Purchase Agreement shall be true and correct on the date of the Stock and Asset Purchase Agreement and at the Initial Closing Date;
- (vii) the obligations and covenants of the Seller and the Purchaser under the Stock and Asset Purchase Agreement have been performed or complied with or caused to be performed or complied with, in all material respects, on or prior to the Closing; and
- (viii) since 20 November 2017, no event shall have occurred that has had, individually or in the aggregate with any other event, a material adverse effect on the assets, properties, liabilities, condition (whether financial or otherwise) or results of operations of the CRM Business, or on the ability of the Seller and the Asset Sellers to consummate the transactions contemplated by the Stock and Asset Purchase Agreement.

Closing

Initial Closing

Unless otherwise agreed between the Seller and the Purchaser in writing, the initial closing of the Acquisition (the “**Initial Closing**”) is expected to take place three Business Days after fulfilment (or, to the extent permitted, waiver) of all of the conditions (the “**Initial Closing Date**”); provided that, the Purchaser may elect (i) to close up to ten calendar days later if the proposed Initial Closing Date falls in the first fifteen days of any calendar month, or (ii) to close of the first Business Day of the next calendar month if the proposed Initial Closing Date falls in the last fifteen days of any calendar month.

If the Initial Closing does not occur on or prior to the End Date, either the Seller or the Purchaser may terminate the Stock and Asset Purchase Agreement, provided that such right to terminate the Stock and Asset Purchase Agreement shall not be available: (i) to any party whose failure to perform any of its obligations under the Stock and Asset Purchase Agreement has been a substantial cause of the failure of the Initial Closing not to have occurred on or before the End Date; and (ii) to either the Seller or the Purchaser (as the case may be) during the pendency of any proceeding brought by the Purchaser or the Seller (as the case may be) prior to the End Date for specific performance of the Stock and Asset Purchase Agreement.

At the Initial Closing, the Seller shall or shall cause its subsidiaries to enter into, among other things, a transition services agreement, a trademark license agreement, a lease agreement in respect of the manufacturing facility located in Saluggia, Italy and a local transfer agreement in respect of each applicable jurisdiction pursuant to which the relevant Transferred Shares, Transferred Assets and Assumed Liabilities shall be transferred to the Purchaser.

Deferred Closing

For certain transfers of the Transferred Assets and the assumption of certain Assumed Liabilities as provided under the Stock and Asset Purchase Agreement, the Seller and the Purchaser may elect to defer the closing date in respect of such Transferred Assets and/or Assumed Liabilities until a date not more than six months after the Initial Closing Date, or such other date as the Seller and Purchaser may agree in writing (the “**Deferred Closing**”).

At each Deferred Closing, the Seller and the Purchaser shall execute the transfer agreement(s) and any other conveyance documents as required under the applicable laws for the transfer of the relevant Transferred Assets and the assumption of the relevant Assumed Liabilities.

Guarantee

The Company shall guarantee the timely performance and observance by the Purchaser of all its obligations to be performed or observed under the Stock and Asset Purchase Agreement prior to the Initial Closing, including its pre-Initial Closing payment obligations and any money damages required to be paid by the Purchaser arising from any breach by the Purchaser of its pre-Initial Closing obligations thereunder.

Other material terms

The Stock and Asset Purchase Agreement contains indemnities, representations, warranties, undertakings and other provisions in customary terms for transactions of this nature and scale.

(VIII) LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but less than 75%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders and/or their associate(s) has a material interest in the Acquisition and the transaction contemplated thereunder and hence, none of the Shareholders is required to abstain from voting for approving the Acquisition, the Letter of Intent, the Stock and Asset Purchase Agreement and the transactions contemplated thereunder.

(IX) GENERAL

A circular containing, among other things, (i) further information on the Acquisition; (ii) the accountants' reports on the CRM Business; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) notice of the General Meeting and a form of proxy, is expected to be despatched to the Shareholders on or before 31 March 2018, as additional time is required for the preparation of the financial and other information on the CRM Business and the Enlarged Group.

(X) WARNING

Closing is subject to clearance of the Works Council Process in France, the execution of the Stock and Asset Purchase Agreement and the satisfaction and/or waiver of the conditions to the Stock and Asset Purchase Agreement, and therefore, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

(XI) DEFINITIONS

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

“2017 EBITDA”	the net income before interest, income taxes, depreciation, and amortization of the CRM Business for the twelve-month period ended 31 December 2017 as determined pursuant to the Stock and Asset Purchase Agreement;
“2017 EBITDA Target”	US\$19,000,000 (equivalent to approximately HK\$148.2 million);
“2017 EBITDA Shortfall Amount”	an amount equal to the product of (i) ten multiplied by (ii) the amount by which the 2017 EBITDA is less than 80% of the 2017 EBITDA Target. The 2017 EBITDA Shortfall Amount shall only be a positive number, and in no event shall the 2017 EBITDA Shortfall Amount exceed US\$10,000,000 (equivalent to approximately HK\$78.0 million);
“Acquisition”	the acquisition of the CRM Business and the assumption of the Assumed Liabilities of the CRM Business pursuant to the Stock and Asset Purchase Agreement;
“Adjustment”	the Adjustment Amount and the post-closing adjustment (if any);

“Adjustment Amount”	the result of (i) \$0, minus (ii) the amount (if any) by which the Net Working Capital is less than US\$91,000,000, being the target net working capital, minus (iii) the amount of any Transferred Subsidiary Debt, plus (iv) the amount (up to US\$90,000,000) (if any) by which the Net Working Capital exceeds US\$91,000,000, being the target net working capital, plus (v) the amount of any Transferred Subsidiary Cash (up to US\$10,000,000), minus (vi) the 2017 EBITDA Shortfall Amount (if any), plus (vii) the amount of fees, up to USD\$1,500,000, due to the accountants of the Seller in connection with the preparation of financial statements of the Seller for purposes of the Acquisition;
“Asset Sellers”	the Seller and its subsidiaries that hold, lease or license Transferred Assets;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Burdensome Effect”	any action, measure, circumstance, change, undertaking, condition, accommodation, concession or effect that, individually or in the aggregate, would reasonably be expected to (a) have a material and adverse impact on the CRM Business or the Purchaser or (b) materially impede or materially reduce the reasonably anticipated benefits of the Acquisition to the Company;
“Business Day(s)”	any day, other than a Saturday or a Sunday, on which commercial banks are not required or authorised to close in Paris, Hong Kong or New York City;
“Circular”	the circular in relation to the Acquisition to be despatched to the Shareholders on or before 31 March 2018;
“Closing”	means the Initial Closing and each Deferred Closing, as applicable, pursuant to the terms of the Stock and Asset Purchase Agreement;
“Closing Date”	the date of Closing;
“Company”	MicroPort Scientific Corporation, a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 00853);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“CRM”	means cardiac rhythm management;
“CRM Business”	means the Transferred Shares and the Transferred Assets;
“Director(s)”	director(s) of the Company;
“End Date”	20 November 2018;
“Enlarged Group”	the Group as enlarged by the Acquisition;
“General Meeting”	a general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Acquisition, the Letter of Intent, the Stock and Asset Purchase Agreement and all transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	the Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IFRS”	the International Financial Reporting Standards;
“Joint Venture”	MicroPort Sorin CRM (Shanghai) Co., Ltd.;
“Letter of Intent”	the letter of intent dated 20 November 2017 entered into between the Company (as the guarantor), the Seller and the Purchaser in relation to the Acquisition;
“Liabilities”	any and all liabilities, obligations, guarantees (including lease guarantees), commitments, damages, losses, debts, claims, demands, judgments or settlements of any nature or kind, whether known or unknown, fixed, accrued, absolute or contingent, liquidated or unliquidated, matured or unmatured, in each case, of each of the Asset Sellers and its respective affiliates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Merger”	the merger between the Seller, Cyberonics, Inc., a Delaware corporation, and Sorin S.p.A, a joint stock company established under the laws of Italy on 19 October 2015;
“Net Working Capital”	the current assets of the CRM Business (to the extent included in the Transferred Assets or any Transferred Subsidiary) minus the current liabilities of the CRM Business (to the extent included in the Transferred Assets or any Transferred Subsidiary), in each case, as of the close of business on the day immediately prior to the Initial Closing Date;
“Purchaser”	MicroPort Cardiac Rhythm B.V., a company incorporated under the laws of the Netherlands with limited liability and is wholly owned by the Company;
“Seller”	LivaNova PLC, a public limited company incorporated in the U.K. with limited liability and the shares of which are listed on the Nasdaq Global Select Market (symbol: LIVN);
“Share(s)”	ordinary share(s) of US\$0.00001 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock and Asset Purchase Agreement”	the stock and asset purchase agreement to be entered into between the Company, the Purchaser and the Seller in relation to the Acquisition upon clearance of the Works Council Process in France;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transferred Assets”	the rights, titles and interests of all of the assets in relation to the CRM Business of the Seller as provided under the Stock and Asset Purchase Agreement, excluding the Excluded Assets as provided under the Stock and Asset Purchase Agreement;
“Transferred Shares”	all of the issued shares of the Transferred Subsidiaries;
“Transferred Subsidiary(ies)”	certain subsidiary(ies) of the Seller engaged in the CRM Business as provided under the Stock and Asset Purchase Agreement;
“Transferred Subsidiary Cash”	the sum of any cash (other than any restricted cash) held by any Transferred Subsidiary (excluding the Joint Venture) as of the close of business on the day immediately prior to the Initial Closing Date;

“Transferred Subsidiary Debt”	the sum of (a) any indebtedness of any Transferred Subsidiary (excluding the Joint Venture) as of the close of business on the day immediately prior to the Initial Closing Date and (b) any fees and expenses payable or reimbursable by any Transferred Subsidiary (excluding the Joint Venture) in connection with the transactions contemplated by the Stock and Asset Purchase Agreement as of the close of business on the day immediately prior to the Closing Date;
“U.K.”	the United Kingdom of Great Britain and Northern Ireland;
“U.S.”	the United States of America;
“US\$”	U.S. dollars, the lawful currency of the U.S.;
“US GAAP”	the generally accepted accounting principles of the U.S.; and
“Works Council Process”	the information and/or consultation procedures with works councils and other employee representative bodies in France, Germany and Italy as required under the applicable laws.

For the purpose of this announcement, unless otherwise indicated, the exchange rates of US\$1.00=HK\$7.80 have been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK\$ have been, could have been or may be converted at such or any other rates or at all.

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

Shanghai, 20 November 2017

As at the date of this announcement, the executive Director is Dr. Zhaohua Chang; the non-executive Directors are Mr. Norihiro Ashida, Mr. Hiroshi Shirafuji, Ms. Weiwei Chen and Ms. Janine Junyuan Feng; and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Guoen Liu and Mr. Chunyang Shao.