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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)

CONTINUING CONNECTED TRANSACTIONS

DISTRIBUTION FRAMEWORK AGREEMENT

SERVICE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 23 January 2017, the Company and Otsuka entered into the Distribution Framework Agreement pursuant to which the Company will appoint Otsuka's associates as exclusive distributors for the medical devices of the Company's subsidiaries in certain countries or region where the respective business of Otsuka and its associates covers.

On the same day, the Company and Maxwell entered into the Service Framework Agreement pursuant to which Maxwell and/or its associates will provide respective members of the Group with various services, including, among others, properties rental and management, and publicity planning services.

LISTING RULES IMPLICATIONS

I. Distribution Framework Agreement

As at the date of this announcement, Otsuka indirectly holds 26.61% of the equity interest of the Company 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 entered into between the members of the Group with Otsuka and/or its associates pursuant to the Distribution Framework Agreement will 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 but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

Mr. Norihiro Ashida and Mr. Hiroshi Shirafuji, the non-executive Directors of the Company, hold senior management positions in Otsuka, and have abstained from voting with respect to the Distribution Framework Agreement in the Board meeting of the Company. Save as aforesaid, no Director has any material interest in the Distribution Framework Agreement or the transaction contemplated thereunder.

II. Service Framework Agreement

As at the date of this announcement, Maxwell directly holds 15.08% of the equity interest of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions entered into between the members of the Group with Maxwell and/or its associates pursuant to the Service Framework Agreement will 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 Service Framework Agreement is more than 0.1% and less than 5%, the Service Framework Agreement is subject to the reporting and announcement but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

To the best knowledge of the Company, none of the Directors has any material interest under the Service Framework Agreement or the transactions contemplated thereunder.

INTRODUCTION

We refer to the prospectus of the Company in respect of the existing continuing connected transactions under the 2008 Exclusive Distribution Agreements, and the announcements of the Company dated 17 January 2014, 2 January 2015 and 4 January 2016 in respect of the renewal of the 2008 Exclusive Distribution Agreements and the agreements in respect of renewing the 2008 Exclusive Distribution Agreements and the renewed agreements in the previous years, respectively. The exclusive distribution agreements entered into between MP Shanghai and certain subsidiaries of Otsuka on January 2016 expired on 31 December 2016.

Considering the business development needs and long-established relationships between the Group and Otsuka and/or its associates, on 23 January 2017, the Company and Otsuka entered into the Distribution Framework Agreement. On the same day, the Company and Maxwell entered into the Service Framework Agreement. Details of the Distribution Framework Agreement and the Service Framework Agreement are set out below.

CONTINUING CONNECTED TRANSACTIONS

I. Distribution Framework Agreement

a. Principal Terms

Date:	23 January 2017
Parties:	The Company, as the supplier; and Otsuka, as the distributor
Term:	The Distribution Framework Agreement has a term commencing from 23 January 2017 and ending on 31 December 2019 (both days inclusive).
Subject matter:	The Company will appoint Otsuka's associates as exclusive distributors for the medical devices of the Company's subsidiaries in certain countries or region where the respective business of Otsuka and its associates covers.
Pricing standards:	The purchase price for each of the medical devices under the Distribution Framework Agreement shall be negotiated between Otsuka and/or its associates and respective 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 market prices will be collected by International Business Department of the Company based on quotes from at least three main competitors of Otsuka in respective markets. The unit prices for each product in the respective markets will be specified in each separate agreement.
Payment terms:	Payments under the Distribution Framework Agreement will be made by Otsuka and/or its associates to respective members of the Group from time to time during the term of the Distribution Framework Agreement in accordance with each specific distribution agreement entered into between respective parties.

b. Historical figures and annual caps

The table below sets out a summary of (1) the historical amounts in respect of the supply of medical devices by the Group to Otsuka and/or its associates for the three years ended 31 December 2016, and (2) the proposed annual caps for the three years ending 31 December 2019.

Historical transaction amounts (USD million)			Proposed annual caps (USD million)		
For the year ended 31 December			For the year ending 31 December		
2014	2015	2016	2017	2018	2019
3.76	4.27	3.92	10	11	12

c. Basis of the annual caps

The proposed annual caps for the three years ending 31 December 2019 for the Distribution Framework Agreement have been determined based on:

- (1) the historical transaction amounts for the three years ended 31 December 2016;
- (2) the anticipated purchase amounts of the medical devices (including certain new products) provided in Thailand, Philippines, Indonesia, Pakistan, Japan and etc.;
- (3) the estimated growth in sales volume of Otsuka and its associates; 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.

d. 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 Otsuka and/or its associates under the previous established exclusive distribution agreements since January 2008. Also, the Group has been supplying inflation devices, Y-connector park, manifolds, pressure monitoring tubes and etc. to Otsuka and/or its associates since June 2016; and expects to supply electrophysiological, and orthopedics medical devices and etc. to Otsuka and/or its associates. As Otsuka and/or its associates have extensive distribution networks in the countries in which they operate, it will 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 previous established networks of existing distributors and pay these distributors for their services.

In view of the long-established relationships between the Group and the Otsuka and/or its associates; and the aforesaid benefits of established distribution networks, the Directors (including the independent non-executive 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 2019 are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

II. Service Framework Agreement

a. Principal Terms

Date:	23 January 2017
Parties:	the Company, as the vendee; and Maxwell, as the vendor
Term:	The Service Framework Agreement has a term commencing from 23 January 2017 and ending on 31 December 2019 (both days inclusive).
Subject matter:	Maxwell and/or its associates will provide respective members of the Group with various services, including, among others, properties rental and management, and publicity planning services.
Pricing standards:	The fee for the services shall be negotiated between the parties with reference to the prevailing market prices of comparable services by any comparable independent third parties and shall be no less favorable than such prices offered by any comparable independent third party to the Group or by Maxwell and/or its associates to any comparable independent third party.
Payment terms:	Payments will be made by the respective members of the Group to Maxwell and/or its associates in accordance with each specific service agreement entered into between respective parties during the term of the Service Framework Agreement.

b. Historical figures and annual caps

The table below sets out a summary of (1) the historical amounts in respect of the supply of service by Maxwell and/or its associates to the Group for the three years ended 31 December 2016, and (2) the proposed annual caps for the three years ending 31 December 2019.

Historical transaction amounts (USD million)			Proposed annual caps (USD million)		
For the year ended 31 December			For the year ending 31 December		
2014	2015	2016	2017	2018	2019
0.20	0.29	0.43	2	3	4

c. Basis of the annual caps

The proposed annual cap for the financial year ending 31 December 2019 for the Service Framework Agreement have been determined based on:

- (1) the historical transaction amounts for the three years ending 31 December 2016;
- (2) the anticipated expansion in the scope of service;
- (3) the estimated increase in the market price of service; and
- (4) a buffer amount to accommodate for any unexpected increase in service volume.

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

d. Reasons for and benefits of the transactions contemplated under the Service Framework Agreement

The Directors believe that entering into the Service Framework Agreement will bring the following interests to the Group:

- (1) through the properties and professional properties management services provided by certain subsidiaries of Maxwell in the specially planned medical parks, the Group will be provided with ideal production sites to satisfy the Group's requirements regarding the qualifications of the production sites in respect of layout, purification, fire services, storage, etc.; and
- (2) the advantageous resources of Maxwell in respect of commercial publicity planning will be brought into full play and facilitate the publicity planning of the Group.

In view of the long-established relationships between the Group and Maxwell and/or its associates; and the aforesaid benefits of the advantageous resources, the Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected

transactions contemplated under the Service 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 Service 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 Service Framework Agreement for the three years ending 31 December 2019 are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

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Mr. Norihiro Ashida and Mr. Hiroshi Shirafuji, the non-executive Directors of the Company, hold senior management positions in Otsuka, and have abstained from voting with respect to the Distribution Framework Agreement in the Board meeting of the Company. Save as aforesaid, no Director has any material interest in the Distribution Framework Agreement or the transaction contemplated thereunder.

II. Service Framework Agreement

As at the date of this announcement, Maxwell directly holds 15.08% of the equity interest of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions entered into between the members of the Group with Maxwell and/or its associates pursuant to the Service Framework Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

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To the best knowledge of the Company, none of the Directors has any material interest under the Service Framework Agreement or the transactions contemplated thereunder.

INFORMATION OF THE PARTIES INVOLVED

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 is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices.

Otsuka

Otsuka, a company incorporated in Japan with limited liability and a substantial shareholder of the Company. Its primary businesses include developing, manufacturing and selling pharmaceutical and medical devices.

Maxwell

Maxwell, a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company. It is a non-profit organization primarily engaged in charity affairs.

DEFINITIONS

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

“ associate ”	has the same meaning as ascribed to this term 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(s) ”	has the same meaning as ascribed to this term under the Listing Rules
“ Directors ”	the director(s) of the Company
“ Distribution Framework Agreement ”	the distribution framework agreement dated 23 January 2017 entered into between the Company and Otsuka;
“ Group ”	the Company and its subsidiaries;
“ Hong Kong ”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maxwell”	Maxwell Maxcare Science Foundation Limited (盡善盡美科學基金會有限公司), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company
“MP Shanghai”	Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械(集團)有限公司), a company incorporated in China with limited liability and a wholly owned subsidiary of the Company
“Otsuka”	Otsuka Holdings Co. Ltd., a company incorporated in Japan with limited liability and a substantial shareholder of the Company
“2008 Exclusive Distribution Agreements”	the agreements dated 1 January 2008 entered into between MP Shanghai and certain subsidiaries of Otsuka;
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan Region;
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Service Framework Agreement”	the service framework agreement dated 23 January 2017 entered into between the Company and Maxwell;
“US\$”	US dollars, the lawful currency of the U.S.
“United States” or “U.S.”	the United States of America, its territories and possession, any state of the United States and the District of Columbia

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

Shanghai, the PRC, 23 January 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, Ms. Janine Junyuan Feng; and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Guoen Liu, and Mr. Chunyang Shao.

* for identification purpose only