MicroPort
MicroPort Scientific Corporation
微創醫療科學有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00853)

PROPOSED TRANSFER OF EQUITY INTEREST IN MICROPORT ENDOVASCULAR SHANGHAI

INTRODUCTION

We refer to the announcement of the Company dated 10 March 2017. As disclosed in the announcement, the Sale Side Companies, the Target Company and Huajie entered into the equity transfer agreement in relation to the transfer of equity interest in the Target Company to Huajie. The Board announces that on 26 May 2017, the equity transfer agreement mentioned above was terminated with mutual consent.

On 26 May 2017, the Sale Side Companies and the Target Company, after independent negotiations with Fufu on an arm's length basis, entered into the Equity Transfer Agreement with Fufu pursuant to which MicroPort Endovascular CHINA, a wholly-owned subsidiary of the Company, agreed to transfer 7.0249% of the equity interest in the Target Company, a non-wholly-owned subsidiary of MicroPort Endovascular CHINA, to Fufu. The ultimate controller of Fufu is the same with that of Huajie.

LISTING RULES IMPLICATIONS

We refer to the announcements of the Company dated 4 December 2016 and 10 March 2017. As disclosed in the announcement dated 4 December 2016, the Sale Side Companies and the Target Company entered into the Financing Agreements on 3 December 2016 and with the FA Investors in relation to the transfer of equity interest in and capital increase of MicroPort Endovascular Shanghai. As disclosed in the announcement dated 10 March 2017, the Sale Side Companies and the Target Company entered into the CICC Equity Transfer Agreement on 10 March 2017 with CICC in relation to the transfer of equity interest in MicroPort Endovascular Shanghai. Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Transaction, the transactions contemplated under the Financing Agreements and the transaction contemplated under the CICC Equity Transfer Agreement shall be aggregated as if they were one transaction since they are all entered into within a 12-month period and involve the disposal of equity interest in the same company.

As the highest applicable percentage ratio applied in accordance with Rule 14.07 of the Listing Rules in respect of the Transaction, the transactions contemplated under the Financing Agreements and the transaction contemplated under the CICC Equity Transfer Agreement is, in aggregate, more than 5% but less than 25%, the Equity Transfer Agreement and the Transaction are subject to announcement and reporting requirements, but exempt from independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best knowledge of the Company, none of the Directors has any material interest under the Equity Transfer Agreement.

INTRODUCTION

We refer to the announcement of the Company dated 10 March 2017. As disclosed in the announcement, the Sale Side Companies, the Target Company and Huajie entered into the equity transfer agreement in relation to the transfer of equity interest in the Target Company to Huajie. The Board announces that on 26 May 2017, the equity transfer agreement mentioned above was terminated with mutual consent.

On 26 May 2017, the Sale Side Companies and the Target Company, after independent negotiations with Fufu on an arm's length basis, entered into the Equity Transfer Agreement with Fufu pursuant to which MicroPort Endovascular CHINA, a wholly-owned subsidiary of the Company, agreed to transfer 7.0249% of the equity interest in the Target Company, a non-wholly-owned subsidiary of MicroPort Endovascular CHINA, to Fufu. The ultimate controller of Fufu is the same with that of Huajie.

EQUITY TRANSFER AGREEMENT

Date:

26 May 2017

Parties:

(1) MicroPort Endovascular Shanghai (as the Target Company)

(2) MicroPort Endovascular CHINA (as the vendor)

(3) The Company (as the beneficial owner of 100% of the equity interest in the vendor)

(4) MicroPort Shanghai (a wholly-owned subsidiary of the Company which shares the rights and obligations of the Company under the agreement)

(5) MicroPort Medical Scientific Investment (as the beneficial owner of 0.83% of the equity interest in the Target Company)

(6) Fufu (as the purchaser)

Subject matter: 7.0249% of the equity interest in the Target Company

Consideration: RMB130 million, which was arrived at after arm's length negotiations between the parties with reference to the valuation of the Target Company, being RMB1,851 million. The valuation of the Target Company was primarily based on its projected net profit for the year of 2017, being RMB55 million.

Payment arrangement Fufu shall ensure the consideration is paid within 90 days from the date on which the Target Company having completed the registration with the Shanghai Pudong New Area Commission of Commerce in relation to the equity transfer.

Completion: Completion of the equity transfer will take place when the Target Company completes all necessary procedures for the equity transfer, Fufu paid the consideration in full and the transferred shares are registered under the name of Fufu.

If the completion have not taken place within 60 days from the date of the agreement or such later time as agreed by Fufu in written, Fufu may terminate the agreement by written notices.

Conditions precedent: Completion is conditional upon each of the following conditions precedent having been fulfilled or waived by Fufu in writing:

(1) the due diligence on the Target Company with respect to financial, legal, business and labour areas having been completed;

(2) each of the Target Company and the Sale Side Companies having received all necessary authorization, permits or approvals in relation to the execution and implementation of the agreement;

(3) the agreement and other relevant transaction documents having been duly signed by all parties;

(4) all parties having agreed on the contents of the agreement, the amendments and restatements to the articles of association (the ***Revised Articles***) and the joint venture agreement (the ***Joint Venture Agreement***) of the Target Company, and the Revised Articles and the Joint Venture Agreement having been duly signed;

(5) the existing shareholders of the Target Company having issued consent letters or relevant resolutions to waive their pre-emptive rights regarding the equity transfer;

(6) there being no event that could have material adverse effect on the financial position, results of operations, assets, business or regulatory status of the Target Company, and there being no significant change in the aforesaid aspects of the Target Company as compared with the date of the agreement;

(7) each of the Sale Side Companies having performed and complied with all obligations and undertakings under the agreement in all material aspects;

(8) there being no government actions or procedures that restrict, prevent, prohibit, invalidate or otherwise impede or seek to impede the completion of the transaction under the agreement;

(9) each of the representations and warranties made in the agreement by each of the Target Company and the Sale Side Companies remaining true, complete and accurate in all material aspects; and

(10) the Target Company having completed the registration with the Shanghai Pudong New Area Commission of Commerce in relation to the equity transfer and receiving the acknowledgement.

All parties should use their best efforts to procure all the conditions precedent to be satisfied within 15 business days from the execution of the agreement.

Pre-emptive and tag-along rights: Pursuant to the agreement, subject to applicable laws and regulations and without prejudice to any other terms of the agreement, after the completion, any transfer of the equity interest in the Target Company by MicroPort Endovascular CHINA and MicroPort Medical Scientific Investment to any third party shall be approved in writing by the shareholders holding more than half of the voting rights of the Target Company. In such circumstance, the other shareholders of the Target Company shall (1) have the pre-emptive right to purchase such equity interest of the Target Company to be transferred by MicroPort Endovascular CHINA and/or MicroPort Medical Scientific Investment, and (2) have the right to sell their respective equity interest in the Target Company to such third party at the same price and on the same conditions on a pro rata basis.

In the event of any equity transfer by Fufu to any third party, the Sale Side Companies shall have pre-emptive right to purchase such equity at the same price and on the same conditions.

Compensation mechanism: If the actual net profit of the Target Company for the year of 2017 as audited by a qualified accounting firm approved by Fufu in accordance with Chinese Accounting Standards for Business Enterprises is less than RMB52.25 million, Fufu is entitled to require a compensation in the form of equity interest of the Target Company from MicroPort Endovascular CHINA and MicroPort Medical Scientific Investment with its ratio calculated in accordance with the following mechanism:

13,000/(33*actual net profit+3,555)*100% – 7.0249% *(Unit: RMB10,000)*

The Company and MicroPort Shanghai have undertaken to bear joint liabilities for the compensation obligation of MicroPort Endovascular CHINA and MicroPort Medical Scientific Investment.

Other material terms: The parties agreed that if the Target Company has not been listed on any stock exchange within 60 months since the completion of the equity transfer or such later time as agreed by two thirds of the shareholders of the Target Company and the FA Investors in the general meeting, the Sale Side Companies may make an offer to Fufu to purchase, either by themselves or by any designated third party, the equity interest Fufu holds in the Target Company; and Fufu may negotiate with any third party investor in relation to the transfer of its equity interest in the Target Company, provided that the Sale Side Companies shall have pre-emptive right to purchase such equity interest held by Fufu at the same price and on the same conditions.

The Company and MicroPort Shanghai have undertaken that if Fufu is not satisfied with the purchase price and conditions offered by the Sale Side Companies or its designated third party, or if the Sales Side Companies do not exercise their pre-emptive rights within 30 days, subject to compliance with the requirements under relevant laws and regulations and the Listing Rules, the Company and MicroPort Shanghai will enter into an agreement with Fufu pursuant to which the Company and MicroPort Shanghai will procure the equity transfer of Fufu to any investor selected by Fufu at a price and on conditions that not less favorable than those offered by the Sale Side Companies or their designated third party. Subject to the terms and conditions of such agreement, in the event that the investor selected by Fufu requires to purchase any additional share capital of the Target Company, the Sale Side Companies shall, at the request of Fufu, transfer the equity interest they hold in the Target Company to such investor at the same price and on the same conditions.

PRINCIPAL ASSUMPTIONS OF THE VALUATION

Given that the valuation of the Target Company involves forecast of future profit, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The valuation of the Target Company was based on the following principal basis and assumptions:

(1) the profit forecast is prepared in accordance with the same accounting policies adopted by the Company under Hong Kong Financial Reporting Standards;

(2) the growth rate of the PRC endovascular market is expected to be over 10% for the year of 2017;

(3) the sale volume of the Target Company in the second, third and fourth-tier cities is estimated to increase by 20% in 2017, due to the Target Company's continuing investment in those cities for the past few years;

(4) the Target Company expects to record a revenue increase in 2017 as the launch of Castor™ Branched Aortic Stent Graft System ("Castor™") will enrich the Target Company's product portfolio. It is expected that such revenue increase will mainly arise from the following products: Aegis™ Bifurcated Stent-Graft System, Hercules™ Thoracic Stent-Graft System, Hercules™ Bifurcated Stent-Graft System, Hercules™ Balloon Dilation Catheter, CRONUS™ Stent Graft in Surgical Operation and Castor™ products;

(5) the revenue is calculated based on the estimated sales volume and unit sales price, taking into consideration a discount in unit sales price;

(6) the unit cost is expected to remain stable compared with the actual average cost in 2016; while the gross profit margin is expected to remain stable compared with the average gross margin in 2016;

(7) the labour costs are expected to increase, mainly due to increase in staff, and adjustment of annual salary and bonus; and

(8) the effective income tax rate is expected to be consistent with 2016.

KPMG, the reporting accountant of the Company, has reported to the Directors in accordance with Rule 14.62(2) of the Listing Rules in regards to the profit forecast of the Target Company.

The Directors confirm that the profit forecast of the Target Company has been made after due and careful enquiries.

Letters from KPMG and the Board relating to the profit forecast of the Target Company are set out as Appendix I and Appendix II to this announcement, respectively.

CHANGE IN SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The simplified shareholding structure of the Target Company as at the date of this announcement and upon completion of the Transaction are set out below:

	As at the date of this announcement		**Upon completion of the Transaction**	
	capital contribution (RMB)	*% of total share capital*	*capital contribution (RMB)*	*% of total share capital*
MicroPort Endovascular CHINA	38,197,056	70.76 %	32,902,933	60.96 %
MicroPort Medical Scientific Investment	450,000	0.83%	450,000	0.83%
Shanghai Honghao	5,294,140	9.81%	5,294,140	9.81%
Fufu	–	–	3,791,911	7.02%
Other shareholders	10,036,951	18.59%	11,539,163	21.38%
Total	53,978,147	100%	53,978,147	100%

Note: Pursuant to the CICC Equity Transfer Agreement, MicroPort Endovascular CHINA agreed to transfer approximately 2.7830% of the equity interest in the Target Company to CICC. As at the date of this announcement, the proposed equity transfer is yet to be completed.

FINANCIAL INFORMATION

Set out below is the unaudited financial information of the Target Company for the years ended 31 December 2015 and 2016, respectively, extracted from its management accounts:

	Financial year ended 31 December 2015	**Financial year ended 31 December 2016**
	RMB	*RMB*
Net profit before taxation and extraordinary items	30,964,891.57	45,513,232.30
Net profit after taxation and extraordinary items	30,766,848.47	41,750,736.20

The unaudited net assets value of the Target Company as at 31 December 2016 was approximately RMB124,098,767.10.

Upon completion of the Transaction, the Target Company will remain as a subsidiary of the Company and its operating results, assets and liabilities will continue to be consolidated in the Company's consolidated financial statements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Through signing the Equity Transfer Agreement, the Company will be able to optimise the financial structure and support the ongoing development of various business sectors. It will enable MicroPort Endovascular Shanghai to bring in strategic investors with professional background, which will promote the development of MicroPort Endovascular Shanghai as well as enhance its market competitiveness.

The Directors (including the independent non-executive Directors) consider that the terms of the each of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms, and although not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT ON THE COMPANY

The Group is expected to have a gain on disposal of partial equity interest in the Target Company arising from the Transaction, which is calculated based on the difference between the aggregate considerations of the Transaction and the carrying amount of the net assets in proportion to the disposed equity interest of the Target Company as at the date of the disposal. As the disposal of partial equity interest of the Target Company does not result in a loss of control by the Group, such disposal will be treated as a transaction within the shareholders of the Target Company in their capacity as equity holders. Accordingly, the gain on disposal will be credited to reserves of the Group.

Based on the unaudited net assets value of the Target Company of RMB147,123,141.63 as at 31 March 2017, the estimated gain on disposal, net of relevant taxes and expenses, would be RMB107 million. However, the actual gain or loss may be different and will be calculated based on the net assets value of the Target Company at the date of the disposal.

USE OF PROCEEDS

The net proceeds (after deducting relevant transaction costs and expenses) raised from the transaction under Equity Transfer Agreement expect to be approximately RMB117 million, which will be used to optimize the financial structure of the Company.

LISTING RULES IMPLICATIONS

We refer to the announcements of the Company dated 4 December 2016 and 10 March 2017. As disclosed in the announcement dated 4 December 2016, the Sale Side Companies and the Target Company entered into the Financing Agreements on 3 December 2016 and with the FA Investors in relation to the transfer of equity interest in and capital increase of MicroPort Endovascular Shanghai. As disclosed in the announcement dated 10 March 2017, the Sale Side Companies and the Target Company entered into the CICC Equity Transfer Agreement on 10 March 2017 with CICC in relation to the transfer of equity interest in MicroPort Endovascular Shanghai. Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Transaction, the transactions contemplated under the Financing Agreements and the transaction contemplated under the CICC Equity Transfer Agreement shall be aggregated as if they were one transaction since they are all entered into within a 12-month period and involve the disposal of equity interest in the same company.

As the highest applicable percentage ratio applied in accordance with Rule 14.07 of the Listing Rules in respect of the Transaction, the transactions contemplated under the Financing Agreements and the transaction contemplated under the CICC Equity Transfer Agreement is, in aggregate, more than 5% but less than 25%, the Equity Transfer Agreement and the Transaction are subject to announcement and reporting requirements, but exempt from independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best knowledge of the Company, none of the Directors has any material interest under the Equity Transfer Agreement.

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

The Target Company

The Target Company, MicroPort Endovascular Shanghai, was incorporated in the PRC with limited liability and primarily engaged in the development, manufacture, and marketing of the interventional medical devices for the treatment of endovascular-related and peripheral vascular diseases. As at the date of this announcement, the Company holds 71.6% of its equity interest through MicroPort Endovascular CHINA and MicroPort Medical Scientific Investment.

MicroPort Endovascular CHINA

MicroPort Endovascular CHINA, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. Its primary business activities include investment, sales, procurement and transportation of commodities.

MicroPort Shanghai

MicroPort Shanghai, a company incorporated in China with limited liability and a wholly-owned subsidiary of the Company. Its primary businesses involve research and development, manufacture and distribution of minimally invasive interventional products as treatment of vascular disease.

MicroPort Medical Scientific Investment

MicroPort Medical Scientific Investment, a company incorporated in China with limited liability and a wholly-owned subsidiary of the Company. Its primary business activities include investment, equipment purchase and after-sales service.

Fufu

Fufu, a limited partnership incorporated in China. Its primary business activity involve enterprise management consulting, business information consulting, technology development, technology transfer, technical advice and technical services in the field of network technology and e-commerce and its general partner is Tianjin Huaqing Enterprise Management Consulting Co., Ltd. (天津華清企業管理諮詢有限公司), an independent third party of the Company, with the same ultimate controller as Huajie.

INFORMATION OF THE EXPERT

The following is the qualification of the expert who has given its opinion and advice included in this announcement:

Name	**Qualification**
KPMG	Certified Public Accountants

As at the date of this announcement, KPMG does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

KPMG has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and/or all reference to its name in the form and context in which it appears.

DEFINITIONS

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

"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 Stock Exchange
"CICC"	CICC Jiatai Equity Investment Fund Partnership II (Tianjin) (Limited Partnership) (中金佳泰貳期(天津)股權投資基金合夥企業(有限合夥)),a limited partnership incorporated in China, and an independent third party of the Company
"CICC Equity Transfer Agreement"	the equity transfer agreement dated 10 March 2017 entered into among the Company, MicroPort Endovascular CHINA, MicroPort Endovascular Shanghai, MicroPort Shanghai, MicroPort Medical Scientific Investment and CICC
"Directors"	the director(s) of the Company
"Equity Transfer Agreement"	the equity transfer agreement dated 26 May 2017 entered into among the Company, MicroPort Endovascular CHINA, MicroPort Endovascular Shanghai, MicroPort Shanghai, MicroPort Medical Scientific Investment and Fufu
"Fufu"	Shanghai Fufu Enterprise Management Consulting Center (Limited Partnership) (上海阜釜企業管理諮詢中心(有限合夥)), a limited partnership incorporated in China, and an independent third party of the Company, with the same ultimate controller as Huajie.

"Financing Agreements"	(i) the equity transfer agreement dated 3 December 2016 entered into among the Company, MicroPort Endovascular CHINA, MicroPort Endovascular Shanghai, MicroPort Shanghai, MicroPort Medical Scientific Investment and Shanghai Lianmu Enterprise Management Center (Limited Partnership), and the supplemental agreement to the equity transfer agreement of even date; (ii) the equity transfer agreement dated 3 December 2016 entered into among the Company, MicroPort Endovascular CHINA, MicroPort Endovascular Shanghai, MicroPort Shanghai, MicroPort Medical Scientific Investment and Zhangjiang Science & Technology Venture Capital Co., Ltd., and the supplemental agreement to the equity transfer agreement of even date; and (iii) the capital increase agreement dated 3 December 2016 entered into among the Company, MicroPort Endovascular CHINA, MicroPort Endovascular Shanghai, MicroPort Shanghai, MicroPort Medical Scientific Investment, Shanghai Honghao and Shanghai Jiushen Private Equity Limited Partnership, details of which are set out in the announcement of the Company dated 4 December 2016
"FA Investors"	Shanghai Lianmu Enterprise Management Center (Limited Partnership), Shanghai Jiushen Private Equity Limited Partnership, and Zhangjiang Science & Technology Venture Capital Co., Ltd., being the investors under the Financing Agreements as disclosed in the announcement of the Company dated 4 December 2016
"Group"	The Company and its subsidiaries
"Huajie"	Huajie (Tianjin) Medical Investment Partnership (Limited Partnership) (華傑(天津)醫療投資合夥企業(有限合夥)), a limited partnership incorporated in China, and an independent third party of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MicroPort Endovascular CHINA"	MicroPort Endovascular CHINA Corp. Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"MicroPort 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

"MicroPort Medical Scientific Investment"	MicroPort (Shanghai) Medical Scientific Investment Co., Ltd. (微創(上海)醫療科學投資有限公司), a company incorporated in China with limited liability and a wholly-owned subsidiary of the Company
"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
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Side Companies"	MicroPort Endovascular CHINA, MicroPort Medical Scientific Investment, MicroPort Shanghai and the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Shareholder(s)"	the holder(s) of the ordinary share(s) of the Company
"Shanghai Honghao"	Shanghai Honghao Investment Management Center (Limited Partnership) (上海虹皓投資管理中心(有限合夥)), a platform for the employee stock ownership plan of the Target Company. Its general partner is Maxwell Maxcare Science Foundation Limited, a substantial shareholder of the Company
"Target Company" or "MicroPort Endovascular Shanghai"	MicroPort Endovascular (Shanghai) Co., Ltd. (微創心脈醫療科技(上海)有限公司), a company incorporated in China with limited liability and a 71.6%-owned subsidiary of the Company as at the date of this announcement
"Transaction"	transactions contemplated under the Equity Transfer Agreement

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

Shanghai, the PRC, 26 May 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*

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

26 May 2017

REPORT ON THE PROFIT FORECAST IN CONNECTION WITH THE VALUATION OF MICROPORT ENDOVASCULAR (SHANGHAI) CO., LTD.

TO THE BOARD OF DIRECTORS OF MICROPORT SCIENTIFIC CORPORATION (THE "COMPANY")

We refer to the profit forecast on which the valuation ("the Valuation") of MicroPort Endovascular (Shanghai) Co., Ltd. ("Target Company") prepared by the directors of the Company (the "Directors") is based. The Valuation is prepared based on the projection of the net profit of the Target Company for the year ending 31 December 2017 (the "Profit Forecast") and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibilities

The Directors are responsible for the preparation of the Profit Forecast in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Profit Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the accounting policies and calculations of the Profit Forecast used in the Valuation.

Basis of opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the Profit Forecast in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the Profit Forecast is based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The Profit Forecast depends on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

MicroPort

MicroPort Scientific Corporation

微創醫療科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00853)

26 May 2017

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

PROPOSED TRANSFER OF EQUITY INTEREST IN MICROPORT ENDOVASCULAR SHANGHAI

We refer to the announcement of the Company dated 26 May 2017 in relation to the Transaction (the ***Announcement***). Capitalized terms defined in the Announcement shall have the same meanings in this letter unless the context otherwise requires.

The Announcement contains the projected net profit of MicroPort Endovascular Shanghai for the year of 2017, being RMB55 million, which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed the basis and assumptions based upon which the profit forecast of MicroPort Endovascular Shanghai have been prepared. We have also considered the report from the reporting accountants of the Company, KPMG, regarding whether the profit forecast, so far as the calculations are concerned, have been properly complied, in all material respects, in accordance with the respective basis and assumptions.

On the basis of the foregoing, we are of the opinion that the profit forecast has been made after due and careful enquiries.

Yours Faithfully
By order of the Board
MicroPort Scientific Corporation
Dr. Zhaohua Chang
Chairman