

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MicroPort Scientific Corporation

微創醫療科學有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00853)

**DISPOSAL TRANSACTIONS
PROPOSED TRANSFER OF EQUITY INTEREST IN
MP CARDIOFLOW
AND
PROPOSED CAPITAL INCREASE OF
MP CARDIOFLOW**

The Board is pleased to announce that on 22 August 2017, the Original Shareholders and the Target Company, after independent negotiations with the relevant Investors on an arm's length basis, entered into the Share Transfer and Capital Increase Agreement and Shareholders' Agreement with the relevant Investors, pursuant to which, the Investors agreed to subscribe for certain interest to be newly issued in the enlarged share capital of the Target Company upon the completion of the Transactions at an aggregate consideration of RMB248,381,153 and to purchase certain interest in the Target Company held by Chenxue Investment and Jianyi Xinghe at an aggregate consideration of RMB181,618,847, respectively. Upon the completion of the Transactions, the share capital of the Target Company will increase from RMB11,231,000 to RMB13,176,254, the Investors will hold approximately 25.0873% in the enlarged share capital of the Target Company and the Company's interest in the Target Company will decrease from approximately 77.2727% to approximately 65.8647%. The Investors were granted the Put Options under the Shareholders' Agreement.

The Target Company, MP CardioFlow, was incorporated in the PRC with limited liability, and is a leading company in China engaged in the research, development and manufacturing of high-end cardiac valve intervention medical device. It has an extensive research and development layout of innovation cardiac valve intervention business.

Through entering the Share Transfer and Capital Increase Agreement and the Shareholders' Agreement, the Company will be able to optimise the financial structure and support the ongoing development of various business sectors. Meanwhile, it will enable MP Cardioflow to bring in multiple well-known strategic investors in the market as well as the corresponding market resources, which will provide MP CardioFlow with the supplemented working capital required for its product research and development, manufacturing and marketing activities, and effectively promote the development of MP Cardioflow as well as enhance its market competitiveness.

THE TRANSACTIONS AND THE PUT OPTIONS

The Transactions will be carried out through three steps, among which the issuances of new share capital under Step I Investment and Step III Investment are essentially disposals by the Group, while the transfers of equity interests by Chenxue Investment and Jianyi Xinghe to the Investors are not transactions of the Group because they are transactions between the shareholders of the Target Company, instead of transactions between the Group and the Investors. Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the issuances of new capital under Step I Investment and Step III Investment shall be aggregated.

In addition, as same counterparties, i.e. the ultimate controller of Huajie, which is the same as that of Shanghai Fufu Enterprise Management Consulting Center (Limited Partnership) (上海阜釜企業管理諮詢中心(有限合夥)), and China International Capital Corporation Limited (a company listed on Hong Kong Stock Exchange, stock code: 3908, being the ultimate controller of CICC Pucheng and CICC Jiatai Equity Investment Fund Partnership II (Tianjin) (Limited Partnership)), are involved in the Transactions and the transactions regarding transfer of equity interest in MicroPort Endovascular (Shanghai) Co., Ltd. (微創心脈醫療科技(上海)有限公司) disclosed in the announcements of the Company dated 10 March 2017 and 26 May 2017, these transactions shall be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules.

Pursuant to Rule 14.74(1) of the Listing Rules, as the Put Options are not exercisable at the Company's discretion, the Put Options will be classified as if they had been exercised at the time of grant. As one or more of the highest applicable percentage ratio applied in accordance with Rule 14.07 of Listing Rules in respect of the Put Options is more than 5% but less than 25%, the granting of Put Options is subject to announcement and reporting requirements, but exempt from independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the highest applicable percentage ratio applied (after aggregation) in accordance with Rule 14.07 of Listing Rules in respect of the transactions mentioned above is more than 5% but less than 25%, the Transactions are subject to announcement and reporting requirements, but exempt from independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 22 August 2017, the Original Shareholders and the Target Company, after independent negotiations with the relevant Investors on an arm's length basis, entered into the Share Transfer and Capital Increase Agreement and Shareholders' Agreement with the relevant Investors, pursuant to which, the Investors agreed to subscribe for certain interest to be newly issued in the enlarged share capital of the Target Company upon the completion of the Transactions at an aggregate consideration of RMB248,381,153 and to purchase certain interest in the Target Company held by Chenxue Investment and Jianyi Xinghe at an aggregate consideration of RMB181,618,847, respectively. Upon the completion of the Transactions, the share capital of the Target Company will increase from RMB11,231,000 to RMB13,176,254, the Investors will hold approximately 25.0873% in the enlarged share capital of the Target Company and the Company's interest in the Target Company will decrease from approximately 77.2727% to approximately 65.8647%. The Investors were granted the Put Options under the Shareholders' Agreement.

TRANSACTIONS

Pursuant to the Share Transfer and Capital Increase Agreement, the Transactions will be carried out through the following three steps (assuming that the Subsequent Investors have not been introduced as at the date of the completion of each of the steps):

Step I

The Step I under Share Transfer and Capital Increase Agreement ("**Step I Investment**") will be carried out through the following two steps:

- (i) Chenxue Investment agreed to transfer a 4.0719% equity interest in the Target Company it holds to the Investors ("**Step I Investment(i)**"). The Original Shareholders agreed to waive their pre-emptive rights to the above transfer by Chenxue Investment.

Please refer to the tables under "Details of the Consideration to be Paid by Each Investor" and "Change in the Shareholding Structure of the Target Company" on page 5 of this announcement for details of the equity interest of the Target Company to be transferred to and considerations to be paid by each of the Investors.

- (ii) The Investors agreed to subscribe in cash for, and the Target Company agreed to issue an aggregate of 11.0847% equity interest in the enlarged share capital of the Target Company to the Investors upon the completion of Step I Investment ("**Step I Investment(ii)**"). The Original Shareholders agreed to waive their pre-emptive rights to the subscription of the equity interest of the Target Company to be newly issued above.

Please refer to the tables under "Details of the Consideration to be Paid by Each Investor" and "Change in the Shareholding Structure of the Target Company" on page 5 of this announcement for details of the equity interests of the Target Company to be subscribed by and considerations to be paid by each of the Investors.

Step II

Jianyi Xinghe agreed to transfer 7.1490% equity interest in the enlarged share capital of the Target Company it holds upon the completion of the Step I Investment to the Investors (“**Step II Investment**”). The Original Shareholders agreed to waive their pre-emptive rights to the above transfer by Jianyi Xinghe.

Please refer to the tables under “Details of the Consideration to be Paid by Each Investor” and “Change in the Shareholding Structure of the Target Company” on page 5 of this announcement for details of the equity interest of the Target Company to be transferred to and considerations to be paid by each of the Investors.

Step III

The Investors agreed to subscribe in cash for, and the Target Company agreed to issue an aggregate of 4.1373% equity interest in the enlarged share capital of the Target Company upon the completion of Step III Investment (“**Step III Investment**”). The Original Shareholders agreed to waive their pre-emptive rights to the subscription of the equity interest of the Target Company to be newly issued above.

Please refer to the table under “Details of the Consideration to be Paid by Each Investor” and “Change in the Shareholding Structure of the Target Company” on page 5 of this announcement for details of the equity interests of the Target Company to be subscribed by and considerations to be paid by each of the Investors.

Details of the Considerations to be Paid by Each Investor

The total consideration payable by the Investors for the Transactions is RMB430,000,000, the details of which are set out below (assuming that the Subsequent Investors have not been introduced as at the date of the completion of each of the steps):

	To be paid to		To be paid to	
	Chenxue Investment (RMB)	Jianyi Xinghe (RMB)	the Target Company (RMB)	
	Step I Investment (i)	Step II Investment	Step I Investment (ii)	Step III Investment
Huajie	23,390,152	56,860,036	71,609,848	38,139,964
CICC Pucheng	22,159,091	53,867,403	67,840,909	36,132,597
Huatai Ruihe	7,386,364	17,955,801	22,613,636	12,044,199
Sub-total	<u>52,935,607</u>	<u>128,683,240</u>	<u>162,064,393</u>	<u>86,316,760</u>
Total	<u>52,935,607</u>	<u>128,683,240</u>	<u>248,381,153</u>	

Change in the Shareholding Structure of the Target Company

The shareholding structures of the Target Company as at the date of this announcement and upon the completion of each of the Step I Investment, Step II Investment and Step III Investment are set out below (assuming that the Subsequent Investors have not been introduced as at the date of the completion of each of the steps):

	As at the date of this announcement	Upon the completion of the Step I Investment(i)	Upon the completion of the Step I Investment % of the total enlarged share capital	Upon the completion of the Step II Investment % of the total enlarged share capital	Upon the completion of the Step III Investment % of the total enlarged share capital
MicroPort Shanghai	77.2727%	77.2727%	68.7072%	68.7072%	65.8647%
Chenxue Investment	13.6364%	9.5645%	8.5043%	8.5043%	8.1525%
Jianyi Xinghe	9.0909%	9.0909%	8.0832%	0.9342%	0.8955%
Huajie	0	1.7992%	6.4977%	9.6566%	11.0851%
CICC Pucheng	0	1.7045%	6.1557%	9.1483%	10.5017%
Huatai Ruihe	0	0.5682%	2.0519%	3.0494%	3.5005%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

PRINCIPAL TERMS OF THE SHARE TRANSFER AND CAPITAL INCREASE AGREEMENT

Date: 22 August 2017

Parties:

- (1) MP CardioFlow (the Target Company);
- (2) MicroPort Shanghai (as the controlling shareholder of the Target Company);
- (3) Chenxue Investment (as a vendor);
- (4) Jianyi Xinghe (as a vendor);
- (5) Huajie (as an Investor);
- (6) CICC Pucheng (as an Investor); and
- (7) Huatai Ruihe (as an Investor).

Subject Matter: The Investors to acquire a total of approximately 25.0873% of the enlarged equity interest of the Target Company upon the completion of the Transactions (assuming that the Subsequent Investors have not been introduced as at the date of the completion of each of the steps), which will be implemented partly through purchase of existing equity interests from Chenxue Investment and Jianyi Xinghe, and partly through subscription of new equity interests as described above. The equity interest of the Target Company to be acquired by each of the Investors is set out below:

- (1) Huajie: approximately 11.0851% of the enlarged share capital of the Target Company;
- (2) CICC Pucheng: approximately 10.5017% of the enlarged share capital of the Target Company; and
- (3) Huatai Ruihe: approximately 3.5005% of the enlarged share capital of the Target Company.

Consideration: The total consideration payable by the Investors for the Transactions is RMB430,000,000, the details of which are set out above under “Details of the Consideration to be Paid by Each Investor” on page 5 of this announcement.

The consideration was determined after arm's length negotiations between the parties with reference to the valuation of the Target Company before the Transactions, which was calculated with reference to the valuation of comparable companies at the same developing stage in the market engaged in similar businesses with that of the Target Company.

Payment Arrangement:

The Investors shall ensure the consideration for the Step I Investment, the Step II Investment and the Step III Investment are paid within 15 business days from the date on which their respective conditions precedent are fulfilled or waived (where applicable).

Completion:

The completions of the steps of the Transactions will take place for each of the Step I Investment, the Step II Investment and the Step III Investment when the Investors have paid the respective considerations in full and the respective applications for equity registration change have been initially filed by the Target Company.

Conditions Precedent:

The respective payments for and completions of each of the Step I Investment, the Step II Investment and the Step III Investment are conditional upon the following conditions precedent having been fulfilled or waived by the Investors in writing, respectively:

Conditions precedent for the Step I Investment:

- (i) the Investors' due diligence on the Target Company with respect to operational, business, legal, financial and technical areas having been completed to their satisfaction;
- (ii) the Share Transfer and Capital Increase Agreement, Shareholders' Agreements, the amended and restated articles of associations of the Target Company and other relevant transaction documents having been duly signed by all parties;
- (iii) the Transactions having been approved by the investment decision-making organization of the Investors;
- (iv) the Transactions (including the waive of the pre-emptive rights) having been approved by the shareholder's general meeting of the Target Company and the Board of the Company;

- (v) there being no event that could have any material adverse effect on the financial position, results of operations, assets or business 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 Share Transfer and Capital Increase Agreement;
- (vi) each of the representations and warranties made in the Share Transfer and Capital Increase Agreement by each of the Target Company and the MicroPort Shanghai remaining true, complete and accurate in all material aspects;
- (vii) labor contracts, employee confidentiality and intellectual property ownership agreements and non-competition agreements have been duly entered into between the Target Company and the senior managements and core employees listed in the agreement to the Investors' satisfaction;
- (viii) except those patents that are being transferred, which have been disclosed to the Investors, all necessary procedures for the patent transfer of VitaFlow™ and other cardiac valves intervention medical devices, between MicroPort Shanghai and the Target Company having been completed, or such application having been made and the notice of acceptance having been received; and
- (ix) confirmation letters (“**Confirmation Letters I**”) were issued by MicroPort Shanghai and the Target Company, confirming all the conditions precedent for Step I Investment having been fulfilled.

Conditions precedent for Step II Investment:

- (i) the Target Company having submitted the medical device registration application for VitaFlow™ to CFDA and received the notice of acceptance;
- (ii) the Step II Investment having been approved by the shareholder's general meeting of the Target Company and the Board of the Company (if necessary);
- (iii) there being no event that could have any material adverse effect on the financial position, results of operations, assets or business of the Target Company as at the date of the Confirmation Letters II (as defined below);

- (iv) each of the representations and warranties made in the Share Transfer and Capital Increase Agreement by each of the Target Company and the MicroPort Shanghai remaining true, complete and accurate in all material aspects as at the date of the Confirmation Letters II; and
- (v) confirmation letters (“**Confirmation Letters II**”) having been issued by MicroPort Shanghai and the Target Company, confirming all the conditions precedent for Step II Investment have been fulfilled.

Conditions precedent for Step III Investment:

- (i) registrations of the changes with competent industrial and commercial authorities for the Step I Investment and the Step II Investment having been completed;
- (ii) the Step III Investment having been approved by the shareholder’s general meeting of the Target Company and the Board of the Company (if necessary);
- (iii) there being no event that could have a material adverse effect on the financial position, results of operations, assets or business of the Target Company as at the date of the Confirmation Letters III (as defined below);
- (iv) each of the representations and warranties made in the agreement by each of the Target Company and the MicroPort Shanghai remaining true, complete and accurate in all material aspects as at the date of the Confirmation Letters III; and
- (v) confirmation letters (“**Confirmation Letters III**”) having been issued by MicroPort Shanghai and the Target Company, confirming all the conditions precedent for Step III Investment have been fulfilled.

Upon the completion of the conditions precedent for each of the Step I Investment, the Step II Investment and the Step III Investment, the parties who fail to perform their respective obligations under the agreement to complete the Transactions are required to pay the non-defaulting parties 20% of the consideration for the corresponding steps of Transactions as penalty and all damages caused to the non-defaulting parties by the defaults.

Long-stop Dates and Termination:

Step I Investment

If the Step I Investment fails to be completed within 60 days or other period as agreed by the parties after the execution of the Share Transfer and Capital Increase Agreement,

- the Investors may terminate the Share Transfer and Capital Increase Agreement by a written notice to other parties without any liability, provided that the Investors has not done anything in breach of the Share Transfer and Capital Increase Agreement and resulting in the failure of the completion; and
- the Target Company may terminate the Share Transfer and Capital Increase Agreement by written notices to the other parties without any liability after ten business days after the conditions precedent for the Step I Investment (except (i) and (iii) above) are satisfied and/or waived by the Investors provided that the Target Company and Microport Shanghai have not done anything in breach of the Share Transfer and Capital Increase Agreement and resulting in the failure of the completion.

Step II Investment

If the Step II Investment fails to be completed for the reason of non-satisfaction of its conditions precedent, the Investors shall have the right to not pay the considerations for the Step II Investment and not to complete the Transactions.

Step III Investment

If the Step III Investment fails to be completed for the reason of non-satisfaction of its conditions precedent within one year after the completion of registrations of the changes with competent industrial and commercial authorities for the Step I Investment, the Investors shall have the right to not pay the considerations for Step III Investment and not to complete the Transactions.

The investment of each of the Investors under the Share Transfer and Capital Increase Agreement is independent from each other's, and the termination of any steps of the Transactions by one or more of the Investors shall not affect the other Investors to proceed with the Transactions pursuant to the Share Transfer and Capital Increase Agreement.

Undertakings by the Target Company and MicroPort Shanghai:

The Target Company and MicroPort Shanghai jointly and severally, unconditionally and irrevocably undertook to the Investors, among others, the following:

- (i) the Target Company will not increase its share capital or issue shares, convertible bonds or share options (other than any share or option to be issued under an employee share incentive scheme duly approved by the shareholders' general meeting or the board of directors of the Target Company) at a price lower than the price for the Transactions without the consent of the Investors; and
- (ii) except for those disclosed to the Investors in the agreement or specified herein, the Investors will not be liable to any debt, liability or responsibility of the Target Company which incurred or incurred because of issues taking place before the completion of Step I Investment. If any damage caused to the Investors by such debt, liability or responsibility, the Target Company and MicroPort Shanghai shall be jointly and severally liable for the payment of all the damage to the Investors.

Subsequent Investor(s):

The Target Company and the Original Shareholders have the right to introduce additional investors to the Target Company (the "**Subsequent Investor(s)**") under the price and terms (except the nomination rights) of the Share Transfer and Capital Increase Agreement and Shareholders' Agreement within 60 days upon the completion of Step I Investment and no later than the beginning of Step II Investment, with a total consideration of up to RMB50,000,000. The Subsequent Investors will enter into the share transfer and capital increase agreement, shareholder's agreement and the other agreements the Investors have entered into with the Target Company in respect of its investment in the Target Company. After entering the new share transfer and capital increase agreement, the Subsequent Investors will have the rights and obligations thereunder as additional members of the Investors. The Investors agreed to waive their pre-emptive rights (if any) in respect of the equity acquisition and capital increase of the Target Company by the Subsequent Investors, except for any additional investment made by any of the Investors under the amount of RMB50,000,000 mentioned above.

PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT

- Date:** 22 August 2017
- Parties:**
- (1) MP CardioFlow (the Target Company);
 - (2) MicroPort Shanghai (as the controlling shareholder of the Target Company);
 - (3) Chenxue Investment (as a shareholder of the Target Company);
 - (4) Jianyi Xinghe (as a shareholder of the Target Company);
 - (5) Huajie (as an Investor);
 - (6) CICC Pucheng (as an Investor); and
 - (7) Huatai Ruihe (as an Investor).
- Nomination Rights:** As at date of this announcement, the board of the Target Company comprises with four directors. Pursuant to the Shareholders' Agreement, the board of the Target Company will be reorganized to have five directors by the completion of the Step I Investment. MicroPort Shanghai has the right to appoint three directors and Huajie and CICC Pucheng have the right to each appoint one director, while Huatai Ruihe has the right to appoint one observer to sit in the board meeting. The directors appointed by the Investors shall not be removed or replaced without their written consent. Upon the completion of the reorganization, the board of the Target Company will comprise with five directors.
- A shareholder shall lose its right to appoint director if its shareholding in the Target Company drops to 5% or less. Such shareholder shall, within five days, present the proof documents to the board to remove the Director it appointed.
- Transfer of Equity Interests by the Original Shareholders:**
- (1) Subject to applicable laws and regulations and without prejudice to any other terms of the Shareholders' Agreement, after the completion of the Transactions, any disposal (by selling, granting, pledge or any other ways) of the equity interest in the Target Company by any Original Shareholders to any third party shall be approved in writing by the shareholders with more than half of the voting rights of the Target Company (which shall include more than three fourths of the voting rights held by the Investors (including the Subsequent Investors, if any)). This restriction shall not apply to any transfer of equity interests to the Investors under the Transactions.

- (2) Notwithstanding the agreement set out above, the other shareholders of the Target Company shall approve any transfer by the Original Shareholders of no more than 3% in aggregate of the total equity interests before the proposed transactions of the Target Company. If the Target Company has completed another round of financing with a valuation of the Target Company no less than two times of the valuation of the Target Company upon the completion of the Transactions and the total consideration for the new investment is no less than 1.5 times than that of the Transactions within 24 months after the Shareholders' Agreement became into effect, the other shareholders of the Target Company shall approve any transfer by the Original Shareholders of no more than 6% in aggregate of the total equity interests before the new transactions of the Target Company.
- (3) The agreement set out in (2) above will not apply to any transfer of equity interests in the Target Company by Chenxue Investment for the purpose to allot the proceeds of such transfer to the senior managements and core employees of the Target Company, while such transfer will still be subject to the agreement set out in (1) above.
- (4) MicroPort Shanghai shall not transfer any equity interest in the Target Company to any third party (other than a related party (as defined under the Share Transfer and Capital Increase Agreement) of MicroPort Shanghai which is beneficially owned by the Company) which would result in its ceasing to be the controlling shareholder of the Target Company before the listing of the Target Company.

**Transfer of Equity
Interests by the
Investors:**

Before the shareholders' general meeting of the Target Company passes a resolution to restructure the Target Company into a joint stock company, or during the period commencing from the end of 12 months after the completion of restructure into a joint stock company and to the date of filing of listing documents by the Target Company, the Investors may transfer their equity interests in the Target Company without the approval by other shareholders, but are required to notice the Target Company and its other shareholders no later than 10 business days in writing before entering such share transfer agreement. The other shareholders other than the transferring shareholder of the Target Company agree to waive their pre-emptive rights to the transfer.

Notwithstanding the agreement set out above, the Investors shall not transfer any equity interest to any competitor or its subsidiaries which competes with the Target Company in its business without the written consent of MicroPort Shanghai. MicroPort Shanghai's written consent is deemed given if MicroPort Shanghai has not replied within ten business days upon the notice of such transfer by the Investors.

Investors' Special Rights: Commencing from the date of initial application of registrations of the changes with competent registration authorities for each steps of the investments by the Investors, the Investors will enjoy the following rights in proportion to their equity interests in the Target Company upon the completion of such step of investment. The Original Shareholders have confirmed to irrevocably waive their priority rights in relation to the Target Company (if any). The Investors' pre-emptive rights for transferred shares and newly issued securities and tag-along rights will not be applicable to the Transactions.

If any of the Investors' special rights are not in compliance with the listing requirements, such rights will be terminated automatically from the date of first filing of listing documents by the Target Company, until (i) 24 months (which may be extended by the approval of shareholders' general meeting of the Target Company as well as such Investors (including the Subsequent Investors, if any) with more than three quarters voting rights among them) after the termination of such rights if the Target Company failed to be listed during such period, (ii) the date on which the Target Company withdraw the application for listing, or (iii) the date on which the rejection for the listing application of the Target Company take place, whichever is earlier.

**Pre-emptive
Rights for
Transferred
Shares:**

In the circumstance of share transfer by any other shareholder of the Target Company (except transfers to Chenxue Investment for the purpose of share incentive scheme for employees), the Investors of the Target Company shall have the pre-emptive right to purchase such equity interest of the Target Company to be transferred by such shareholder at the same price and on the same conditions. If more than two Investors intend to exercise their rights and no mutual agreement is reached on the subscription proportions by them, they shall exercise the pre-emptive rights in proportion to their equity interest in the Target Company.

**Pre-emptive
Rights for
Newly Issued
Securities:**

In the circumstance of the Target Company proposing to increase its share capital or issue shares, convertible bonds or share options (other than shares/options to be issued under an employee share incentive scheme), shareholders of the Target Company shall have pre-emptive rights to subscribe for such increased share capitals or newly issued shares, convertible bonds and share options on the same conditions and at the same price in proportion to their equity interests in the Target Company.

Tag-along Rights: If MicroPort Shanghai or Chenxue Investment intends to transfer all or any part of their interest in the Target Company to any third party, the Investors who do not exercise their pre-emptive rights shall 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 in proportion to their equity interest in the Target Company. This tag-along right does not apply to the transfers under “Transfer of Equity Interests by the Investors” above.

Put Options: Please see below for details.

Liquidation Priority: The Investors shall have certain priorities in the entitlements to the residual assets of the Target Company than the Original Shareholders during liquidation process, which shall be subject to certain restrictions and conditions.

Anti-dilution: From the completion of the Step I Investment, without the approval by the Investors, the Target Company shall not issue new shares or increase capital at a price lower than the issue price at the latest step of the Transactions. In case the Target Company issue new shares or increase capital at a price lower than the issue price at the latest step of the Transactions, the Target Company shall reach an agreement with the Investors in respect of a share compensation scheme subject to (i) the approval by more than three fourths of the voting rights held by the Investors (including the Subsequent Investors, if any), and (ii) the completion of internal approval procedures by MicroPort Shanghai (if required). The Target Company shall not issue new shares or increase capital before reaching the share compensation scheme.

Listing of the Target Company:

The Target Company and MicroPort Shanghai undertook that the Target Company shall make its best efforts to be listed on a stock exchange within six years after the completion of the Step I Investment with a valuation no less than below:

$$V \times (1+15\%)^T$$

Among which:

- (i) “V” means the valuation of the Target Company upon the completion of the Transactions, being RMB2,100 million.
- (ii) “T” means the number of calendar days between the completion date of Step III Investment and listing date of the Target Company divided by 365.

The place of the listing for the Target Company shall be approved by its shareholders’ general meeting and the Investors (including the Subsequent Investors, if any) with more than two thirds of the voting rights held by all the Investors (including the Subsequent Investors, if any).

**Non-Completion
Undertaking:**

MicroPort Shanghai undertook that, during the existence of the Target Company, it will not be engaged in or participate in, and will procure its directors, senior management, any company it establishes directly or indirectly or controls, and its controlling shareholders and *de facto* controllers not to be engaged in or participate in any business that competes or is likely to compete, directly or indirectly, with the Target Company, i.e. being engaged in any business that threatens or is likely to threaten the chance of the Target Company to win any commercial opportunities directly or significantly. If MicroPort Shanghai has any business similar to the cardiac valve intervention medical device business of the Target Company, MicroPort Shanghai shall use its best effort to eliminate such competition. If MicroPort Shanghai fails to eliminate the competition, the Investors shall have the right to require MicroPort Shanghai to compensate the Target Company or the Investor for all damages suffered by them as a result, or exercise Put Option I.

MicroPort Shanghai further undertook that, if such Competing Businesses do exist and have obstructed the listing of the Target Company, it will make all reasonable commercial efforts to eliminate such obstacles. If MicroPort Shanghai could not eliminate such obstacles which result in failure of the listing of the Target Company during the period as agreed, the Investors shall have the right to require MicroPort Shanghai to compensate the Company or the Investor for all damages suffered by them as a result, or to exercise the Put Option I.

PUT OPTIONS

The Investors were granted put options (“**Put Option I**” and “**Put Option II**”, together, the “**Put Options**”) under the Shareholder’s Agreement, pursuant to which, the Investors were entitled to require the Repurchase Obligors to repurchase the Redeemable Shares held by them in accordance with the terms and conditions under the Shareholders’ Agreement.

Details of the terms in respect of the Put Option I are set out below:

Put Option I: Pursuant to the Shareholders' Agreement, each of the Investors was entitled to require MicroPort Shanghai and/or any other entity controlled by the Company as agreed by the Investors (the "**Repurchase Obligors**") to repurchase part or all of their equity interests in the Target Company which can be redeemed (the "**Redeemable Shares**"), at the price agreed in the Shareholders' Agreement (the "**Repurchase Price I**") within four to six years after the completion of the Step I Investment, by a written notification of no less than six months in advance.

Redeemable Shares: The Redeemable Shares consist of equity interests of the Target Company acquired by an Investor in Step I Investment and Step III Investment of the Transactions.

Repurchase Price I: The Repurchase Price I is calculated as follows:

$$M1 \times R \times (1+Q1)^{T1} + M3 \times R \times (1+Q1)^{T3}$$

Among which:

"M1", "M3", "R", "Q1" and "T1" and "T3" have the meaning as defined below.

Details of the terms in respect of the Put Option II are set out below:

Put Option II: Pursuant to the Shareholders' Agreement, if any of the prerequisites of the Put Option II occurs, the Investors were entitled to require the Repurchase Obligors to repurchase part or all of their Redeemable Shares, at the price as agreed in the Shareholders' Agreement (the "**Repurchase Price II**").

Prerequisites:

- (i) The Target Company fails to be listed on a stock exchange within six years after the completion of the Step I Investment; or
- (ii) The Target Company fails to obtain the third class medical instruments registration certification from the CFDA for its VitalFlow™ product before 31 December 2019.

Redeemable Shares: Same as those under Put Option I.

Repurchase Price II:

The Repurchase Price II is calculated as follows:

$$M1 \times R \times (1+Q2)^{T1} + M3 \times R \times (1+Q2)^{T3}$$

Among which:

- (i) “M1” means the total consideration paid by an Investor in the Step I Investment, and “M3” means the total consideration paid by an Investor in the Step III Investment;
- (ii) “R” means the percentage of Redeemable Shares which the Investor requires to be repurchased;
- (iii) “Q1” means the interest rate for the exercise of Put Option I, being 12%;
- (iv) “Q2” means the interest rates for the exercise of Put Option II, being 15%; and
- (v) “T1” means number of calendar days between the completion of Step I Investment and the date on which the Investor require to exercise the Put Option I or Put Option II divided by 365, and “T3” means number of calendar days between the completion of Step III Investment and the date on which the Investor require to exercise the Put Option I or Put Option II, respectively divided by 365.

Pursuant to the Shareholders’ Agreement, each of the Investors may exercise the Put Options for twice in aggregate. If any of the Investors has required the Repurchase Obligors to repurchase part of its Redeemable Shares for twice under either Put Option I or Put Option II, such Investor will not be entitled to exercise the any Put Option for the rest of its equity interests in the Target Company.

Before requiring the Repurchase Obligors to repurchase the Redeemable Shares in cash, the Investors are entitled to negotiate with the Repurchase Obligors for repurchasing the Redeemable Shares with the shares of the Company as consideration. If the parties fail to reach an agreement or the repurchase with shares of the Company as consideration cannot be completed within four months after the first negotiation between the parties, the Investors may require the Repurchase Obligors to repurchase the Redeemable Shares in cash. The repurchase with shares of the Company, if applicable, will be conditional upon the internal approval for issuing shares by the Company.

If the Repurchase Obligors fail to fulfill their obligations under the Put Options and remain failing to fulfill such obligations after 20 business days upon a written notice from the Investors, the Investors shall be entitled to the right to require the Repurchase Obligors to fulfill their obligations with a doubled Q1 or Q2 set out above, as applicable.

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 2016 (RMB)	Financial year ended 31 December 2015 (RMB)
Net loss before taxation and extraordinary items	42,096.46	4,609.62
Net loss after taxation and extraordinary items	42,096.46	4,609.62

The unaudited net assets of the Target Company as at 31 December 2016 was approximately RMB84.68 million.

Upon the completion of the Transactions, the Target Company will remain a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Through entering the Share Transfer and the Capital Increase Agreement and the Shareholders' Agreement, the Company will be able to optimise its financial structure and support its ongoing development of various business sectors. Meanwhile, it will enable MP Cardioflow to bring in multiple well-known strategic investors in the market as well as the corresponding market resources, which will provide MP CardioFlow with the supplemented working capital required for its product research and development, manufacturing and marketing activities, and effectively promote the development of MP Cardioflow as well as enhance its market competitiveness.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer and Capital Increase Agreement and Shareholder's Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT ON THE COMPANY

The Group is expected to record a gain on deemed disposal of partial equity interest in the Target Company arising from the Transactions, which is calculated based on the difference between the aggregate considerations in relation to the capital increases under the Transactions and the carrying amount of the net assets in proportion to the deemed disposed equity interest of the Target Company as at the date of the completion of each of Step I Investment and Step III Investment. As the deemed disposal of partial equity interest of the Target Company does not result in a loss of control by the Group, such deemed disposal will be treated as transactions within the shareholders of the Target Company in their capacity as equity holders. Accordingly, the gain on deemed disposal would be recorded in the consolidated statement of changes in equity, rather than on the profit and loss account of the Group.

Assuming the Step I Investment and the Step III Investment were completed on 31 December 2016, based on the unaudited net assets of the Target Company of RMB84.68 million as at 31 December 2016 and, the estimated gain of the Group arising from the capital increases under the Transactions would be approximately RMB153.93 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 completion of each of Step I Investment and Step III Investment.

In addition, the Put Options as part of the Transactions would be recognized as obligations of the Group to repurchase own equity, and presented as a liability in the consolidated statements of financial position.

USE OF PROCEEDS

The net proceeds (after deducting relevant transaction costs and expenses) raised from the Transactions expect to be approximately RMB248.38 million, which will be used as research and development expenses as well as general working capital of the Target Company.

LISTING RULES IMPLICATION

THE TRANSACTIONS AND THE PUT OPTIONS

The Transactions will be carried out through three steps, among which the issuances of new share capital under Step I Investment and Step III Investment are essentially disposals by the Group, while the transfers of equity interests by Chenxue Investment and Jianyi Xinghe to the Investors are not transactions of the Group because they are transactions between the shareholders of the Target Company, instead of transactions between the Group and the Investors. Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the issuances of new capital under Step I Investment and Step III Investment shall be aggregated.

In addition, as same counterparties, i.e. the ultimate controller of Huajie, which is the same as that of Shanghai Fufu Enterprise Management Consulting Center (Limited Partnership) (上海阜釜企業管理諮詢中心(有限合夥)) and China International Capital Corporation Limited (a company listed on Hong Kong Stock Exchange, stock code: 3908, being the ultimate controller of CICC Pucheng and CICC Jiatai Equity Investment Fund Partnership II (Tianjin) (Limited Partnership)), are involved in the Transactions and the transactions regarding transfer of equity interest in MicroPort Endovascular (Shanghai) Co., Ltd. (微創心脈醫療科技(上海)有限公司) disclosed in the announcements of the Company dated 10 March 2017 and 26 May 2017, these transactions shall be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules.

Pursuant to Rule 14.74(1) of the Listing Rules, as the Put Options are not exercisable at the Company's discretion, the Put Options will be classified as if they had been exercised at the time of grant. As one or more of the highest applicable percentage ratio applied in accordance with Rule 14.07 of Listing Rules in respect of the Put Options is more than 5% but less than 25%, the granting of Put Options is subject to announcement and reporting requirements, but exempt from independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the highest applicable percentage ratio applied (after aggregation) in accordance with Rule 14.07 of Listing Rules in respect of the transactions mentioned above is more than 5% but less than 25%, the Transactions are subject to announcement and reporting requirements, but exempt from independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

If any Subsequent Investor is introduced, the Company will make additional announcement in that regard in a timely manner and will aggregate the transaction with the Subsequent Investors with the Transactions and comply with applicable rules under the Listing Rules accordingly.

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, MP CardioFlow, was incorporated in the PRC with limited liability, and is a leading company in China engaged in the research, development and manufacturing of high-end cardiac valve intervention medical device. It has an extensive research and development layout of innovation cardiac valve intervention business. As at the date of this announcement, the Company controls 77.2727% of its equity interest through MicroPort Shanghai.

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.

Chenxue Investment

Chenxue Investment, a limited partnership incorporated in China. Its general partner is Shanghai Changlong Biomedical Technology Co., Ltd. (上海常隆生命醫學科技有限公司), and its limited partners are employees of the Target Company. Its primary businesses involve investment management and investment consulting. As at the date of the announcement, Chenxue Investment holds 13.6364% interest in the Target Company.

Jianyi Xinghe

Jianyi Xinghe, a limited partnership incorporated in China, and an independent third party of the Company. Its general partner is Shanghai Xingze Investment Management Co., Ltd. (上海杏澤投資管理有限公司). Its primary businesses involve venture capital investment and investment management. As at the date of the announcement, Jianyi Xinghe holds 9.0909% interest in the Target Company.

Huajie

Huajie, a limited partnership incorporated in China, and an independent third party of the Company. Its primary business activity is investment in medical equipment, medical services and pharmaceutical industry and its general partner is Huajie Enterprise Management Consulting Partnership Tianjin (Limited Partnership) (天津華杰企業管理諮詢合夥企業(有限合夥)).

CICC Pucheng

CICC Pucheng, a limited company incorporated in China, and an independent third party of the Company. Its primary business activity is investment management and investment consulting.

Huatai Ruihe

Huatai Ruihe, a limited partnership incorporated in China, and an independent third party of the Company. Its primary business activity is equity investment management, investment management and investment consulting and its general partner is Beijing Huatai Ruihe Investment Fund Management Partnership (Limited Partnership) (北京華泰瑞合投資基金管理合夥企業(有限合夥)).

DEFINITIONS

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

“Board”	the board of directors of the Company
“CFDA”	China Food and Drug Administration
“Chenxue Investment”	Shanghai Chenxue Investment Management Center (Limited Partnership) (上海琛雪投資管理中心(有限合夥))
“CICC Pucheng”	CICC Pucheng Investment Corporation Limited (中金浦成投資有限公司)
“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 shares of which are listed on the Stock Exchange
“Confirmation Letters I”	has the meaning as defined in the section headed “Principal Terms of the Share Transfer and Capital Increase Agreement” of this announcement

“Confirmation Letters II”	has the meaning as defined in the section headed “Principal Terms of the Share Transfer and Capital Increase Agreement” of this announcement
“Confirmation Letters III”	has the meaning as defined in the section headed “Principal Terms of the Share Transfer and Capital Increase Agreement” of this announcement
“Directors”	the director(s) of the Company
“Group”	The Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huajie”	Huajie (Tianjin) Medical Investment Partnership (Limited Partnership) (華傑(天津)醫療投資合夥企業(有限合夥))
“Huatai Ruihe”	Beijing Huatai Ruihe Medical Industry Investment Center (Limited Partnership) (北京華泰瑞合醫療產業投資中心(有限合夥))
“Investors”	Huajie, CICC Pucheng and Huatai Ruihe
“Jianyi Xinghe”	Shanghai Jianyi Xinghe Investment Management Center (Limited Partnership) (上海健益興禾投資管理中心(有限合夥))
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 an 77.27%-owned subsidiary of the Company as at the date of this announcement
“MP Cardioflow” or “Target Company”	MicroPort Shanghai CardioFlow Medtech Co., Ltd. (上海微創心通醫療科技有限公司), a company incorporated in China with limited liability and a non-wholly-owned subsidiary of the Company
“Original Shareholders”	MicroPort Shanghai, Chenxue Investment and Jianyi Xinghe
“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

“Put Option(s)”	has the meaning as defined in the section headed “Put Options” of this announcement
“Redeemable Shares”	has the meaning as defined in the section headed “Put Options” of this announcement
“Repurchase Obligors”	has the meaning as defined in the section headed “Put Options” of this announcement
“Repurchase Price I”	has the meaning as defined in the section headed “Put Options” of this announcement
“Repurchase Price II”	has the meaning as defined in the section headed “Put Options” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company
“Shareholders’ Agreement”	The shareholders agreement dated 22 August 2017 entered into among MP Cardioflow, MicroPort Shanghai, Chenxue Investment, Jianyi Xinghe, Huajie, CICC Pucheng and Huatai Ruihe
“Share Transfer and Capital Increase Agreement”	the share transfer and capital increase agreement dated 22 August 2017 entered into among MP Cardioflow, MicroPort Shanghai, Chenxue Investment, Jianyi Xinghe, Huajie, CICC Pucheng and Huatai Ruihe
“Step I Investment”	has the meaning as defined in the section headed “Transactions – Step I” of this announcement
“Step I Investment (i)”	has the meaning as defined in the section headed “Transactions – Step I” of this announcement
“Step I Investment (ii)”	has the meaning as defined in the section headed “Transactions – Step I” of this announcement
“Step II Investment”	has the meaning as defined in the section headed “Transactions – Step II” of this announcement
“Step III Investment”	has the meaning as defined in the section headed “Transactions – Step III” of this announcement

“Subsequent Investors” has the meaning as defined in the section headed “Principal Terms of the Share Transfer and Capital Increase Agreement” of this announcement

“Transactions” the transactions contemplated under the Share Transfer and Capital Increase Agreement and Shareholders’ Agreement

Any discrepancies in any table between totals and sums of amounts listed therein of this announcement are due to rounding.

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

Shanghai, the PRC, 22 August 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*