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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)

**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 20 October 2017, the Original Shareholders and the Target Company, after independent negotiations with the Subsequent Investor at an arm's length basis, entered into the share transfer and capital increase agreement with the Subsequent Investor, pursuant to which, the Subsequent Investor agreed to subscribe for 1.6928% of the enlarged share capital of the Target Company upon the completion of the Transfer and Investment Transactions at an aggregate consideration of RMB28,881,530 and to purchase 1.1897% equity interest in the Target Company held by Chenxue Investment and Jianyi Xinghe at an aggregate consideration of RMB21,118,470. The Initial Investors have agreed to waive their pre-emptive rights in respect of the Subsequent Transactions. As the Subsequent Investor was introduced as an additional member of the Investors, the Original Shareholders, the Target Company, the Initial Investors and the Subsequent Investor entered into the shareholders' agreement on 20 October 2017.

Through introducing the Subsequent Investor and after entering into the Subsequent Transactions, the Company is 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 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 in the cardiac valve intervention business. As at the date of this announcement, the Company controls 68.7072% of its equity interest through MicroPort Shanghai.

LISTING RULES IMPLICATION

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

In addition, as stated in the Announcements, the Original Shareholders, the Target Company and the Initial Investors entered into the Share Transfer and Capital Increase Agreement on 22 August 2017 in relation to the transfer of equity interest in and capital increase of the Target Company. Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Subsequent Transactions and the transactions contemplated under the Share Transfer and Capital Increase 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.

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

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

INTRODUCTION

We refer to the announcements of the Company dated 22 August 2017 and 4 September 2017 in respect of certain investors' (the "**Initial Investors**") investments in MP Cardioflow (the "**Announcements**"). Unless otherwise stated, capitalized terms used herein have the same meanings as those defined in the Announcements.

As stated in the Announcements, pursuant to the Share Transfer and Capital Increase Agreement entered by the Original Shareholders, the Target Company and the Initial Investors on 22 August 2017, the Target Company and the Original Shareholders have the right to introduce additional investors to the Target Company (the "**Subsequent Investor(s)**", together with the Initial Investors, the "**Investors**") 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 Initial 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 Initial Investors agreed to waive their pre-emptive rights 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 Initial Investors under the amount of RMB50,000,000 mentioned above.

The Board is pleased to announce that on 20 October 2017, the Original Shareholders and the Target Company, after independent negotiations with the Subsequent Investor at an arm's length basis, entered into the share transfer and capital increase agreement (the "**Subsequent Share Transfer and Capital Increase Agreement**") with the Subsequent Investor, pursuant to which, the Subsequent Investor agreed to subscribe for 1.6928% of the enlarged share capital of the Target Company upon the completion of the Transfer and Investment Transactions at an aggregate consideration of RMB28,881,530 and to purchase 1.1897% equity interest in the Target Company held by Chenxue Investment and Jianyi Xinghe at an aggregate consideration of RMB21,118,470. The Initial Investors have agreed to waive their pre-emptive rights in respect of the Subsequent Transactions. As the Subsequent Investor was introduced as an additional member of the Investors, the Original Shareholders, the Target Company, the Initial Investors and the Subsequent Investor entered into the shareholders' agreement (the "**Subsequent Shareholders' Agreement**") on 20 October 2017.

As at the date of this announcement, the Step I Investment under the Share Transfer and Capital Increase Agreement has been completed. The share capital of the Target Company has increased from RMB11,231,000 to RMB12,631,121, and the Company's interest in the Target Company has decreased from 77.2727% to 68.7072%.

Upon completion of the Subsequent Step I Investment, Step II Investment and Step III Investment, the share capital of the Target Company will further increase from RMB12,631,121 to RMB13,410,316, the Initial Investors and the Subsequent Investor will hold 24.7888% and 2.8825% equity interest in the Target Company, respectively, and the Company's interest in the Target Company will further decrease from 68.7072% to 64.7151%. Besides, the Subsequent Investor will also be granted the Investors' Put Options under the Subsequent Shareholders' Agreement.

SUBSEQUENT TRANSACTIONS

Pursuant to the Subsequent Share Transfer and Capital Increase Agreement, the Subsequent Transactions with the Subsequent Investor will be carried out through the following three steps, among which, step II and step III of the Subsequent Transactions will be consolidated into the Step II Investment and the Step III Investment contemplated under the Share Transfer and Capital Increase Agreement.

Step I of the Subsequent Transactions

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

- (i) Chenxue Investment agreed to transfer 0.4210% equity interest in the Target Company to the Subsequent Investor at a consideration of RMB6,155,303 ("**Subsequent Step I Investment(i)**"). The Original Shareholders agreed to waive their pre-emptive rights to such transfer.
- (ii) the Subsequent Investor agreed to subscribe in cash for, and the Target Company agreed to issue 1.2725% equity interest in the enlarged share capital of the Target Company at a consideration of RMB18,844,697 ("**Subsequent Step I Investment(ii)**"). The Original Shareholders agreed to waive their pre-emptive rights to the subscription of such newly issued shares of the Target Company.

Step II of the Subsequent Transactions

The Subsequent Investor will participate in the Step II Investment as an additional member in addition to the Initial Investors. Under the Step II Investment, Jianyi Xinghe agreed to transfer 0.8313% equity interest to the Subsequent Investor at a consideration of RMB14,963,167. The Original Shareholders agreed to waive their pre-emptive rights to such transfer. Upon the completion of the Step II Investment, Jianyi Xinghe will cease to be a shareholder of the Target Company.

Step III of the Subsequent Transactions

The Subsequent Investor will participate in the Step III Investment as an additional member in addition to the Initial Investors. Under the Step III Investment, the Subsequent Investor agreed to subscribe in cash for, and the Target Company agreed to issue 0.4788% equity interest in the enlarged share capital of the Target Company at a consideration of RMB10,036,833. The Original Shareholders agreed to waive their pre-emptive rights to the subscription of such newly issued shares.

Details of the Considerations to be Paid by the Subsequent Investor

The total consideration payable by the Subsequent Investor for the Subsequent Transactions is RMB50,000,000, the details of which are set out below:

	To be paid to Chenxue Investment (RMB) Subsequent Step I Investment(i)	To be paid to Jianyi Xinghe (RMB) Step II Investment	To be paid to the Target Company (RMB) Subsequent Step I Investment(ii)		Step III Investment
Subsequent Investor	<u>6,155,303</u>	<u>14,963,167</u>	<u>18,844,697</u>	<u>10,036,833</u>	
Total	<u><u>6,155,303</u></u>	<u><u>14,963,167</u></u>	<u><u>28,881,530</u></u>		

Under each step of the Subsequent Transactions, the average consideration per percentage of the enlarged share capital of the Target Company payable by the Subsequent Investor is approximately RMB14,809,091, RMB18,000,000 and RMB20,963,536, respectively and such differences reflect (i) the difference of share capital of the Target Company in different investment stage, as a result of the capital increase in the Target Company by the Transfer and Investment Transactions; and (ii) the difference of valuation of the Target Company in different investment stages having considered the time difference of the different stages of investments.

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 Subsequent Step I Investment(i), Subsequent Step I Investment, Step II Investment and Step III Investment by the Investors are set out below:

	As at the date of this announcement	Upon completion of the Subsequent Step I Investment(i)	Upon completion of the Subsequent Step I Investment(i) and Subsequent Step I Investment(ii) % of total enlarged share capital	Upon completion of the Step II Investment % of total enlarged share capital	Upon completion of the Step III Investment % of total enlarged share capital
MicroPort Shanghai	68.7072%	68.7072%	67.8329%	67.8329%	64.7151%
Chenxue Investment	8.5043%	8.0833%	7.9804%	7.9804%	7.6136%
Jianyi Xinghe	8.0832%	8.0832%	7.9803%	—	—
Huajie	6.4977%	6.4977%	6.4150%	9.5739%	10.9532%
CICC Pucheng	6.1557%	6.1557%	6.0774%	9.0700%	10.3767%
Huatai Ruihe	2.0519%	2.0519%	2.0258%	3.0233%	3.4589%
SDIC Chuanghe	—	0.4210%	1.6882%	2.5195%	2.8825%
Total	100%	100%	100%	100%	100%

PRINCIPAL TERMS OF THE SUBSEQUENT SHARE TRANSFER AND CAPITAL INCREASE AGREEMENT

- Date:** 20 October 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); and
 - (5) SDIC Chuanghe (as the Subsequent Investor);
- Subject Matter:** The Subsequent Investor agreed to acquire approximately 2.8825% of the enlarged share capital of the Target Company, which will be implemented partly through the purchase of existing equity interests from Chenxue Investment and Jianyi Xinghe, and partly through subscription of newly issued equity interests of the Target Company.
- Consideration:** The total consideration payable by the Subsequent Investor for the Subsequent Transactions is RMB50,000,000, the details of which are set out above under “Details of the Considerations to be Paid by the Subsequent Investor” 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 Transfer and Investment Transactions, which was calculated with reference to the valuation of comparable companies at the similar developing stage in the market engaged in similar businesses with that of the Target Company. The detailed basis and factors considered to analyze and determine such valuation were disclosed in the announcement of the Company dated 4 September 2017.
- Payment Arrangement:** The Subsequent Investor shall ensure the consideration for the Subsequent 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 completion of each step of the Subsequent Transactions will take place for each of the Subsequent Step I Investment, the Step II Investment and the Step III Investment when the Subsequent Investor 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 completion of each of the Subsequent Step I Investment, the Step II Investment and the Step III Investment of the Subsequent Transactions are conditional upon the fulfillment or waiver of the following conditions precedent by the Subsequent Investor in writing, respectively:

Conditions precedent for the Subsequent Step I Investment:

- (i) the Subsequent Investor's due diligence on the Target Company with respect to operational, business, legal, financial and technical areas having been completed to its satisfaction;
- (ii) the Subsequent Share Transfer and Capital Increase Agreement, Subsequent 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 Subsequent Transactions having been approved by the investment decision-making department of the Subsequent Investor;
- (iv) the Subsequent Transactions (including the waiver 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 Subsequent Share Transfer and Capital Increase Agreement;
- (vi) each of the representations and warranties made in the Subsequent 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 Subsequent Investor's satisfaction;

- (viii) except those patents that are being transferred, which have been disclosed to the Subsequent Investor, all necessary procedures for 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 were issued by MicroPort Shanghai and the Target Company, confirming all the condition precedents for Subsequent 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 Subsequent 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 condition precedents for the 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 Subsequent 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 condition precedents for Step III Investment have been fulfilled.

Upon the completion of the conditions precedent for each of the Subsequent 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 Transfer and Investment Transactions are required to pay the non-defaulting parties 20% of the consideration for the corresponding steps of the Transfer and Investment Transactions as a penalty and all damages caused to the non-defaulting parties by the defaults.

Long-stop Dates and Termination:

Subsequent Step I Investment

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

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

Undertakings by the Target Company and MicroPort Shanghai:

The Target Company and MicroPort Shanghai jointly and severally, unconditionally and irrevocably undertook to the Subsequent Investor, 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 Transfer and Investment Transactions without the consent of the Subsequent Investor; and
- (ii) except for those disclosed to the Subsequent Investor in the agreement or specified herein, the Subsequent Investor 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 Subsequent Step I Investment. If any damage caused to the Subsequent Investor 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 Subsequent Investor.

PRINCIPAL TERMS OF THE SUBSEQUENT SHAREHOLDERS' AGREEMENT

As the Subsequent Investor was introduced as an additional member of the Investors, the parties entered into the Subsequent Shareholders' Agreement on 20 October 2017 which will come into effect upon the completion of either Subsequent Step I Investment (i) or Subsequent Step I Investment (ii), whichever is earlier. The Shareholders' Agreement dated 22 August 2017 will be replaced after the Subsequent Shareholders' Agreement comes into effect, but will still apply among the Target Company, MicroPort Shanghai, the Original Shareholders and the Initial Investors before then. The principal terms of the Subsequent Shareholders' Agreement are set out as below:

Date: 20 October 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 a shareholder of the Target Company);
- (6) CICC Pucheng (as a shareholder of the Target Company);
- (7) Huatai Ruihe (as a shareholder of the Target Company); and
- (8) SDIC Chuanghe (as the Subsequent Investor).

Nomination Rights: As agreed in the Shareholders' Agreement dated 22 August 2017, Huajie and CICC Pucheng were entitled with nomination rights of directors of the Target Company. As at the date of this announcement, the board of the Target Company comprises of five directors, including two directors each appointed by Huajie and CICC Pucheng, respectively. Pursuant to the Subsequent Shareholders' Agreement, the Subsequent Investor has the right to appoint one observer to sit on the board meeting. The directors appointed by the Investors shall not be removed or replaced without their written consent.

A shareholder shall lose its right to appoint director if its shareholding in the Target Company drops to less than 5%. Such shareholder shall, within five days, present the certified 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 Transfer and Investment 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). This restriction shall not apply to any transfer of equity interests to the Investors under the Transfer and Investment 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 Transfer and Investment Transactions and the total consideration for the new investment is no less than 1.5 times than that of the Transfer and Investment Transactions within 24 months after the Shareholders' Agreement came 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.

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 Subsequent 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 12 months after the completion of joint stock restructuring 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 notify 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 Transfer and Investment 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 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 takes 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 Option	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 Subsequent 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 Transfer and Investment Transactions. In case the Target Company issues new shares or increase capital at a price lower than the issue price at the latest step of the Transfer and Investment 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, 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 Subsequent 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 Transfer and Investment 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 with more than two thirds of the voting rights held by all the Investors.

**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 Investors' 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 Investors' Put Option II.

INVESTORS' PUT OPTIONS

The Subsequent Investor, together with the Initial Investors, will be granted put options (“**Investors' Put Option I**” and “**Investors' Put Option II**”, together, the “**Investors' Put Options**”) under the Subsequent Shareholder's Agreement, which are of the same terms of the Put Options under the Shareholders' Agreement dated 22 August 2017. Upon the Subsequent Shareholders' Agreement coming into effect, the Shareholders' Agreement dated 22 August 2017 will be replaced and the Put Options thereunder will become invalid. Pursuant to the Investors' Put Options, 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 Subsequent Shareholders' Agreement.

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

Investors' Put Option I: Pursuant to the Subsequent 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 Subsequent Shareholders' Agreement (the "**Repurchase Price I**") within four to six years after the completion of its Step I Investment, by a written notification no later than six months before the requirement.

Redeemable Shares: The Redeemable Shares consist of equity interests of the Target Company acquired by an Investor in Step I Investment (or Subsequent Step I Investment for the Subsequent Investor) and Step III Investment of the Transfer and Investment 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 Investors' Put Option II are set out below:

Investors' Put Option II: Pursuant to the Shareholders' Agreement, if any of the prerequisites of the Investors' 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 Subsequent 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 Subsequent Step I Investment, in which circumstance the Investors are entitled to exercise the Investors' Put Option II within six months after the occurrence of such event; or

- (ii) The Target Company fails to obtain the third class medical instruments registration certification from the CFDA for its VitaFlow™ product before 31 December 2019, in which circumstance the Investors are entitled to exercise the Investors' Put Option II within twelve months after the occurrence of such event.

Redeemable Shares: Same as those under Investors' 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 (or the Subsequent Step I Investment for the Subsequent Investor), 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 Investors' Put Option I, being 12%;
- (iv) "Q2" means the interest rates for the exercise of Investors' Put Option II, being 15%, and
- (v) "T1" means number of calendar days between the completion of the Investors' Step I Investment (or the Subsequent Step I Investment for the Subsequent Investor) and the date on which the Investor require to exercise the Investors' Put Option I or Investors' 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 Investors' Put Option I or Investors' Put Option II, respectively divided by 365.

Pursuant to the Subsequent Shareholders' Agreement, each of the Investors may exercise the Investors' Put Options for twice in aggregate. If any of the Investors has required the Repurchase Obligor to repurchase part of its Redeemable Shares for twice under either Investors' Put Option I or Investors' Put Option II, such Investor will not be entitled to exercise the any Investors' 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 Investors' Put Options and remain failing to fulfill such obligations after 20 business days upon 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 Subsequent Transactions as well as the Transfer and Investment Transactions, the Target Company will remain a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE SUBSEQUENT TRANSACTIONS

Through introducing the Subsequent Investor and after entering into the Subsequent Transactions, the Company is 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 Subsequent Share Transfer and Capital Increase Agreement and Subsequent Shareholder's Agreement and the transactions contemplated thereunder 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 the deemed disposal of its partial equity interest in the Target Company arising from the Subsequent Transactions, which is calculated based on the difference between the aggregate considerations in relation to the capital increases under the Subsequent 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 Subsequent 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.

As at the date of this announcement, the Step I Investment under the Share Transfer and Capital Increase Agreement dated 22 August 2017 has been completed. Assuming each step of the Transfer and Investment Transactions were all completed on 31 December 2016, based on the unaudited net assets of the Target Company of RMB84.68 million as at 31 December 2016, the estimated gain of the Group arising from the capital increases under the Subsequent Transactions would be approximately RMB17.6 million. However, the actual gain or loss may be different and will be calculated based on the net asset value of the Target Company at the date of completion of each step of the Transfer and Investment Transactions.

In addition, the Investors' Put Options as part of the Transfer and Investment Transactions would be recognized as obligations of the Group to repurchase its 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 Subsequent Transactions are expected to be approximately RMB28.88 million, which will be used as research and development expenses and general working capital of the Target Company.

LISTING RULES IMPLICATION

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

In addition, as stated in the Announcements, the Original Shareholders, the Target Company and the Initial Investors entered into the Share Transfer and Capital Increase Agreement on 22 August 2017 in relation to the transfer of equity interest in and capital increase of the Target Company. Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Subsequent Transactions and the transactions contemplated under the Share Transfer and Capital Increase 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.

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

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

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 in the cardiac valve intervention business. As at the date of this announcement, the Company controls 68.7072% 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 the Group's certain employees and other companies, which are all independent third parties not connected with the Group. Its primary businesses involve investment management and investment consulting. As at the date of the announcement, Chenxue Investment holds 8.5043% 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), an independent third party of the Company. Its primary businesses involve venture capital investment and investment management. As at the date of the announcement, Jianyi Xinghe holds 8.0832% interest in the Target Company.

SDIC Chuanghe

SDIC Chuanghe, a limited partnership incorporated in China, and an independent third party of the Company. Its primary business activity is investment management and investment consultancy and its general partner is SDIC Chuanghe (Beijing) Fund Management Co., Ltd. (國投創合(北京)基金管理有限公司), an independent third party of the Company.

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 22 August 2017 and 4 September 2017 in respect of the Initial Investors' investment in the Target Company
“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)), 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 the Group's certain employees and other companies, which are all independent third parties not connected with the Group

“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 II”	has the meaning as defined in the section headed “Principal Terms of the Subsequent 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))
“Initial Investors”	Huajie, CICC Pucheng and Huatai Ruihe
“Investors”	Huajie, CICC Pucheng, Huatai Ruihe and SDIC Chuanghe
“Investors’ Put Option(s)”	has the meaning as defined in the section headed “Investors’ Put Options” of this announcement
“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 a wholly-owned subsidiary of the Company

“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
“Redeemable Shares”	has the meaning as defined in the section headed “Investors’ Put Options” of this announcement
“Repurchase Obligors”	has the meaning as defined in the section headed “Investors’ Put Options” of this announcement
“Repurchase Price I”	has the meaning as defined in the section headed “Investors’ Put Options” of this announcement
“Repurchase Price II”	has the meaning as defined in the section headed “Investors’ Put Options” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SDIC Chuanghe” or “Subsequent Investor”	SDIC Chuanghe National Leading Fund of Emerging Industries VC (Limited Partnership) (國投創合國家新興產業創業投資引導基金(有限合夥))
“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 announcement of the Company dated 22 August 2017
“Step II Investment”	has the meaning as defined in the announcement of the Company dated 22 August 2017

“Step III Investment”	has the meaning as defined in the announcement of the Company dated 22 August 2017
“Subsequent Step I Investment”	has the meaning as defined in the section headed “Subsequent Transactions” of the announcement
“Subsequent Step I Investment(i)”	has the meaning as defined in the section headed “Subsequent Transactions” of the announcement
“Subsequent Step I Investment(ii)”	has the meaning as defined in the section headed “Subsequent Transactions” of the announcement
“Subsequent Transactions”	the transactions contemplated with the Subsequent Investor under the Subsequent Share Transfer and Capital Increase Agreement and the Subsequent Shareholders’ Agreement
“Subsequent Shareholders’ Agreement”	The shareholders agreement dated 20 October 2017 entered into among MP Cardioflow, MicroPort Shanghai, Chenxue Investment, Jianyi Xinghe, Huajie, CICC Pucheng, Huatai Ruihe and SDIC Chuanghe
“Subsequent Share Transfer and Capital Increase Agreement”	the share transfer and capital increase agreement dated 20 October 2017 entered into among MP Cardioflow, MicroPort Shanghai, Chenxue Investment, Jianyi Xinghe and SDIC Chuanghe
“Transfer and Investment Transactions”	the equity transfer of and capital increase in the Target Company, comprising the transactions contemplated under the Share Transfer and Capital Increase Agreement, the Shareholders’ Agreement, the Subsequent Share Transfer and Capital Increase Agreement and the Subsequent Shareholders’ Agreement

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

Shanghai, the PRC, 20 October 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*