MICROPORT CARDIOFLOW MEDTECH CORPORATION

微创心通医疗科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2160)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2020, together with comparative audited figures for the year ended December 31, 2019. The results have been reviewed by Audit Committee.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL SUMMARY

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**103,934**	21,502
Gross profit	**45,380**	6,302
Loss before taxation	**(398,087)**	(144,522)
Loss for the year	**(398,087)**	(144,522)
Loss attributable to equity shareholders of the Company	**(398,087)**	(144,522)
Loss per share — Basic and diluted (in RMB)	**(0.23)**	(0.08)

For the year ended 31 December 2020, the Group recorded revenue of RMB103.9 million, representing an increase of 383.4% compared to RMB21.5 million for the year ended 31 December 2019. All of our revenue were generated from sales of VitaFlow™, which was commercialized in China in August 2019. For the year ended 31 December 2020, we sold 1,293 units of VitaFlow™, as compared to 271 units for the year ended 31 December 2019.

The Group recorded loss for the year of RMB398.1 million for the year ended 31 December 2020 as compared to RMB144.5 million for the year ended 31 December 2019. Such increase was primarily due to (i) increase in finance costs attributable to the issuance of series C preferred shares and series D preferred shares; (ii) increases in losses on fair value changes in financial instruments; and (iii) increase in other operating costs primarily due to the listing expenses in relation to the Global Offering, partially offset by the increase in gross profit.

BUSINESS REVIEW

Overview

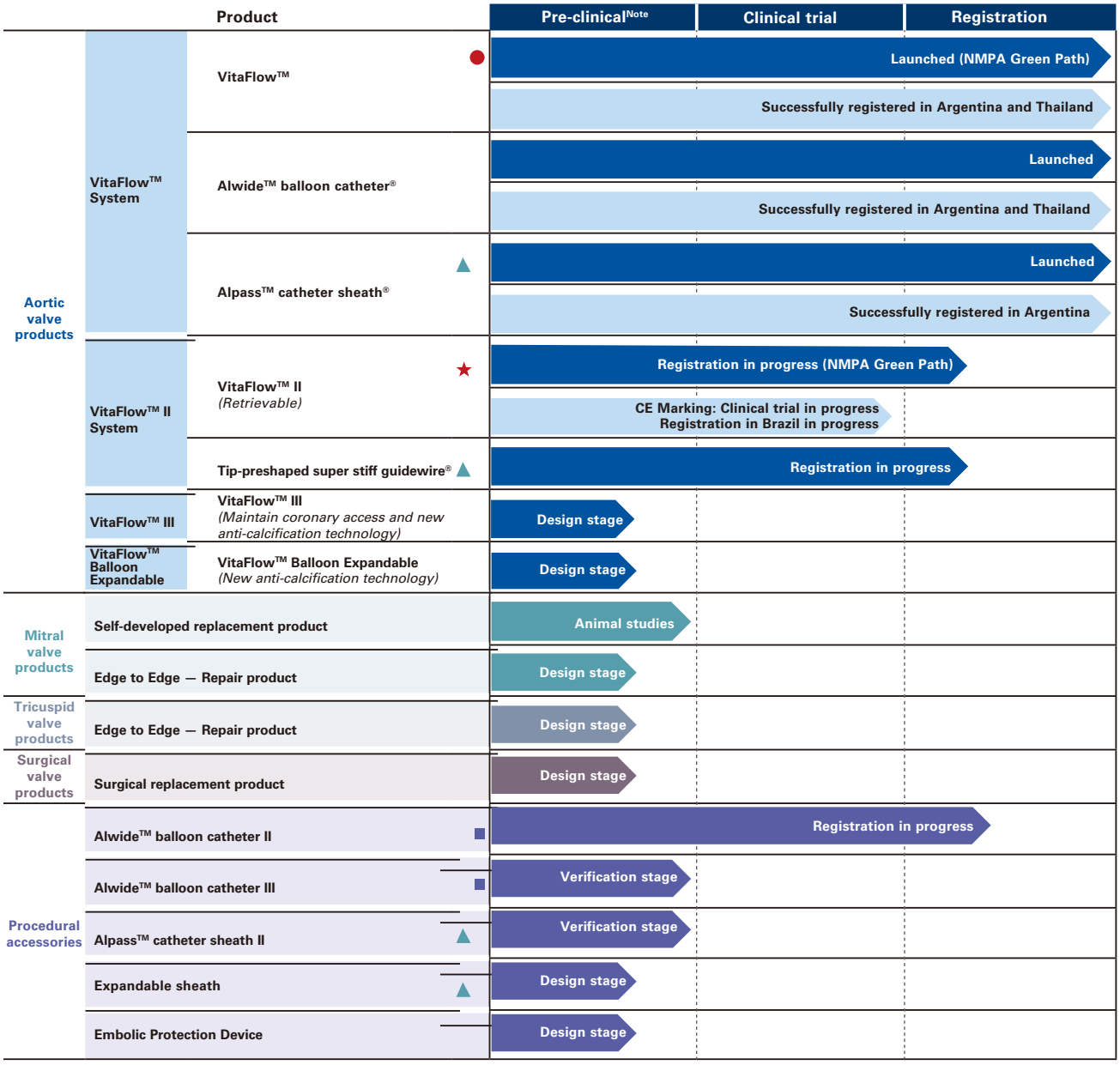
We are a medical device company in China focusing on the research, development and commercialization of innovative transcatheter and surgical solutions for valvular heart diseases. We are deeply rooted in the vast, rapid-growing and substantially underpenetrated heart valve medical device market and have developed a medical device platform focusing on valvular heart disease. Complemented by our proven commercialization capabilities, medical device platform focusing on valvular heart disease and experienced management team with continuous support from Shareholders, we have successfully developed and launched a TAVI product with positive clinical trial results with respect to all-cause mortality rate and postoperative complications including moderate/severe PVL, major stroke and vascular complications in China and we are also developing our second-generation TAVI product, which is at near-commercialization stage. We are also dedicated to serving the vast but underserved TMV market, strategically targeting all mainstream viable TVT options for mitral regurgitation through in-house development and collaboration with our global partners, namely 4C Medical and ValCare, each being a medical device company focusing on the R&D of mitral and tricuspid valve medical devices.

Our Mission

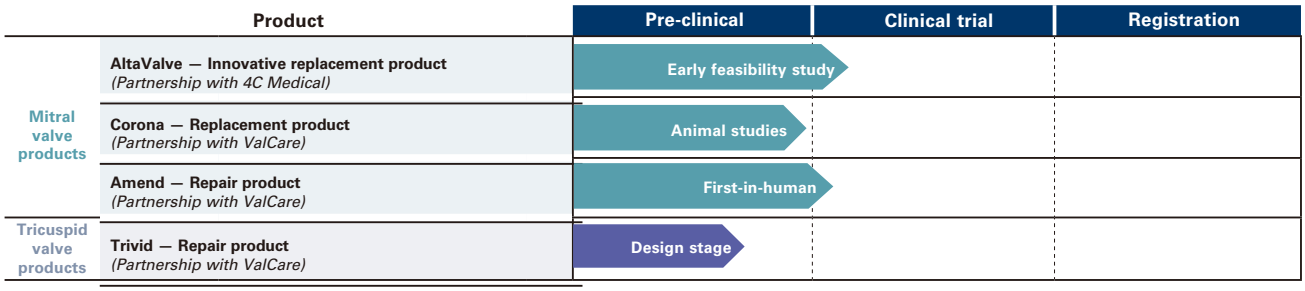
Our mission is to improve the lives of valvular heart disease patients by providing optimal and affordable medical solutions through continuous innovation.

Our Pipeline

Our in-house developed product portfolio consists of one commercialized TAVI product — VitaFlow™ (including two procedural accessories as part of its offering), one registration stage TAVI product — VitaFlow™II and various TAVI products, TMV products, TTV product, procedural accessory products and surgical valve product at different stage of development. The following chart summarizes our in-house developed product portfolio as of the date of this announcement.



In addition to our in-house developed product portfolio, we also collaborate with our business partners, namely 4C Medical and ValCare, with respect to certain TMV and TTV products, for which we own the exclusive commercial rights in China. The following chart summarizes our product portfolio that we collaborate with these business partners as of the date of this announcement.



VitaFlow™

Our self-developed first-generation TAVI product VitaFlow™, was approved by the NMPA in July 2019. VitaFlow™ primarily consists of a PAV, a motorized delivery system and certain procedural accessories. The PAV is a self-expanding bio-prosthesis valve that is manufactured by suturing bovine pericardial valve leaflets and double-layer PET skirt onto a self-expanding nitinol frame. The motorized delivery system consists of a catheter and a motorized handle. The procedural accessories comprise our first-generation Alwide™ balloon catheter and our first-generation Alpass™ catheter sheath, which are designed to help physicians overcome the challenges in performing TAVI procedures.

We conducted a prospective, multi-center and single-arm pivotal clinical trial in China with VitaFlow™, which enrolled 110 patients with an average STS Score of 8.8. Compared with other TAVI products currently commercialized in China, VitaFlow™ achieved positive clinical trial results with respect to all-cause mortality rate and postoperative complications including moderate/severe PVL, major stroke and vascular complications. The all-cause mortality rate was 0.9% at discharge, 0.9% at 30 days, 2.7% at six months, 2.7% at 12 months, 4.5% at 24 months and 12.7% at 48 months post-implantation. None of the patients experienced moderate or severe PVL during the 12 months following the TAVI procedure. None of the patients experienced a major stroke during the 24 months following the TAVI procedure. During the 48 months following the TAVI procedure, only 2.0% of the patients experienced major stroke.

We started to commercialize VitaFlow™ in China in August 2019. We are also evaluating the opportunities to market our VitaFlow™ overseas, especially in emerging markets that recognize the NMPA marketing approval. In July 2020 and November 2020, VitaFlow™ was registered in Argentina and Thailand, respectively.

For the year ended December 31, 2020, our revenue generated from the sales of VitaFlow™ amounted to RMB103.9 million, representing an increase of 383.4% compared to RMB21.5 million for the year ended December 31, 2019.

VitaFlow™ II — Our Core Product

VitaFlow™ II is our second-generation TAVI product. Similar to VitaFlow™, VitaFlow™ II consists of a PAV, a motorized retrievable delivery system and certain procedural accessory. The PAV adopts the same design with VitaFlow™. The key upgrade lies in the delivery system, where the capsule of VitaFlow™ II includes a distal flare (a flared tip located at the distal part of the delivery system), enabling the physician to retrieve the PAV if it is not placed accurately at the designated position provided the deployment does not exceed 75% of the maximal deployment range. The retrievable function will help increase the accuracy of positioning the PAV, which will further improve the overall success rate of the TAVI procedure.

VitaFlow™ II had achieved positive clinical trial results during the Registration Clinical Trial with respect to its safety and efficacy. During the 30-day follow-up period, none of the patients experienced a disabling stroke. We had also observed a significant improvement in patients' cardiac functions, measured by the NYHA Classification. Prior to the TAVI implantation, none of the patients were classified as Class I and only 18.3% of the patients were classified as Class II under the NYHA Classification, which significantly improved to 19.3% and 68.4% at 30-day follow-up evaluation, respectively. Although there were three mortality cases observed, as reviewed and adjudicated by the clinical endpoints committee, none of the mortality cases were related to the function of VitaFlow™ II. In October 2020, we submitted the registration application for VitaFlow™ II to the NMPA, which was supported by the Registration Clinical Trial results. The registration application was accepted by the NMPA in November 2020 and is currently under review. We expect that we will complete the registration of VitaFlow™ II in China by the end of 2021.

In addition, we are also conducting a pivotal clinical trial for VitaFlow™ II in Europe. We plan to submit the application for CE Mark registration in 2021. We also plan to register VitaFlow™ II primarily in countries that recognize the NMPA marketing approval or the CE Mark, such as Argentina, Brazil, India, South Korea, Thailand and Russia, among others, provided we successfully obtained marketing approval from the NMPA and/or the CE Mark.

Cautionary Statement required under Rule 18A.08(3) of the Listing Rules: We cannot guarantee that we will ultimately develop or market our Core Product successfully.

Research and Development

R&D is crucial to our growth. We have built a core R&D team with key technology expertise in areas including, among others, biological material, suturing technique, structure design and processing technique. Our R&D team is divided into three R&D groups, namely the frame group, the valve group and the delivery system group. Each group focuses on the R&D of new technology and materials related to that group that has the potential to be applied to our product portfolio. For the design and development of a pipeline product, we established a project team which consists of members from each R&D group. The project team holds regular meetings to discuss the R&D progress in each group, the latest market trends as well as detailed analysis of similar products manufactured by our competitors. We believe this working mechanism enables each R&D group to closely follow and meet our in-house R&D needs as well as the market trend while separately focus on the R&D of their respective fields. Through this working mechanism, we have been able to develop innovative designs for each of the valve tissue, PET skirt, frame and handle in VitaFlow™. We also have an international scientific advisory board, consisting of global leading scientists and physicians in the cardiovascular field, namely Dr. Nicolo Piazza, Dr. Thomas Modine and Dr. Darren Mylotte, who share their abundant experiences and insights on the latest technology breakthroughs and the latest trends in the treatment of valvular heart diseases worldwide.

Intellectual Properties

As of December 31, 2020 we owned 99 patents in China, including 23 invention patents, 69 utility models and seven industry designs. As of the same date, we also had 81 pending patent applications in China, including 72 invention patents and nine utility models. To facilitate our strategy to enter overseas market, we also owned 58 patents in UK, Italy, Germany, France, Spain, America, Korea, Australia and Brazil, among others. All of the patents that we owned or applied for are related to technologies of our product or product candidates and are self-developed by our in-house R&D team.

Manufacturing

We commenced commercial manufacturing of VitaFlow™ shortly after we received the NMPA marketing approval in July 2019. We had two manufacturing facilities in Shanghai in compliance with the GMP standard, namely the Nanhui Facility and the Zhangjiang Facility, with a total GFA of approximately 3,863.8 square meters. We lease the Nanhui Facility from an independent third party and the Zhangjiang Facility from MicroPort Group. Zhangjiang Facility was primarily used for R&D of our pipeline products and Nanhui Facility was primarily used for commercial production of VitaFlow™. We have engaged a third party to construct a new manufacturing facility in Shanghai with a total GFA of approximately 13,000 square meters. We expect that the new manufacturing facility will commence production in 2022, which will significantly enhance our production capacity.

Commercialization

We have established a dedicated in-house sales and marketing team with professional medical background, primarily focusing on academic promotions. For the year ended December 31, 2020, we sold 1,293 units of VitaFlow™. As of March 30, 2021, TAVI procedures using VitaFlow™ had been performed at 166 hospitals in China, most of which are Class IIIA Hospitals located at tier-one and tier-two cities.

Events after the Reporting Period

On February 4, 2021, the Shares of the Company were listed on the Main Board of the Stock Exchange.

On February 10, 2021, the Company successfully issued and allotted additional 30,843,000 Shares pursuant to the over-allotment option, representing approximately 15% of the maximum number of offer Shares initially available under the Global Offering, at the offer price of HK$12.20 per Share.

Save as disclosed in this announcement and Note 14 to the financial statements, the Company is not aware of any material subsequent events from the end of Reporting Period to the date of this announcement.

Impact of the COVID-19 Pandemic

Since early 2020, a growing number of countries and regions around the world have experienced an outbreak of the novel coronavirus ("**COVID-19**"), a highly contagious disease known to cause respiratory illness. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdown. The spread of COVID-19 continues to affect China and Europe, where we conduct substantially all of our business and engage in preclinical studies and clinical trials, as well as certain other countries and regions that are part of our supply chain.

To protect our employees, we required all of our employees to work remotely in late January and February 2020. We officially resumed normal on-site operations, including our in-house R&D and commercialization activities in March 2020. As such, the COVID-19 outbreak had a material impact on our business operations and results of operations during the first quarter of 2020. Our revenue for the first half of 2020 has been significantly affected by the COVID-19 pandemic as sales of our TAVI product has decreased, especially in February and March 2020, primarily because of temporary decreases in the hospital treatment rate of patients with aortic stenosis as many avoided going to hospitals. We expect that the effect of the COVID-19 pandemic on our business to be relatively limited in the next few years.

It is uncertain when and whether COVID-19 will be contained globally. The above analysis are made by our management based on currently available information concerning COVID-19. We cannot guarantee you that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. We are constantly monitoring the COVID-19 outbreak situation as well as various regulatory and administrative measures adopted by local governments to prevent and control the pandemic. We will continue to monitor and evaluate any impact of the COVID-19 outbreak on us and adjust our precautionary measures according to the latest developments of the outbreak.

Significant Investments, Material Acquisitions and Disposals

Our Company made an investment of US$819,377 in ValCare on February 18, 2020. The amount for the Investment was determined after commercial arm's length negotiations, taking into account factors including market dynamics and the capital required for the R&D plan of ValCare. For details, please refer to the "History" section to the Prospectus.

Save as disclosed above, the Company had no other significant investments, material acquisitions and/or disposals during the year ended December 31, 2020.

Employees and Remuneration

As of December 31, 2020, the Group had 305 employees. The total staff cost incurred by the Group for the year ended December 31, 2020 was RMB97.1 million, as compared to RMB46.1 million for the year ended December 31, 2019. The remuneration package of our employees includes, salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Future Development

We intend to capitalize our strengths to pursue a business strategy in the following aspects:

Continue to strengthen our presence in China's TAVI market

The China TAVI market is significantly under-penetrated. We intend to further increase our sales of TAVI products in China through the following:

- **Expand and deepen hospital penetration.** We will continue our focus on increasing penetration into top tier hospitals, in which we believe we can gain a substantial advantage by leveraging our positive clinical trial results of VitaFlow™ with respect to mortality rate and postoperative complications. We plan to further penetrate top tier hospitals to gain a leading market share in the near future. We will also expand into other hospitals that has either existing TAVI capabilities or the potential to perform TAVI procedures. According to Frost & Sullivan, it is expected that there will be 1,149 eligible hospitals for TAVI procedures in China, among which 616 hospitals are expected to have performed TAVI procedures in 2025. These hospitals indicate high potential for TAVI penetration. We will also recruit more sales and marketing personnel with experience in or knowledge of valvular heart diseases and expand our distributor network to further penetrate China's TAVI market.

- **Further advance development of next-generation products.** We intend to rapidly advance the R&D of our TAVI pipeline products. We will also advance the development of our third-generation self-expanding TAVI product and another balloon-expandable TAVI product, in order to provide full solution to all suitable patients, especially younger patients and patients with lower surgical risks.

- **Strengthen academic promotion.** In addition to maintaining our KOLs and physician network in the medical specialty of cardiology, we also intend to expand our KOLs and physician network to physicians in cardiothoracic surgery, which we believe potentially also have strong demand for our products. We have been keeping, and will continue to keep frequent communications with several leading medical associations and conferences in these medical specialty fields, such as the Asia Valvular Heart Disease Conference, to design customized training programs for cardiac surgeons. We believe our KOLs and physician coverage in the medical specialty of cardiothoracic surgery will enable us to gain advantages to promote our products in the cardiothoracic surgery department.

- **Long-term postoperative follow-ups and marketing surveillance.** We will continue to conduct postoperative follow-up evaluations for up to five years post-TAVI procedure to further monitor the long-term safety and efficacy of VitaFlow™. We believe we are well-positioned to further enhance our relationship with physicians and boost our brand recognition through these valuable long-term clinical data.

Continue to advance our international strategy

We will continue our efforts in the international markets with a tailored strategy for both VitaFlow™ and VitaFlow™ II in various international markets with significant market potential. Leveraging the global awareness of the "MicroPort" brand, we plan to collaborate with global enablers, including medical device companies, research institutes, hospitals and distributors, to advance our international strategy.

- **VitaFlow™.** We are exploring opportunities for VitaFlow™ in emerging markets that recognize the NMPA approval. We plan to increase academic promotion activities and ramp up sales in these territories.

- **VitaFlow™ II.** We will focus on product registration and commercialization of VitaFlow™ II overseas, especially in Europe. With our extensive experience in product development, registration and manufacture of TAVI products and the awareness of "MicroPort" brand, we believe VitaFlow™ II has the potential to become the first commercialized China-developed TAVI product in Europe. We will also advance product registrations in emerging markets, especially countries that recognize the CE Mark or the NMPA approval such as Argentina, Brazil, South Korea, Russia, Thailand and India. We are also evaluating opportunities in other territories and we may consider enter such territories and conduct local clinical trials for product registration of VitaFlow™ II in such territories in the future.

- **Overseas collaborations.** As part of our international strategy, we will steadily expand our academic coverage into overseas markets. Leveraging the experience and the expertise of our international scientific advisory board, we intend to participate in more leading international cardiovascular conferences by organizing presentations and case studies to introduce our product to enhance our brand awareness globally.

Rapidly advance our TMV pipeline and other product candidates

We will continue our focus on the development of other pipeline products to expand our product portfolio, including TMV pipeline products, TTV pipeline products and next-generation procedural accessories and surgical accessories designated to strengthen our position in the transcatheter medical device market. Capitalizing on our market position and extensive know-how in the valvular heart disease field, we will further expand our product portfolio through in-house R&D capabilities. We believe we can leverage our experiences and know-how accumulated during the development of the current product portfolio in our future products.

We will also seek opportunities for third-party cooperation with a focus on valvular heart disease. Our deep and unique understanding and insights on valvular heart diseases will enable us to identify the technologies that we believe are of great clinical potential to tackle aortic valve, mitral valve and tricuspid valve diseases. We will prudently assess investment opportunities to expand our product portfolio through acquisitions, collaborations or in-licensing arrangements with regard to these technologies.

We also intend to recruit and train additional talented R&D personnel to expand our in-house R&D team. Our in-house R&D team will work closely with our international scientific advisory board and KOLs to follow the market trends and technology breakthroughs, which will in turn enable us to better understand the clinical demands.

Improve operational efficiency and achieve economies of scale to support our long-term growth.

We plan to improve operational efficiency to achieve long-term growth through the following measures.

- **Manufacturing.** To support our future sales growth, we have engaged a third party to construct a new manufacturing facility in Shanghai with a total GFA of approximately 13,000 square meters, which is currently expected to commence production in 2022. We expect the manufacturing capacity expansion will enable us to achieve economies of scale. In addition, we intend to further improve the automation and manufacturing efficiency through continuous infrastructure upgrade and facility automation.

- **Operation.** We will continue our efforts to pursue lean management and operational excellence strategy. We plan to upgrade our digital supply management system and information management system to achieve real-time monitoring of our supply chain. We are also exploring methods to optimize our inventory management system, which will improve our operational efficiency.

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this announcement.

Revenue

During the Reporting Period, all of our revenue was generated from the sales of our first commercialized product, VitaFlow™. The following table sets forth the components of our revenue, sales volume and average selling price for the periods indicated.

	For the year ended December 31,	
	2020	2019
	(RMB in thousands, except for sales volume)	
VitaFlow™		
Revenue	**103,934**	21,502
Sales volume (units)	**1,293**	271
Average selling price (per unit)	**80.4**	79.3

For the year ended December 31, 2020, the Group's revenue increased by 383.4% from RMB21.5 million for the year ended December 31, 2019 to RMB103.9 million in 2020, primarily because we started to commercialize our first marketed product, VitaFlow™, in August 2019.

Cost of Sales

During the Reporting Period, our cost of sales was all related to the manufacturing of VitaFlow™. Our cost of sales increased by 285.2% from RMB15.2 million for the year ended December 31, 2019 to RMB58.6 million for the year ended December 31, 2020, primarily because we started to commercialize our first marketed product, VitaFlow™, in August 2019.

Gross Profit and Gross Profit Margin

We started to generate revenue and recorded gross profit after the commercialization of VitaFlow™ in August 2019. Our gross profit for sales of VitaFlow™ increased by 620.1% from RMB6.3 million for the year ended December 31, 2019 to RMB45.4 million for the year ended December 31, 2020, and the gross profit margin increased by 14.4% from 29.3% for the year ended December 31, 2019 to 43.7% for the year ended December 31, 2020, primarily due to our continuous efforts to optimize our manufacturing efficiency. In addition, as we gradually ramped up our sales of VitaFlow™, we have achieved more bargaining power over raw material suppliers and are able to control costs through economies of scale.

Research and Development Costs

Our R&D costs remained stable at RMB96.7 million for the year ended December 31, 2019 and RMB96.8 million for the year ended December 31, 2020.

Distribution Costs

Our distribution costs increased by 96.7% from RMB26.1 million for the year ended December 31, 2019 to RMB51.4 million for the year ended December 31, 2020, primarily due to (i) an increase of RMB15.0 million in market development expenses, as we increased our sales and marketing activities after the commercialization of VitaFlow™; (ii) an increase of RMB4.4 million in share-based compensation expenses due to the Share Option Scheme; and (iii) an increase of RMB3.3 million in staff costs to support our increasing sales and marketing activities.

Administrative Expenses

Our administrative costs increased by 316.7% from RMB10.9 million for the year ended December 31, 2019 to RMB45.2 million for the year ended December 31, 2020, primarily due to an increase of RMB24.8 million in share-based compensation expenses primarily due to the Share Option Scheme.

Other Net Income

For the year ended December 31, 2020, we recorded RMB14.3 million of other net income, compared to RMB5.1 million for the year ended December 31, 2019, which consisted of RMB16.7 million of government grants and RMB5.2 million of interest income, partially offset by net foreign exchange loss of RMB7.6 million, reflecting the impact of depreciation of U.S. dollars against Renminbi on our deposits that are denominated in U.S. dollars.

Fair Value Changes in Financial Instruments

Our losses on fair value changes in financial instruments increased from RMB8.6 million for the year ended December 31, 2019 to RMB64.7 million for the year ended December 31, 2020 due to a combination of the increase in fair value of Series D Adjustment and Witney Put Option (as hereinafter defined in this announcement, which was partially offset by an increase in valuation of our investment in 4C Medical.

Other Operating Costs

Our other operating costs increased from RMB1.1 million for the year ended December 31, 2019 to RMB54.0 million for the year ended December 31, 2020. This increase was primarily due to the listing expenses in relation to the Global Offering

Finance Costs

Our finance costs increased significantly from RMB12.5 million for the year ended December 31, 2019 to RMB146.3 million for the year ended December 31, 2020. This increase was primarily attributable to an increase in interest on other financial liabilities due to the issuance of series C preferred shares and series D preferred shares.

Inventories

Our inventories consist of (i) raw materials used in R&D activities and manufacturing for our product candidates; (ii) work in progress; and (iii) finished goods. We regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usage in the near term.

Our inventories increased from RMB49.2 million as of December 31, 2019 to RMB67.8 million as of December 31, 2020, reflecting (i) an increase in work in progress of RMB12.0 million; and (ii) an increase in finished goods of RMB5.2 million, primarily because we kept the optimal level of inventories in anticipation of increasing marketing demand for our products.

Current Trade and Other Receivables

Our current trade and other receivables primarily consist of (i) value-added tax recoverable, representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables; (ii) deposits and prepayments to suppliers and service providers; and (iii) trade receivables. We require substantially all of our distributors to make full payment prior to product shipments, except for two distributors to whom we granted a credit term of 10 business days starting from June 2020 and approximately 30 days starting from October 2019, respectively. As a result, we did not have trade receivables in 2019 and recorded trade receivables of RMB4.7 million as of December 31, 2020. We seek to maintain strict control over the outstanding receivables to minimize credit risk.

Our current trade and other receivables increased from RMB24.9 million as of December 31, 2019 to RMB39.4 million as of December 31, 2020. This increase was primarily due to (i) RMB4.7 million of trade receivables due from our distributors; (ii) an increase of RMB5.9 million in deposits and prepayments due to our procurement of raw materials and services; and (iii) and increase of RMB3.5 million in other receivables arising from prepaid listing expenses to be accounted for as a deduction from equity upon the completion of the Listing.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables due to third party suppliers and related parties; (ii) accrued payroll; and (iii) other payables and accrued charges.

Our trade and other payables increased from RMB35.3 million as of December 31, 2019 to RMB86.1 million as of December 31, 2020, primarily due to an increase of RMB46.8 million in other payables and accrued charges primarily reflecting (i) accrued listing expenses; (ii) an increase of RMB4.4 million in accrued payroll; and (iii) an increase of RMB3.0 million in trade payables due to third parties in consistent with the increase of purchase.

Derivative Financial Liabilities

During the Reporting Period, our derivative financial liabilities comprised the Series D Adjustment and the Witney Put Option. As of December 31, 2020, the fair values of the Series D Adjustment and the Witney Put Option were RMB60.4 million and RMB13.7 million, respectively. The fair value of derivative financial liabilities that are not traded in an active market and is determined by using the applicable valuation techniques, which incorporated unobservable inputs, including expected probability of event, expected volatility and others.

Lease Liabilities

As of December 31, 2020, we recorded lease liabilities of RMB15.8 million, which were primarily in relation to the properties we leased for our office premises, manufacturing and R&D. We recognize lease liabilities with respect to all leases, except for short-term leases and leases of low value assets.

Capital Expenditure

Our capital expenditure amounted to RMB62.6 million during the Reporting Period represented the additions of intangible assets and property, plant and equipment. In particular, our intangible assets primarily represent the capitalized development costs.

Contingent Liabilities

As of December 31, 2020, we did not have any contingent liabilities.

Capital Management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher Shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Liquidity and Financial Resources

Our cash and cash equivalents increased significantly from RMB109.3 million as of December 31, 2019 to RMB612.5 million as of December 31, 2020 primarily attributable to the funds we received from our Series D financing. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Borrowings and Gearing Ratio

Total borrowings of the Group, including interest-bearing borrowing, as of December 31, 2020 were nil, compared to RMB20.0 million as of December 31, 2019, reflecting the repayment of bank loan in January 2020. As of December 31, 2020, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as of the same date) decreased to 1.7%, compared to 8.5% as of December 31, 2019.

Net Current Liabilities

The Group's net current liabilities as of December 31, 2020 were RMB711.7 million, as compared to RMB204.0 million as of December 31 2019. Such increase was mainly attributable to the series D preferred shares issued during the Reporting Period, which were accounted for as current liabilities.

Charge on Asset

As of December 31, 2020, there was no charge on assets of the Group.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	For the year ended December 31, 2020 RMB'000	2019 RMB'000
Revenue	4	**103,934**	21,502
Cost of sales		**(58,554)**	(15,200)
Gross profit		**45,380**	6,302
Other net income	5	**14,310**	5,064
Research and development costs		**(96,840)**	(96,701)
Distribution costs		**(51,357)**	(26,105)
Administrative expenses		**(45,220)**	(10,853)
Fair value changes in financial instruments		**(64,743)**	(8,649)
Other operating costs		**(54,026)**	(1,057)
Loss from operations		**(252,496)**	(131,999)
Finance costs	6(a)	**(146,307)**	(12,523)
Share of profits of a joint venture		**716**	–
Loss before taxation	6	**(398,087)**	(144,522)
Income tax	7(a)	**–**	–
Loss for the year		**(398,087)**	(144,522)
Loss attributable to equity shareholders of the Company		**(398,087)**	(144,522)
Loss per share	8		
Basic and diluted (RMB)		**(0.23)**	(0.08)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(398,087)**	(144,522)
Other comprehensive income for the year, net of nil tax		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**12,340**	(12,579)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**76,590**	6,352
Other comprehensive income for the year	**88,930**	(6,227)
Total comprehensive income for the year	**(309,157)**	(150,749)
Total comprehensive income for the year attributable to equity shareholders of the Company	**(309,157)**	(150,749)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31, 2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**68,122**	42,767
Intangible assets		**234,168**	222,491
Interest in a joint venture	9	**34,007**	35,579
Other financial assets		**49,508**	51,673
Other non-current assets	10	**6,408**	9,661
		392,213	362,171
Current assets			
Inventories		**67,769**	49,224
Trade and other receivables	10	**39,400**	24,917
Pledged and time deposits		**325**	325
Cash and cash equivalents		**612,474**	109,263
		719,968	183,729
Current liabilities			
Interest-bearing borrowings		**–**	20,000
Trade and other payables	11	**86,059**	35,331
Contract liabilities		**–**	3,567
Lease liabilities		**7,202**	7,249
Derivative financial liabilities		**60,371**	–
Other financial liabilities		**1,278,062**	321,594
		1,431,694	387,741
Net current liabilities		**(711,726)**	(204,012)
Total assets less current liabilities		**(319,513)**	158,159
Non-current liabilities			
Lease liabilities		**8,625**	11,380
Deferred income		**3,390**	3,480
Derivative financial liabilities		**13,656**	11,455
		25,671	26,315
NET (LIABILITIES)/ASSETS		**(345,184)**	131,844
CAPITAL AND RESERVES			
Share capital	13	**60**	62
Reserves		**(345,244)**	131,782
TOTAL (DEFICIT)/EQUITY		**(345,184)**	131,844

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2020 comprise the Company and its subsidiaries and the Group's interest in a joint venture.

The Group conducted the restructuring in 2019. The financial statement has been prepared and presented as a continuation of the financial information of the business with assets and liabilities recognised and measured at their historical carrying amounts prior to the restructuring. The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2020 and 2019 include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and unchanged from 1 January 2019 (or where the Companies were incorporated/established at a date later than 1 January 2019, from the date of incorporation/establishment). The consolidated statements of financial position of the Group as at 31 December 2019 and 2020 have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation/establishment, where applicable.

The Group are principally engaged in the R&D, manufacturing and sales of medical devices treating valvular heart diseases. The Group's business was conducted through Shanghai MicroPort CardioFlow Medtech Co., Ltd. ("**MP CardioFlow**") (上海微創心通醫療科技有限公司).

As the Group's operation are primarily located in the PRC and most of the Group's transactions are conducted and denominated in Renminbi ("**RMB**"), which is the functional currency of MP CardioFlow, the consolidated financial statements are presented in RMB, rounded to the nearest thousand, unless otherwise stated. The functional currency of the Company is United States dollars ("**US$**") other than RMB.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

— investments in debt and equity securities; and

— derivative financial instruments

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue

(a) Revenue

The Group derives revenue principally from the sales of medical devices through appointed distributors.

For the purpose of making decisions about resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and the timing of revenue recognition is as follows:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**103,934**	21,502

Revenue from each major customer which accounted for 10% or more of the Group's revenue is set out below:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Customer A	**17,977**	5,827
Customer B	**N/A***	3,781
Customer C	**12,158**	N/A*

* Less than 10% of the Group's revenue in the respective years

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2020, none of the amount of the transaction price was allocated to the remaining performance obligation under the Group's existing contracts (2019: nil).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for medical devices such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of medical devices that had an original expected duration of one year or less.

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, interest in a joint venture and other non-current financial assets ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, the location of the operations to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in a joint venture and other non-current financial assets.

Revenue from external customers

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
The PRC (place of domicile)	**103,934**	21,502

Specified non-current assets

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
The PRC (place of domicile)	**302,290**	265,258
North America	**49,508**	51,673
Asia (excluding the PRC)	**34,007**	35,579
	385,805	352,510

5 Other net income

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Government grants	**16,690**	3,907
Interest income on bank deposits	**5,224**	60
Net foreign exchange (loss)/gain	**(7,604)**	1,097
	14,310	5,064

Government grants recognised in "other net income" included unconditional grants of RMB16,630,000 for the year ended December 31, 2020 (2019: RMB3,707,000) to compensate the Group for its R&D and other activities and conditional grants of RMB60,000 transferred from deferred income as the conditions attaching to the grant were achieved during the year ended December 31, 2020 (2019: RMB200,000).

6 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2020	2019
	RMB'000	*RMB'000*
Interest on interest-bearing borrowings	**39**	1,407
Interest on loans from related parties	**–**	2,404
Interest on other financial liabilities	**145,299**	7,575
Interest on lease liabilities	**812**	1,037
Total interest expense on financial liabilities not at fair value through profit or loss	**146,150**	12,423
Others	**157**	100
	146,307	12,523

(b) Staff costs

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Total equity-settled share-based payment cost	**43,838**	1,620
Less: capitalised into cost of inventories	**(278)**	–
Equity-settled share-based payment expenses recognised in consolidated statement of profit or loss	**43,560**	1,620
Defined contribution retirement plans (Note)	**497**	5,102
Salaries, wages and other benefits	**53,038**	39,425
	97,095	46,147

Note: As stipulated by the labour regulations of the PRC, the Group also participates in various defined contribution retirement plans organised by provincial and municipal governments for its employees. The Group is required to make contributions to the retirement plans at approximately 16% of the eligible employees' salaries.

(c) Other operating costs

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Listing expenses	**46,504**	–
Other legal and professional fee	**7,221**	–
Restructuring expenses	**–**	1,057
Others	**301**	–
	54,026	1,057

(d) Other items

	2020	2019
	RMB'000	*RMB'000*
Amortisation of intangible assets	**15,486**	7,726
Depreciation charge[#]		
— owned property, plant and equipment	**4,061**	1,998
— right-of-use assets	**5,866**	5,523
Less: Capitalised into development costs	**(910)**	(1,487)
	9,017	6,034
	24,503	13,760
Research and development costs	**123,825**	130,460
Less: Amortisation of capitalised development costs	**(15,418)**	(7,709)
Costs capitalised into development costs	**(26,935)**	(33,759)
	81,472	88,992
Cost of inventories[#]	**94,186**	36,857
Auditors' remuneration		
— audit services	**3,781**	63
— non-audit services	**955**	–

[#] Cost of inventories includes RMB19,869,000 relating to staff costs and depreciation charges, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses for the year ended December 31, 2020 (2019: RMB4,103,000).

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the year	**–**	–

(i) Cayman Islands and British Virgin Islands tax

Pursuant to the current rules and regulations of Cayman Islands and British Virgin Islands, the Company and its subsidiaries located in Cayman Islands and British Virgin Islands are currently not subject to any income tax in these jurisdictions.

(ii) Hong Kong profits tax

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. No provision for Hong Kong profit tax has been made for the years ended December 31, 2020 and 2019 as there are no assessable profits during the years ended December 31, 2020 and December 31, 2019.

(iii) PRC CIT

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25%, except for MP CardioFlow, which is entitled to a preferential income tax rate of 15% as it is certified as "High and New Technology Enterprise" ("**HNTE**") in 2020. According to Guoshuihan [2009] No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate during the certified period.

According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018, effective for the period from January 1, 2018 to December 31, 2020, an additional 75% of qualified R&D expenses incurred is allowed to be deducted from the taxable income.

The CIT law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from January 1, 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%.

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss before taxation	**(398,087)**	(144,522)
Notional tax on loss before taxation, calculated at the rates applicable to profit in the countries and districts concerned	**(24,488)**	(32,764)
Effect of other non-deductible expenses	**3,666**	9,474
Effect of additional deduction on research and development expenses	**(14,825)**	(12,353)
Effect of tax losses not recognised	**35,647**	36,198
Effect of non-taxable revenue	**–**	(555)
Actual tax expenses	**–**	–

8 Loss per share

The calculation of the basic loss per share during the year ended December 31, 2020 is based on the loss for the year attributable to equity shareholders of the Company divided by the weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the restructuring and the share subdivision as disclosed in Note 14(i) had been in effective on January 1, 2019, calculated as follows:

(i) Loss of the year attributable to equity shareholders of the Company

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss of the year attributable to equity shareholders of the Company	**(398,087)**	(144,522)

(ii) Weighted average number of shares

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Issued shares at the beginning of the year for the purposes of basic loss per share:		
Number of ordinary shares for the purposes of basic loss per share	**1,265,752**	1,265,752
Number of series B preferred shares for the purposes of basic loss per share (Note 13(ii))	**484,248**	484,248
	1,750,000	1,750,000
Effect of reclassification and re-designation to series D preferred shares (Note 13(iv))	**(36,351)**	–
Weighted average number of shares at the end of the year for the purposes of basic loss per share	**1,713,649**	1,750,000

The calculation of diluted loss per share amount for the year ended December 31, 2020 has not included the potential effects of the deemed conversion of the series C preferred shares, series D preferred shares and share options granted by the Company during the year, as they had an anti-dilutive effect on the basic loss per share amount for the year.

9 Interest in a joint venture

The following list contains the particulars of a joint venture, which is an unlisted corporate entity whose quoted market price is not available:

Name of joint venture	**Form of business structure**	**Place of incorporation**	**Particulars of issued and paid-up capital**	**Proportion of ownership interest**			**Principal activity**
				Group's effective interest	**Held by the Company**	**Held by a subsidiary**	
Rose Emblem Ltd. ("**Rose Emblem**")	Incorporated	British Virgin Islands	US$10,000,000	51%	–	51%	Investment holding

In September 2018, the Group and Witney Global Limited ("**Witney**"), entered into a subscription and shareholders agreement with Rose Emblem, pursuant to which, the Group and Witney subscribed 51% and 49% interests in Rose Emblem. As the approval of the resolutions in relation to the relevant activities of Rose Emblem shall require both approval from the Group and the Witney, the Directors determined that the investment in Rose Emblem is a joint venture, which is accounted for under the equity method.

The principal activity of Rose Emblem is investing in ValCare via holding its preferred shares. ValCare is based in Israel and engaged in the development of the mitral valve repair devices. The investment in ValCare is classified as financial assets measured at FVPL on Rose Emblem's financial statements.

In January 2019, MP CardioFlow granted a put option to Witney (the "**Witney Put Option**") in connection with Witney's investments in ValCare and 4C Medical. The Witney Put Option is considered as a derivative financial liability.

Summarized financial information of Rose Emblem and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Gross amounts of Rose Emblem		
Non-current assets	**66,705**	69,762
Current liabilities	**25**	–
Equity	**66,680**	69,762
Profit for the year	**1,404**	–
Other comprehensive income	**(4,486)**	970
Total comprehensive income	**(3,082)**	970
Reconciled to the Group's interests in Rose Emblem		
Gross amounts of Rose Emblem's net assets	**66,680**	69,762
Group's effective interest	**51%**	51%
Group's share of Rose Emblem's net assets and carrying amount of the Group's interest in Rose Emblem	**34,007**	35,579

10 Trade and other receivables and other non-current assets

	As of December 31,	
	2020	2019
	RMB'000	*RMB'000*
Current trade and other receivables		
Trade receivables	**4,664**	–
Value-added tax recoverable	**21,807**	21,347
Other debtors	**3,684**	184
Deposits and prepayments	**9,245**	3,386
	39,400	24,917
Other non-current assets		
Value-added tax recoverable	**5,555**	9,058
Deposits	**853**	603
	6,408	9,661

All trade receivables are due from third party customers and collected as of the date of this announcement.

All of the current trade and other receivables are expected to be recovered or recognized as expense within one year.

As at December 31, 2020, value added tax recoverable amounting to RMB5,555,000 (2019: RMB9,058,000) were recognised as other non-current assets as they are expected to be deducted from future value added tax payables arising on the Group's revenue which are not expected to be generated within the next 12 months from the end of the Reporting Period.

Aging analysis

As of the end of the Reporting Period, the aging analysis of trade debtors based on the invoice date (or date of revenue recognition, if earlier) and net of allowance, is as follows:

	As of December 31,	
	2020	2019
	RMB'000	*RMB'000*
Within 1 months	**4,664**	–

11 Trade and other payables

	As of December 31,	
	2020	2019
	RMB'000	*RMB'000*
Trade payables due to		
— third party suppliers	**14,645**	11,647
— related parties	**898**	2,501
	15,543	14,148
Loans and interests due to related parties	**–**	1,874
Accrued payroll	**15,074**	10,638
Other payables and accrued charges	**55,442**	8,671
	86,059	35,331

All of the above balances classified as current liabilities are expected to be settled within one year.

As of the end of the Reporting Period, the aging analysis of the trade payables based on invoice date is as follows:

	As of December 31,	
	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**15,231**	13,449
Over 1 month but within 3 months	**224**	86
Over 3 months but within 6 months	**–**	377
Over 6 months but within 1 year	**15**	194
Over 1 year	**73**	42
	15,543	14,148

12 Dividends

The Directors did not propose the payment of any dividend during the year ended December 31, 2020 (2019: nil).

13 Share capital

Authorized

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 January 2019 with authorised share capital of US$50,000 divided into 500,000,000 ordinary shares with par value of US$0.0001 each.

On August 2, 2019, the authorised share capital of the Company was US$50,000 divided into (i) 463,287,617 ordinary shares with par value of US$0.0001 each, (ii) 24,212,383 series B preferred shares with par value of US$0.0001 each, and (iii) 12,500,000 series C preferred shares with par value of US$0.0001 each.

After several changes, as of December 31, 2020, the authorised share capital of the Company was US$50,000 divided into 500,000,000 shares with par value of US$0.0001 each, consisting of (i) 452,867,162 ordinary shares, (ii) 24,212,383 series B preferred shares, (iii) 11,250,000 series C preferred shares, and (iv) 11,670,455 series D preferred shares.

Issued and fully paid

		Ordinary share		Series B preferred share	
	Note	No. of share *'000*	*RMB'000*	No. of share *'000*	*RMB'000*
Balance at 10 January 2019, date of the incorporation		–	–	–	–
Issuance of ordinary shares	13(i)	63,288	45	–	–
Issuance of series B preferred shares	13(iii)	–	–	24,212	17
Balance at 31 December 2019 and 1 January 2020		63,288	45	24,212	17
Reclassification and re-designation to series D preferred shares	13(iv)	(2,693)	(2)	–	–
Balance at 31 December 2020		**60,595**	**43**	**24,212**	**17**

(i) In July 2019, Shanghai MicroPort Limited ("**SHBVI**") subscribed for 56,625,716 ordinary shares issued by the Company at a total consideration of US$27,000,000 (equivalent to RMB191,374,000). The consideration was fully paid in August 2019.

In September 2019, the Company issued an aggregated 6,661,901 ordinary shares to certain shareholders at a total consideration of RMB21,610,000. Such capital contribution was designated by the Company to directly inject into MP CardioFlow. The difference between the share capital and the consideration is recognised in the share premium of the Group.

(ii) In April 2019 and August 2019, MicroPort CardioFlow International Corp. Limited entered into an equity purchase agreement with the existing shareholders of MP CardioFlow to acquire the 100% of the equity interests in MP CardioFlow with a total consideration equivalent to RMB686,012,000.

(iii) In August 2019, the Company issued an aggregated 24,212,383 series B preferred shares at a total consideration of US$68,369,000 (equivalent to RMB480,622,000).

The series B preferred shares are considered as equity instruments because the redemption obligations included in the share purchase agreement are redeemed by SHBVI or other entities controlled by MicroPort Scientific Corporation, while not by the Group.

(iv) SHBVI sold 2,693,182 ordinary shares of the Company to the 2020 Pre-IPO Investors and these ordinary shares were reclassified and re-designated to series D preferred shares. The difference between (i) the initial carrying amount of series D preferred shares in amount of US$30,000,000 (equivalent to RMB211,709,000) and (ii) the carrying amount of ordinary share capital transferred of RMB2,000 has been debited to the share premium of the Company.

14 Non-adjusting events after the Reporting Period

(i) On January 15, 2020, a share subdivision was approved by the Shareholders, pursuant to which, each issued and unissued share capital was subdivided to twenty shares of the corresponding class with par value US$0.000005 each. Consequently, the issued share capital of the Company consisted of (i) 1,211,888,700 Shares, (ii) 484,247,660 series B preferred shares, (iii) 225,000,000 series C preferred shares, and (iv) 239,410,660 series D preferred shares.

(ii) On February 4, 2021, the Company was listed on the Main Board of the Stock Exchange. Upon the completion of the Listing, (i) all preferred shares issued by the company were converted into the Shares; (ii) the Company issued 205,620,000 Shares at the price of HK$12.2 per share and received the gross proceeds of HK$2,508.6 million.

(iii) On February 5, 2021, the over-allotment options in connection with the Listing were exercised by the underwriters of the Company, pursuant to which, an aggregate of 30,843,000 additional Shares were issued at HK$12.2 per share on February 10, 2021.

OTHER INFORMATION

Corporate Governance Practices

As the Shares of the Company were not listed on the Main Board of the Stock Exchange as of December 31, 2020, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"), CG Code was not applicable to the Company during the Reporting Period. The CG Code has become applicable to the Company since the Listing Date.

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company has adopted the CG Code as its own code of corporate governance since the Listing Date. The Company has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date and up to the date of this announcement.

Directors' Securities Transactions

As the Shares of the Company were not listed on the Stock Exchange as of December 31, 2020, related rules under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") that Directors shall observe did not apply to the Company during the Reporting Period.

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions of which the terms are no less exacting than those set out in the Model Code since the Listing Date. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the period from the Listing Date and up to the date of this announcement.

No incident of non-compliance of the Model Code was noted by the Company during the period from the Listing Date and up to the date of this announcement.

Company's Compliance with relevant Laws and Regulations

During the Reporting Period and up to the date of this announcement, the Group had complied with the applicable laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance.

Use of Proceeds from the Global Offering

The net proceeds received by the Company from its initial Global Offering (including the full exercise of the over-allotment option) amounted to HK$2,717.2 million (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the initial Global Offering and the over-allotment option). The Company has been listed on the Main Board of the Stock Exchange since February 4, 2021. Subsequently, the Company did not utilize any of the proceeds raised from the Global Offering.

The Company intends to use the net proceeds that have been raised from the Global Offering in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". For details of the breakdown of the use of proceeds, please refer to the 2020 annual report of the Company to be published in due course.

Final Dividends

The Directors do not recommend a final dividend for the Reporting Period.

Purchase, Sale or Redemption of the Listed Securities of the Company

The Company, or any of its subsidiaries, had not purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out herein have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Sun Zhixiang and Dr. Jiang Hualiang and Mr. Jonathan H. Chou being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management and external auditor of the Company the accounting principles and policies adopted by the Company and the annual results and the audited consolidated financial statements for the year ended December 31, 2020.

Annual General Meeting (the "AGM")

The AGM of the Company will be held on Wednesday, June 23, 2021. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

Closure of Register of Members

For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, June 18, 2021 to Wednesday, June 23, 2021, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, June 17, 2021.

Publication of Annual Results and Annual Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cardioflowmedtech.com). The annual report for the year ended December 31, 2020 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"2020 Pre-IPO Investor(s)"	the investor(s) of the 2020 Pre-IPO Investment, namely Shanghai MicroPort Limited, CMP Cardio Investment Limited, AUT-XVI Holdings Limited, LBC Sunshine Healthcare Fund L.P., CRF Investment Holdings Company Limited, Gamnat Pte. Ltd.,Gortune Artemis Limited, Happy Soul Limited and CDG Group Fund L.P.
"4C Medical"	4C Medical Technologies, Inc., a company incorporated under the laws of the State of Delaware and mainly engaged in the R&D of mitral and tricuspid valve devices in the United States
"aortic valve"	the valve that prevents blood flowing back from aorta to left ventricle
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"CE Mark"	a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area

"China," "mainland China," or "PRC"	People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references in this announcement do not apply to Hong Kong, Macau and Taiwan
"Class IIIA Hospitals"	Top-level hospitals in China, as hospitals in China are divided into three classes by Ministry of Health, among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class III hospitals are divided into Special, A, B, and C grades
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	MicroPort CardioFlow Medtech Corporation (微创心通医疗科技有限公司), a company with limited liability incorporated under the laws of the Cayman Islands on January 10, 2019
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purposes of this announcement, our Core Product refers to VitaFlow™ II
"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group", "our Group", "we", "us", or "our"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)

"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"KOL(s)"	acronym for key opinion leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	February 4, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in our Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
"MicroPort Group"	MicroPort Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 00853) and all of its subsidiaries
"mitral valve"	the valve that prevents the blood in left ventricle from flowing back to left atrium
"Nanhui Facility"	our manufacturing facility located in Nanhui District, Shanghai
"New York Heart Association Functional Classification" or "NYHA Classification"	a simple way of classifying the extent of heart failure provided by the New York Heart Association. It classifies patients in one of four categories based on their limitations during physical activity, in regards to normal breathing and varying degrees in shortness of breath and/or angina pain
"nitinol"	nickel titanium, a metal alloy of nickel and titanium, where the two elements are present in roughly equal atomic percentages
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor the China Food and Drug Administration (國家食品藥品監督管理總局), including its sub-division, such as the Center for Medical Device Evaluation (國家藥品監督管理局醫療器械技術審評中心)
"PAV"	prosthetic aortic valve, the artificial valve of our TAVI products

"PET"	polyethylene terephthalate
"Prospectus"	the prospectus issued by the Company on January 26, 2021
"PVL"	paravalvular leakage, a complication associated with the implantation of a prosthetic heart valve through TAVI or SAVR
"R&D"	research and development
"Registration Clinical Trial"	the registration clinical trial in relation to VitaFlow™ II on 60 patients during 30-day follow-up study after implantation. For details, see "Business — Our Product Portfolio — Aortic Valve Product — VitaFlow™ II — Our Core Product" of the Prospectus
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2020
"Series D Adjustment"	the issuance of 300,078 Series D Preferred Shares (before the share subdivision) to the 2020 Pre-IPO Investors, details of which are set out in "History, Development and Corporate Structure — Major Shareholding Changes of Our Group — 5.2020 Pre-IPO Investment" of the Prospectus
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company of US$0.000005 each
"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Scheme"	the share option scheme adopted by our Company on March 13, 2020, as amended from time to time, the principal terms of which are set out in "Appendix IV—Statutory and General Information — D. Share Option Scheme" to the Prospectus
"SMO"	site management organization, an organization that provides clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
"STS Score"	Society of Thoracic Surgery risk score or percentage point, a validated risk-prediction model for open surgery, the higher value of which indicates the higher risk of patients to conduct a surgery
"TAVI"	transcatheter aortic heart valve implantation, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open- chest surgery to correct severe aortic stenosis

"TMV"	transcatheter mitral valve, which refers to treatment methods for mitral valve diseases through transcatheter approach
"TTV"	transcatheter tricuspid valve, which refers to treatment methods for tricuspid valve diseases through transcatheter approach
"TTVR"	transcatheter tricuspid valve repair, a catheter-based technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"TVT"	transcatheter valve therapy, the treatment of valvular heart diseases (such as aortic valve disease, mitral valve disease and tricuspid valve disease) through transcatheter approach, which includes TAVI, TMV repair/ replacement and TTVR
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollar(s)," "US$" or "USD"	United States dollars, the lawful currency of the United States
"ValCare"	ValCare, Inc., a company incorporated under the laws of the State of Delaware and mainly engaged in the R&D of mitral valve and tricuspid valve medical devices
"VitaFlow™,"	unless the context indicates otherwise, "VitaFlow™," refers to the VitaFlow™ — Valve transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and certain procedural accessories.
"VitaFlow™ II"	unless the context indicates otherwise, "VitaFlow™ II"refers to the VitaFlow™ II — Valve transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and certain procedural accessory. VitaFlow™ II is our Core Product
"Zhangjiang Facility"	our manufacturing facility located in Zhangjiang Hi-tech Park

By Order of the Board
MicroPort CardioFlow Medtech Corporation
Luo Qiyi
Chairman

Hong Kong, March 30, 2021

As of the date of this announcement, the executive Directors are Mr. Chen Guoming, Ms. Yan Luying and Mr. Wu Guojia, the non-executive Directors are Dr. Luo Qiyi, Mr. Zhang Junjie and Ms. Wu Xia, and the independent non-executive Directors are Mr. Jonathan H. Chou, Dr. Jiang Hualiang and Ms. Sun Zhixiang.