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, 2021

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2021, together with comparative audited figures for the year ended December 31, 2020. 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,	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**200,813**	103,934
Gross profit	**118,701**	45,380
Loss before taxation	**(182,651)**	(398,087)
Loss for the year and attributable to equity shareholders of the Company	**(183,264)**	(398,087)
Loss per share — Basic and diluted (in RMB)	**(0.08)**	(0.23)

For the year ended December 31, 2021, the Group's revenue significantly increased by 93.2% from RMB103.9 million for the year ended December 31, 2020 to RMB200.8 million, primarily attributable to the enhanced market recognition on VitaFlow® and the commercialization of VitaFlow Liberty™ since its launch in September 2021.

Our gross profit increased by 161.5% from RMB45.4 million for the year ended December 31, 2020 to RMB118.7 million for the year ended December 31, 2021, and the gross profit margin increased by 15.4 percent points from 43.7% for the year ended December 31, 2020 to 59.1% for the year ended December 31, 2021, primarily due to our cost saving strategies for our raw materials and the economies of scale we achieved in line with our business growth.

The Group recorded loss for the year of RMB183.3 million for the year ended 31 December 2021 as compared to RMB398.1 million for the year ended 31 December 2020. Such decrease was primarily due to (i) the significant increase in revenue as a result of the significant progress the Group has made in commercializing VitaFlow® and VitaFlow Liberty™; (ii) the significant increase in gross profit due to the effective cost control in line with the revenue growth; and (iii) the decrease in finance costs, the fair value losses in financial instruments of Series D Adjustment, and other operating costs as certain cost items recorded in the year ended December 31, 2020 were one-off and non-recurring in nature.

BUSINESS REVIEW

Overview

We are a medical device company in China focusing on the R&D and commercialization of innovative transcatheter and surgical solutions for structural heart diseases. Our mission is to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases through continuous innovation. Deeply rooted in the vast, rapid-growing and substantially underpenetrated structural heart diseases medical device market, our product portfolio consists of three in-house developed and commercialized products — VitaFlow®, VitaFlow Liberty™ (including the procedural accessories as their offerings), and Alwide® Plus, and various TAVI products, TMV products, TTV products, surgical valve products and procedural accessories at different development stage.

In 2021, as various new technologies and new products for structural heart diseases have sprung up, there has been a growing awareness of these diseases among physicians and patients in China, along with an increasing number of qualified physicians and hospitals, indicating that China has ushered in a rapid development stage of interventional therapy for structural heart diseases. Going forward, with the growing awareness of structural heart diseases, accelerating aging population, increasing expertise among physicians and growing awareness among patients, enlarging reimbursement coverage of government medical insurance and increasing affordability of patients, the demand for treatment of structural heart diseases will be further released and the scope of clinical applications will be further expanded.

In 2021, the Group achieved sustained and rapid growth in revenue, mainly due to the rapid growth in sales volume of VitaFlow®, as well as the rapid market penetration of VitaFlow Liberty™, since its launching. Relying on the product portfolio featured with unique product design and excellent clinical performance, and thanks to the continuous efforts of our marketing and sales team, our hospital coverage has been further expanded, and we have captured a leading market share in certain provinces and cities and many core hospitals in China, resulting in a significantly increased market share in China. Meanwhile, the Group has formulated a strategic R&D roadmap covering

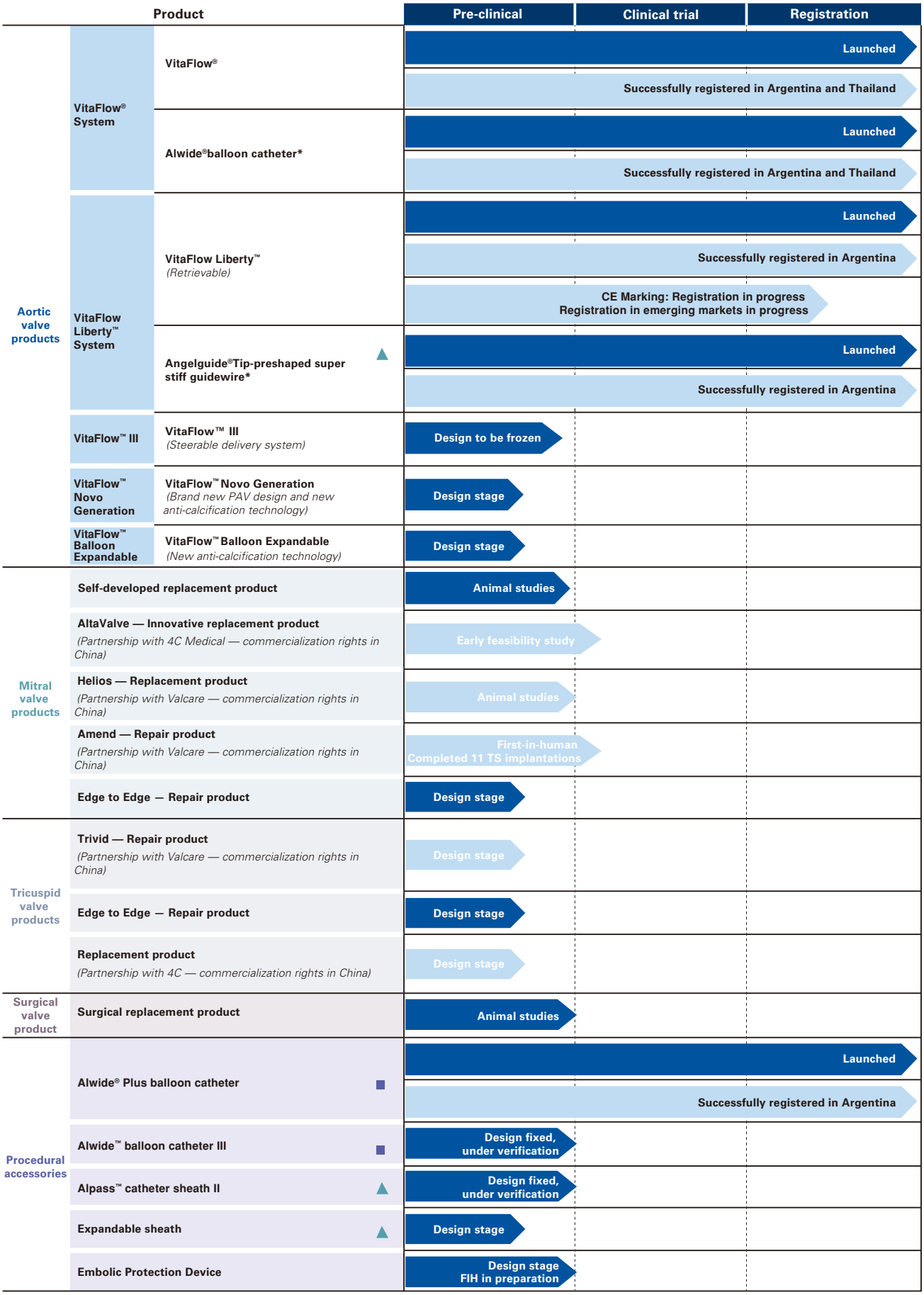
TAVI products, TMV products, TTV products, surgical valve products and procedural accessories, which have been carried out in an efficient and orderly manner, providing continuous momentum for the Group's rapid and healthy development. In addition, during the Reporting Period, we have achieved continuous commercial implantations for VitaFlow® in Argentina, submitted VitaFlow Liberty™ for CE Mark registration and obtained the registration of VitaFlow Liberty™ in Argentina, thus further propelling our progress towards globalization. With the advancement of overseas clinical registration of products, leveraging on the global visibility of the "MicroPort®" brand and the existing sales network of the MicroPort® Group, we will continue to extend our overseas business footprints and lay a solid foundation for the realization of a global business roadmap.

Our Pipeline

Our in-house developed product portfolio consists of three commercialized TAVI products — VitaFlow®, VitaFlow Liberty™ (including the procedural accessories as their offerings), and Alwide® Plus, and various TAVI products, TMV products, TTV products, surgical valve products and procedural accessories at different development stages.

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 comprises of the products that we developed in house and collaborate with our business partners as of the date of this announcement:



China status Global status

■ Applied or plan to apply for exemption from clinical trial for NMPA approval following relevant PRC regulations

▲ Among our product candidates, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) promulgated by the NMPA, as amended

✱ These procedural accessories are registered and commercialized offered as part of VitaFlow® or VitaFlow Liberty™ system and are not registered as standalone product

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 accessory is our first-generation Alwide® balloon catheter, which is 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. In 2021, we obtained the 60 months follow-up results of the clinical trial which showed the all-cause mortality rate was 18.2%, and the rate of major stroke was only 2.1%.

We started to commercialize VitaFlow® in China in August 2019. In July 2020 and November 2020, VitaFlow® was registered in Argentina and Thailand, respectively. In August 2021, VitaFlow® started to achieve commercial implantation in Argentina.

VitaFlow Liberty™

VitaFlow Liberty™ is our second-generation TAVI product. VitaFlow Liberty™ consists of a PAV, a motorized delivery system and a tip-preshaped super stiff guidewire Angelguide®. The PAV adopts the same design with VitaFlow®. Compared with VitaFlow®, the key upgrade lies in the unique and innovative structure of the delivery system, that guarantees retrieval of the PAV and provides optimized pass performance, which help to pass the anatomical abnormalities. It is equipped with the only commercialized motorized handle worldwide, enabling deployment and retrieval of the PAV being conducted in a stable, accurate and fast manner. A physician may retrieve the PAV for three times if it is not placed accurately at the designated position during deployment of the PAV, provided that 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. In addition, Angelguide® features high guidewire rail support and smooth transition in order to reduce the risk of vascular damage and enhance the accuracy of deployment.

In August 2021, VitaFlow Liberty™ obtained the NMPA approval for registration and started to commercialize in China in September 2021. In December 2021, VitaFlow Liberty™ was registered in Argentina and submitted its registration application of CE Mark. We are also in the process of registration application or preparation for VitaFlow Liberty™ in other emerging markets that recognize the NMPA marketing approval, such as Brazil, Colombia, Mexico, Thailand, and South Korea, etc. We also plan to apply for the registration of VitaFlow Liberty™ in other regions and countries that recognize the CE Mark after obtaining the CE Mark.

Third-Generation TAVI Product

Our third-generation TAVI product, which is currently in the design phase, inherits all the advantages of VitaFlow Liberty™. Its delivery system will feature with adjustable bending function designed to help physicians increase the accuracy of positioning, and the profile will be further reduced. The third-generation TAVI product will provide physicians with excellent user-friendly experience, further improving surgical efficiency, releasing fault tolerance, precision and accuracy. We have completed the design optimization of several improvement points so far.

We may not be able to successfully develop and commercialize the third-generation TAVI product.

New Generation TAVI Product

We are designing a new generation TAVI product that is completely different from the VitaFlow® series products. This product adopts a short stent, equips with technical features such as strong support force, dry valve, equal diameter release, adjustable bending, low profile and full retrieval. It will focus on safety, efficacy and usability upgrade, providing physicians and patients with unprecedented revolutionary products. We are currently conducting in vivo validation in animal experiments to optimize our design.

We may not be able to successfully develop and commercialize the new generation TAVI product.

TAVI Balloon Expandable Product

We are designing a TAVI product for the treatment of aortic stenosis with balloon dilatation using short stent, straight tube, dry valve and steerable technology. We are currently conducting in vivo validation in animal experiments to optimize our design.

We may not be able to successfully develop and commercialize TAVI balloon expandable product.

Transcatheter Mitral Valve Replacement ("TMVR") Products

We are designing and developing transseptal and transapical TMVR products for the treatment of patients with mitral regurgitation, and we are currently advancing in-human clinical trials of our TMVR product candidates. The product is featured with self-expanding, low subvalvular height and dry valve technology.

We may not be able to successfully develop and commercialize TMVR products.

Transcatheter Mitral Valve Repair ("TMVr") Products

We are designing mitral valve repair products for the treatment of patients with mitral regurgitation. We are currently advancing long-term in vivo animal validation in the design development phase.

We may not be able to successfully develop and commercialize TMVr products.

Surgical Valve

We are designing a surgical biological valve product for the treatment of patients undergoing prosthetic mitral and aortic valve replacements. We are currently advancing long-term in vivo animal validation in the design development phase.

We may not be able to successfully develop and commercialize surgical valve products.

Research and Development

R&D is crucial to our growth. We have been practicing our mission "to provide trustworthy and universal access to state-of-the-art total solutions to treat structural heart diseases", deeply involved in the field of structural heart diseases with higher standards and better practices, continued to be committed to innovation and world-leading R&D of structural heart diseases treatment technology, to create a technological innovation system integrating production, education and research, to provide high-quality products and services for the global market, and to provide the most powerful driving force for the Company's sustainable development.

We have built a core R&D team with key technology expertise in areas including, among others, biological material, structure design and processing technique, currently comprised of over 80 staff. The team constantly focuses on the R&D of new technology and materials related to the group that has the potential to be applied to our product portfolio. For the development of new products, we have established several cross-functional project teams which contain personnel from project management, R&D, process, procurement, quality, registration, clinical trial, to work toward development of new products through professional work of each function and cooperation of all parties. 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 structural heart diseases worldwide.

Intellectual Properties

As of December 31, 2021, we owned 106 patents in China, including 25 invention patents, 74 utility models and seven industry designs. As of the same date, we also had 122 pending patent applications in China, including 100 invention patents, 21 utility models and one industry design. To facilitate our strategy to enter overseas markets, we also owned 79 patents in Japan, Switzerland, Portugal, United Kingdom, Italy, Germany, France, Spain, America, South Korea, Australia and Brazil, among others. All of the patents that we owned or applied for are related to technologies of our products or product candidates and are self-developed by our in-house R&D team.

Supply Chain

We have 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 sq.m. Our production facilities and equipment are in compliance with U.S., European and Chinese GMP regulations and adhere to strict production quality control standards. In August 2021, VitaFlow

Liberty™ was approved by the NMPA for registration, and we achieved mass production and delivery of VitaFlow Liberty™ within the month of approval, realizing the seamless connection to the demand of end users.

Meanwhile, we have engaged a third party to construct a new manufacturing facility in Shanghai with a total GFA of approximately 13,000 sq.m, which is expected to commence production in 2022, in order to support the rapid development of our future operation. When the new manufacturing facility commences operation, it will help us rapidly expand our production capacity, while also accelerate our pace of automated production and achieve our smart manufacturing strategies, laying a solid foundation for product supply assurance, cost reduction and efficiency enhancement.

In face of the continuous spread of COVID-19 pandemic and the rising price of bulk commodities over the past two years, through close communication and collaboration with global suppliers based on the concept of win-win cooperation, we have been reducing our purchase price while maintaining a stable supply of raw materials. On the manufacturing side, we have established an advanced quality control system and further introduced the concept of lean manufacturing. We continue to strengthen the construction of our lean system, which bring positive impact to generate substantial increase in the gross profit margin of our products.

Commercialization

We have established a dedicated in-house team with professional medical background to promote our medical solutions. Led by Mr. Zhao Liang, First Vice President of Total Solutions, the team aims to promote the Group's innovative transcatheter and surgical solutions for structural heart diseases. Leveraging on the resources and advantages of MicroPort® group in the field of cardiac and cardiovascular disease treatment, which brings the synergies in the aspects of market access, operation support, first-line promotion, market expansion, medical education, international business, amongst others, into full play, the team is committed to providing structural heart disease patients and physicians with comprehensive medical solutions including disease diagnosis and evaluation, surgery and product education, suggestions on treatment, training on surgery and use of devices, recommendation on procedural accessories, assistance during operation and postoperative follow-up. As of the end of the Reporting Period, our Total Solutions team had more than 130 full-time employees.

We sell our products to hospitals through distributors and ultimately use them to treat our patients. We select distributors with extensive experience and resources in selling medical devices across the country for cooperation, they will be provided with professional training and assessed strictly, and continue to build their all-round capabilities in marketing, sales and support during operation, making them to become a powerful support to our Total Solutions team.

By the end of the Reporting Period, we had commercialized VitaFlow® and VitaFlow Liberty™ in China, and VitaFlow® in Argentina. We focus on penetrating into core TAVI hospitals as a key of our market strategies. As of the date of this announcement, there are more than 300 hospitals

in China using VitaFlow® and VitaFlow Liberty™ for TAVI procedures, most of which are Class IIIA Hospitals located at tier-one and tier-two cities. Among these hospitals, we have successfully captured a leading market share in more than 180 hospitals among them. As of the same date, six hospitals in Argentina performed TAVI procedures using VitaFlow®.

We actively participate in domestic and international medical conferences and industry exhibitions in the cardiac or cardiovascular fields. These activities provide us with great opportunities to introduce VitaFlow® and VitaFlow Liberty™ to physicians, especially to get them familiarized with our unique designs and competitive advantages such as the bovine pericardium leaflets, the double-layer PET skirt and the motorized delivery system and to enhance our brand recognition globally. During the Reporting Period, we continued to jointly organize the "VitaFlow® Elite Competition" with Youth club of Asia Pacific Structural Heart Disease to encourage more physicians to independently perform TAVI procedures using VitaFlow®.

We also have a medical training team under our Total Solutions team, which are all comprised of licensed physicians, through the organization of seminars and training courses in hospitals qualified to perform TAVI surgery in China, to help training physicians who lack TAVI experience to become qualified TAVI operators. We also invite experienced TAVI practitioners, especially leading physicians in this area, to participate in the training process, aiming to increase the number of qualified TAVI practitioners and contribute to the accelerated growth of the Chinese market.

In 2021, we vigorously promote the screening of grass-roots patients, and continue to increase the penetration rate of TAVI procedures in China by educating physicians and patients in grass-roots hospitals and helping more TAVI patients to receive diagnosis and treatment.

Significant Investments, Material Acquisitions and Disposals during the Reporting Period

On May 24, 2021, MP CardioFlow entered into a joint venture agreement with Milford Haven and Pingzhi Partnership in relation to the proposed formation of the joint venture, Shanghai MicroPort Shield Medtech Co., Ltd. (上海微盾醫療科技有限公司) ("**Shanghai Shield**"). The total registered share capital of the Shanghai Shield is RMB50.0 million, of which Milford Haven made a capital contribution of RMB25.0 million, MP CardioFlow made a capital contribution of RMB17.5 million and Pingzhi Partnership made a capital contribution of RMB7.5 million accounting for 50%, 35% and 15% of the total registered share capital of the Shanghai Shield respectively. Please refer to the announcement of the Company dated May 24, 2021 for details.

Pursuant to the series C preferred stock purchase agreement (the "**Stock Purchase Agreement**") dated November 4, 2021 entered into among 4C Medical, the Company and other co-investors, the Company has agreed to, subject to the terms and conditions of the Stock Purchase Agreement, make a follow-on investment of up to US$25 million in 4C Medical (the "**Follow-on Investment**"). As a material inducement of the Follow-on Investment, 4C Medical also agreed to, among others, grant the Company the exclusive commercial rights for 4C Medical's pre-clinical stage tricuspid product in mainland China, Hong Kong, Macau and Taiwan. Please refer to the announcement of the Company dated November 5, 2021 for details.

Save as disclosed above, the Company had no other significant investments, material acquisitions and/or disposals of subsidiaries, associates and/or joint ventures during the Reporting Period.

Events after the Reporting Period

Alwide® Plus, the second-generation product of the Company's Alwide® balloon catheter independently developed by the Company, was successfully registered in Argentina. Please refer to the announcement of the Company dated March 7, 2022 for details.

The extraordinary general meeting of the Company held on March 17, 2022 has approved an amendment of increasing the existing scheme mandate limit of the Share Option Scheme. Please refer to the circular of the Company dated February 28, 2022 for details.

Save as disclosed above, the Company is not aware of any material subsequent events from the end of Reporting Period to the date of this announcement.

Employees and Remuneration

As of December 31, 2021, the Group had a total of 451 full time employees (2020: 305 employees), of which 20% were R&D staff and 28% were marketing and sales staff. We entered into employment contracts with employees in accordance with Labor Contract Law of the PRC, and agree on matters such as tenure, scope of work and work location, labor remuneration, working hours, labor protection, insurance benefits, confidentiality and intellectual property rights.

We provide employees with competitive remuneration, including wages, allowances, bonuses, statutory benefits (pension insurance, medical insurance, labor injury insurance, unemployment insurance, maternity insurance and housing provident fund), company supplementary benefits (supplementary medical insurance, commercial insurance, various holidays and employee care), and long-term incentives.

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 believe that with the positive clinical trial results of VitaFlow® and VitaFlow Liberty™, we will have an advantage in the TAVI leading hospitals in China. We will continue to recruit more sales and marketing personnel with experience in or knowledge of structural heart diseases and expand our distributor network to cover other hospitals that has either existing TAVI capabilities or the potential to perform TAVI procedures to further increase the penetrate rate in hospitals.

- **Further advance development of next-generation products.** We will rapidly advance the R&D of the third-generation self-expanding TAVI product, the new generation TAVI product and the 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 cardiac 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 cardiac surgery will enable us to gain advantages to promote our products in the cardiac surgery department.

- **Conduct long-term postoperative follow-ups and market surveillance.** We will continue to conduct postoperative follow-up evaluations post-TAVI procedure, as well as post-marketing prospective, multi-center clinical trial for treating severe aortic regurgitation, to further monitor the long-term safety and efficacy of VitaFlow®, and to provide evidence and support for the use of TAVI on patient with sole aortic regurgitation. 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 plan to collaborate with global enablers, including medical device companies, research institutes, hospitals and distributors, to advance our international strategy. We have submitted CE Mark registration application for VitaFlow Liberty™, and selected Europe and other emerging markets as key overseas markets, promoted the overseas registration and commercialization of VitaFlow Liberty™, leveraged on the global recognition of the "MicroPort®" brand and the existing sales network of the MicroPort® Group, to advance the overseas coverage of our products.

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 products to enhance our brand awareness globally.

Rapidly advance our TMV pipeline and other product candidates

Capitalizing our market position and extensive know-how in structural heart diseases, we will continue our focus on the development of other pipeline products to expand our product portfolio, including TMV pipeline products, TTV pipeline products, surgical valve products and next-generation procedural accessories designated to strengthen our position in structural heart diseases medical device market.

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

We will search for products and technologies with great clinical potential based on our deep and unique understanding and investigation of structural heart diseases, explore opportunities for cooperation with third parties and conduct prudent evaluation, in order to expand product portfolios through acquisitions, cooperation or licensing.

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

Going forward, we will continue to strengthen the construction of the talent system and implement full life cycle management of interventional devices in the planning and pre-research stage of new products by preposition of supply chain to accelerate the development process of new products through close cooperation with the R&D team, to give more outputs in design for assembly and design for manufacturability during product design, to ensure the smooth transition between new product R&D and mass production, to further improve our product quality and production efficiency, and to continuously lower our manufacturing costs.

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, our revenue was generated from the sales of our commercialized products, VitaFlow® and VitaFlow Liberty™.

For the year ended December 31, 2021, the Group's revenue significantly increased by 93.2% from RMB103.9 million for the year ended December 31, 2020 to RMB200.8 million in 2021, primarily attributable to the enhanced market recognition of VitaFlow® and the commercialization of VitaFlow Liberty™ since its launch in September 2021.

Cost of Sales

During the Reporting Period, our cost of sales was related to the manufacturing of VitaFlow® and VitaFlow Liberty™. Our cost of sales increased by 40.1% from RMB58.6 million for the year ended December 31, 2020 to RMB82.1 million for the year ended December 31, 2021, primarily because of the increase of raw materials costs, staff costs and overhead expenses as a result of the increase in sales volumes of VitaFlow® and VitaFlow Liberty™.

Gross Profit and Gross Profit Margin

Our gross profit increased by 161.5% from RMB45.4 million for the year ended December 31, 2020 to RMB118.7 million for the year ended December 31, 2021, and the gross profit margin increased by 15.4 percent points from 43.7% for the year ended December 31, 2020 to 59.1% for the year ended December 31, 2021, primarily due to our cost saving strategies for our raw materials and the economies of scale we achieved in line with our business growth.

Other Net Income

For the year ended December 31, 2021, we recorded RMB23.9 million in other net income, compared to RMB14.3 million for the year ended December 31, 2020, primarily due to an increase of interest income on bank deposits.

Research and Development Costs

Our R&D costs increased by 56.1% from RMB96.8 million for the year ended December 31, 2020 to RMB151.1 million for the year ended December 31, 2021, primarily due to (i) an increase of RMB13.3 million in staff cost; (ii) an increase of RMB12.9 million in third-party contracting costs; and (iii) an increase of RMB20.5 million on cost of materials and consumables used, all of which were related to our continuous efforts to invest on the new and on-going R&D projects. The following table provides information regarding the breakdown of the R&D costs of the Company for the years indicated:

	For the year ended December 31,	
	2021	2020
	(RMB in thousands)	
Staff costs	**33,509**	20,176
Depreciation and amortization	**26,216**	16,902
Third-party contracting costs	**36,357**	23,455
Share-based compensation expenses	**11,495**	12,042
Cost of materials and consumables used	**38,936**	18,451
Others	**4,618**	5,814
Total	**151,131**	96,840

Distribution Costs

Our distribution costs increased by 126.5% from RMB51.4 million for the year ended December 31, 2020 to RMB116.4 million for the year ended December 31, 2021, primarily due to (i) an increase in market development expenses, as we increased our sales and marketing activities during the Reporting Period to promote VitaFlow® and VitaFlow Liberty™ and (ii) an increase in staff costs to support our sales and marketing activities.

Administrative Expenses

Our administrative expenses decreased by 21.7% from RMB45.2 million for the year ended December 31, 2020 to RMB35.4 million for the year ended December 31, 2021, primarily due to the decrease of the share-based compensation expenses due to the Share Option Scheme.

Fair Value Changes in Financial Instruments

The fair value gains in financial instruments was RMB23.4 million for the year ended December 31, 2021, which mainly arose from (i) the gains from the increase in fair value of our investment in 4C Medical and (ii) the fair value gains from the decrease in derivative financial liabilities on the valuation of the put option granted to Witney Global Limited (the "**Witney Put Option**").

Other Operating Costs

Our other operating costs decreased from RMB54.0 million for the year ended December 31, 2020 to RMB22.3 million for the year ended December 31, 2021. This decrease was primarily due to the decrease in listing expenses in relation to the Global Offering, and partially offset by an increase in donations.

Finance Costs

Our finance costs decreased from RMB146.3 million for the year ended December 31, 2020 to RMB19.9 million for the year ended December 31, 2021. This decrease was primarily attributable to the decrease of interest expenses on other financial liabilities due to the conversion of series C preferred shares and series D preferred shares into Ordinary Shares of the Company upon the completion of the Global Offering.

Share of losses of associates

Our share of losses of associates increased from nil for the year ended December 31, 2020 to RMB3.5 million for the year ended December 31, 2021, which was primarily attributable to the losses incurred by 4C Medical and Shanghai Shield.

Inventories

Our inventories increased from RMB67.8 million as of December 31, 2020 to RMB82.7 million as of December 31, 2021, reflecting the anticipation of the increasing market demands of our products.

Trade and Other Receivables

Our trade and other receivables primarily consist of (i) trade receivables; (ii) value-added tax recoverable, representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables and (iii) deposits and prepayments to suppliers and service providers.

Our trade and other receivables increased from RMB39.4 million as of December 31, 2020 to RMB113.5 million as of December 31, 2021. This increase was primarily due to the increase in trade receivables in line with the increase of sales.

Interests in Associates

Our interest in associates as of December 31, 2021 was RMB176.7 million, mainly represented the investment on 4C Medical and Shanghai Shield.

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 RMB86.1 million as of December 31, 2020 to RMB126.8 million as of December 31, 2021, primarily due to the increase in trade payables to third party suppliers.

Derivative Financial Instruments

Our derivative financial instruments decreased from RMB74.0 million as of December 31, 2020 to RMB7.9 million as of December 31, 2021, primarily due to (i) the decrease of RMB60.4 million of the derivative financial liabilities for the issuance of additional series D preferred shares upon the exercise of the Series D Adjustment in January 2021 and (ii) the decrease of RMB5.7 million for the fair value changes on derivative financial liabilities of Witney Put Option.

Lease Liabilities

Our lease liabilities increased from RMB15.8 million as of December 31, 2020 to RMB125.6 million as of December 31, 2021, which were primarily due to the new facility we leased. We recognize lease liabilities with respect to all leases, except for short-term leases.

Capital Expenditure

Our capital expenditure amounted to RMB116.6 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.

Foreign Exchange Exposure

During the year ended December 31, 2021, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of December 31, 2021, a portion of the Group's bank balances was denominated in U.S. dollars. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances, trade and other receivables, trade and other payables, and other denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of December 31, 2021.

Contingent Liabilities

As of December 31, 2021, 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 make adjustments to the capital structure in light of changes in economic conditions.

Liquidity and Financial Resources

Our cash and cash equivalents increased significantly from RMB612.5 million as of December 31, 2020 to RMB2,211.6 million as of December 31, 2021, primarily attributable to the cash and cash equivalents received in Global Offering. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve 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

We did not have any borrowings as of December 31, 2021 and 2020. As of December 31, 2021, the gearing ratio of the Group (calculated as total lease liabilities divided by total equity as of the same date) increased to 4.1%, compared to 1.7% as of December 31, 2020, which was mainly due to the increase on the lease liabilities we recognized during the Reporting Period.

Net Current Assets

The Group's net current assets as of December 31, 2021 were RMB2,435.4 million, as compared to the net current liabilities of RMB711.7 million as of December 31, 2020. Such increase was mainly attributable to (i) the cash proceeds received from Global Offering, and (ii) the conversion of all the preferred shares issued by the Company to Ordinary Shares upon the completion of the Global Offering.

Charge on Asset

As of December 31, 2021, there was no charge on assets of the Group.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	For the year ended December 31, 2021 RMB'000	2020 RMB'000
Revenue	4	**200,813**	103,934
Cost of sales		**(82,112)**	(58,554)
Gross profit		**118,701**	45,380
Other net income	5	**23,857**	14,310
Research and development costs		**(151,132)**	(96,840)
Distribution costs		**(116,415)**	(51,357)
Administrative expenses		**(35,354)**	(45,220)
Fair value changes in financial instruments		**23,419**	(64,743)
Other operating costs	6(c)	**(22,314)**	(54,026)
Loss from operations		**(159,238)**	(252,496)
Finance costs	6(a)	**(19,901)**	(146,307)
Share of losses of associates		**(3,502)**	–
Share of (losses)/profits of a joint venture		**(10)**	716
Loss before taxation	6	**(182,651)**	(398,087)
Income tax	7(a)	**(613)**	–
Loss for the year and attributable to equity shareholders of the Company		**(183,264)**	(398,087)
Loss per share	8		
Basic and diluted (RMB)		**(0.08)**	(0.23)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(183,264)**	(398,087)
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	**(42,055)**	12,340
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**21,976**	76,590
Other comprehensive income for the year	**(20,079)**	88,930
Total comprehensive income for the year and attributable to equity shareholders of the Company	**(203,343)**	(309,157)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	For the year ended December 31, 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**267,166**	68,122
Intangible assets		**238,752**	234,168
Interest in a joint venture		**33,219**	34,007
Interests in associates	9	**176,738**	–
Financial assets measured at fair value through profit or loss		**21,052**	49,508
Other non-current assets	11	**25,266**	6,408
		762,193	392,213
Current assets			
Inventories		**82,732**	67,769
Trade and other receivables	10	**113,480**	39,400
Pledged and time deposits		**192,027**	325
Cash and cash equivalents		**2,211,560**	612,474
		2,599,799	719,968
Current liabilities			
Trade and other payables	12	**126,778**	86,059
Contract liabilities		**2,957**	–
Lease liabilities		**34,699**	7,202
Derivative financial instruments		**–**	60,371
Other financial liabilities		**–**	1,278,062
		164,434	1,431,694
Net current assets/(liabilities)		**2,435,365**	(711,726)
Total assets less current liabilities		**3,197,558**	(319,513)
Non-current liabilities			
Lease liabilities		**90,936**	8,625
Deferred income		**2,250**	3,390
Derivative financial instruments		**7,898**	13,656
		101,084	25,671
NET ASSETS/(LIABILITIES)		**3,096,474**	(345,184)
CAPITAL AND RESERVES			
Share capital	14	**83**	60
Reserves		**3,096,391**	(345,244)
TOTAL EQUITY/(DEFICIT)		**3,096,474**	(345,184)

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 disclosure 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 amendments to 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 they are relevant to the Group for the current accounting period reflected in these financial statements.

2 Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2021 comprise the Company and its subsidiaries and the Group's interest in a joint venture and associates.

As the Group's operation are primarily located in the PRC and most of the Group's transactions are conducted and denominated in 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 US dollars 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 as explained in the accounting policies set out below:

— 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 recognised 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 16, *COVID-19-related rent concessions beyond June 30, 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform — phase 2*

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.

(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,	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**200,813**	103,934

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,	
	2021	2020
	RMB'000	*RMB'000*
Customer A	**55,463**	N/A*
Customer B	**48,666**	N/A*
Customer C	**N/A***	17,977
Customer D	**N/A***	12,158

* 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

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) Segment reporting

(i) Segment Information

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

(ii) 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 and interest in a joint venture and associates ("**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 an associate.

Revenue from external customers

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
The PRC (place of domicile)	**199,831**	103,934
Other countries	**982**	–
	200,813	103,934

Specified non-current assets

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
The PRC (place of domicile)	**523,066**	302,290
North America	**159,590**	49,508
Asia (excluding the PRC)	**33,219**	34,007
	715,875	385,805

5 Other net income

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants (Note)	**3,311**	16,690
Interest income on bank deposits	**24,219**	5,224
Interest income on other financial assets carried at amortised cost	**492**	–
Net loss on disposal of property, plant and equipment	**(569)**	–
Net foreign exchange loss	**(3,565)**	(7,604)
Others	**(31)**	–
	23,857	14,310

Note: Majority of the government grants are subsidies from government for encouragement of research and development projects.

6 Loss before taxation

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

(a) Finance costs

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Interest on other financial liabilities	**16,609**	145,299
Interest on interest-bearing borrowings	**–**	39
Interest on lease liabilities	**3,030**	812
Total interest expense on financial liabilities not at fair value through profit or loss	**19,639**	146,150
Others	**262**	157
	19,901	146,307

(b) Staff costs

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Total equity-settled share-based payment cost	**25,191**	43,838
Less: capitalised into cost of inventories	**(143)**	(278)
Equity-settled share-based payment expenses recognised in consolidated statement of profit or loss	**25,048**	43,560
Defined contribution retirement plans (Note)	**7,101**	497
Salaries, wages and other benefits	**80,461**	53,038
	112,610	97,095

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 the specified proportion of the eligible employees' salaries. The Group's contributions made to the plans are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the plans.

(c) Other operating costs

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Listing expenses	**5,887**	46,504
Donation (Note)	**15,008**	–
Other legal and professional fee	**–**	7,221
Others	**1,419**	301
	22,314	54,026

Note: During the year ended December 31, 2021, the Group made charitable and other donations to the third-party charity organisation amounted to RMB15,008,000 (2020: nil).

(d) Other items

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Amortisation of intangible assets	**20,880**	15,486
Depreciation charge[#]		
— owned property, plant and equipment	**6,475**	4,061
— right-of-use assets	**17,718**	5,866
Less: Capitalised into development costs	**(650)**	(910)
	23,543	9,017
	44,423	24,503
Research and development expenditure	**176,317**	123,825
Less: Amortisation of capitalised development costs	**(20,631)**	(15,418)
Costs capitalised into development costs	**(25,185)**	(26,935)
	130,501	81,472
Cost of inventories[#]	**149,416**	94,186
Auditors' remuneration		
— audit services	**1,535**	3,781
— non-audit services	**–**	955

[#] Cost of inventories includes RMB18,659,000 (2020: 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, 2021.

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,	
	2021	2020
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the year	**613**	–

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.

The current tax expenses during the year ended December 31, 2021 arose from the interest income on cash deposits in non-resident accounts of the subsidiaries of the Group that were domiciled outside the PRC, which is subject to a PRC withholding tax at a rate of 10%.

Taxation for other entities of the Group is charged at their respective applicable income tax rates ruling in the relevant jurisdictions.

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss before taxation	**(183,021)**	(398,087)
Notional tax on loss before taxation, calculated at the rates applicable to profit in the countries and districts concerned	**(44,271)**	(24,488)
Effect of other non-deductible expenses	**6,893**	3,666
Effect of additional deduction on research and development expenses	**(16,806)**	(14,825)
Effect of deduction on share-based payment transactions upon the exercise	**(16,962)**	–
Effect of tax losses not recognised	**73,274**	35,647
Effect of non-taxable revenue	**(2,128)**	–
PRC withholding tax paid	**613**	–
Actual tax expenses	**613**	–

8 Loss per share

The calculation of the basic loss per share during the year ended December 31, 2021 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 share subdivision had been in effective on January 1, 2020.

The basic loss per share is calculated as follows:

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year attributable to equity shareholders of the Company	**(183,264)**	(398,087)

(ii) Weighted average number of shares

	For the year ended December 31,	
	2021	2020
	'000	*'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	**1,211,889**	1,265,752
Number of series B preferred shares for the purposes of basic loss per share	**484,248**	484,248
	1,696,137	1,750,000
Effect of reclassification and re-designation to series D preferred shares	**–**	(36,351)
Effect of shares issued upon the completion of initial public offering	**185,903**	–
Effect of shares issued upon exercise of the over-allotment options	**27,378**	–
Effect of conversion of preferred shares into Ordinary Shares	**419,878**	–
Effect of share options exercised	**3,907**	–
Effect of treasury shares held	**(1,902)**	–
Weighted average number of shares at the end of the year for the purposes of basic loss per share	**2,331,301**	1,713,649

The calculation of diluted loss per share amount for the year ended December 31, 2021 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 Interests in associates

The following list contains only the particulars of a material associate, which is unlisted corporate entity whose quoted market price is not available:

Name of associate	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	
4C Medical	Incorporated	United States	4,693,539 Ordinary Shares and 32,944,797 preferred shares	19%	11%	8%	Research and development of medical devices treating mitral valve diseases

4C Medical

In September 2018, the Group entered into a subscription and shareholders agreement with 4C Medical, pursuant to which, the Group purchased series A preferred shares of 4C Medical at the consideration of US$6,000,000. Further in April 2019, the Group purchased series B preferred shares of 4C Medical at the consideration of US$1,000,000. As at 31 December 2020, these investments in 4C Medical were classified as financial assets measured at FVPL.

In June 2021, the Group entered into a note purchase agreement with 4C Medical, pursuant to which, the Group purchased the unsecured convertible promissory notes issued by 4C Medical (the "**Notes**") at the consideration of US$5,000,000 (equivalent to RMB31,897,000). The Notes bore the interest at a rate of 6% per annum and the principal and accrued interest was due and payable in March 2022 (the "**Maturity Date**"). The Notes shall be automatically converted into the shares of the identical series of preferred shares issued by 4C Medical in the next qualified equity financing before the Maturity Date. Such investment was classified as financial assets measured at FVPL initially.

In November 2021, the Group entered into a series C preferred shares purchase agreement with 4C Medical, pursuant to which, (i) the Group purchased series C preferred shares newly issued by 4C Medical at a cash consideration of US$10,000,000 (equivalent to RMB63,794,000); and (ii) the Notes were converted into series C preferred shares (the "**4C Transaction**"). Upon the completion of the 4C Transaction in November 2021 (the "**Closing Date**"), the Group held approximately 19% interest in 4C Medical in aggregate on an as converted basis and the management determined that the Group has significant influence thereon through the board representation. Accordingly, 4C Medical became an associate of the Group. The fair value of the previously held investments in 4C Medical, including series A preferred shares, series B preferred shares and the Notes, at the Closing Date amounting to US$15,520,000 (equivalent to RMB99,009,000) formed part of initial cost of the investment in an associate.

Shanghai Shield

On May 24, 2021, the Group entered into the joint venture agreement with Milford Haven, a fellow subsidiary of the Group, and a third party, pursuant to which, the Group, Milford Haven and the third party contributed RMB17,500,000, RMB25,000,000, and RMB7,500,000 respectively, in cash to Shanghai Shield. The Group held 35% equity interests in Shanghai Shield. The Directors considered Shanghai Shield is an associate of the Group upon the completion of the transaction.

The associates of the Group are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted by any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2021 *RMB'000*
Gross amounts of 4C Medical	
Non-current assets	**14,132**
Current assets	**152,376**
Current liabilities	**(19,559)**
Equity	**146,949**
Loss for the period from the Closing Date to 31 December 2021 and total comprehensive income	**(14,426)**
Reconciled to the Group's interests in 4C Medical	
Gross amounts of 4C Medical's net assets	**146,949**
Group's effective interest	**19%**
Group's share of 4C Medical's net assets	**28,048**
Goodwill	**131,908**
Carrying amount of the Group's interest in 4C Medical	**159,956**

Information of an associate that is not individually material:

	2021 *RMB'000*
Carrying amount of an immaterial associate in the consolidated financial statements	**16,782**
Amounts of the Group's share of the immaterial associate	
Loss for the year and total comprehensive income	**718**

10 Trade and other receivables

	For the year ended December 31,	
	2021 ***RMB'000***	2020 *RMB'000*
Trade receivables	**74,707**	4,664
Value-added tax recoverable	**23,932**	21,807
Other debtors	**137**	3,684
Deposits and prepayments	**14,704**	9,245
	113,480	39,400

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

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 loss allowance, is as follows:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 1 months	**74,165**	4,664
1 to 3 months	**542**	–
	74,707	4,664

11 Other non-current assets

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Lease deposits (Note)	**25,266**	853
Value-added tax recoverable	**–**	5,555
	25,266	6,408

Note: Lease deposits are typically paid for leased properties, which are refundable after the expiry of the leases and carried at amortised cost. During the year ended December 31, 2021, the Group entered into a 5-year lease agreement (the "**Lease Agreement**") with Shanghai Weichuang Investment Management Co., Ltd. ("**SW Investment**") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. As at December 31, 2021, the carrying amount of lease deposits paid to SW Investment is RMB24,943,000.

12 Trade and other payables

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade payables due to		
— third party suppliers	**51,895**	14,645
— related parties	**3,027**	898
	54,922	15,543
Accrued payroll	**20,118**	15,074
Other payables and accrued charges	**51,738**	55,442
	126,778	86,059

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 the invoice date is as follows:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**51,964**	15,231
Over 1 month but within 3 months	**1,403**	224
Over 3 months but within 6 months	**715**	–
Over 6 months but within 1 year	**446**	15
Over 1 year	**394**	73
	54,922	15,543

13 Dividends

The directors of the Company did not propose the payment of any dividend during the year ended December 31, 2021 (2020: nil).

14 Share capital

Authorised

As of January 1, 2021, 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.

On January 15, 2021, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided to twenty shares of the corresponding class with par value of US$0.000005 each.

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 January 1, 2020		63,288	45	24,212	17
Reclassification and re-designation to series D preferred shares		(2,693)	(2)	–	–
Balance at December 31, 2020 and January 1, 2021		60,595	43	24,212	17
Effect of the share subdivision	14	1,151,293	–	460,036	–
Share issued upon the completion of initial public offering, net of transaction costs	14(i)	205,620	7	–	–
Share issued upon exercise of the over-allotment option, net of transaction costs	14(ii)	30,843	1	–	–
Conversion of preferred shares into Ordinary Shares	14(iii)	948,659	32	(484,248)	(17)
Share issued under the share option scheme	14(v)	6,554	–	–	–
Balance at December 31, 2021		**2,403,564**	**83**	**–**	**–**

(i) On February 4, 2021, the Company was listed on the Stock Exchange. The Company issued 205,620,000 Ordinary Shares at the price of HK$12.2 per share and received the net proceeds of HK$2,420 million (equivalent to RMB2,008,580,000), after deducting all capitalized listing expenses. Out of the net proceeds from the listing, RMB7,000 and RMB2,008,573,000 were credited to the Company's share capital and share premium account, respectively.

(ii) 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 Ordinary Shares of the Company were issued at HK$12.2 per share on February 10, 2021 and the Company received the net proceeds of HK$365 million (equivalent to RMB303,156,000), after deducting all capitalized listing expenses. Out of the net proceeds from the exercise of the over-allotment options, RMB1,000 and RMB303,155,000 were credited to the Company's share capital and share premium account, respectively.

(iii) Upon the completion of the Listing, 484,248,000 series B preferred shares were converted into 484,248,000 Ordinary Shares of the Company. Accordingly, the carrying amount of preferred share capital were all transferred into Ordinary Share capital.

Meanwhile, 225,000,000 series C preferred shares and 239,411,000 series D preferred shares were converted into 464,411,000 Ordinary Shares of the Company in aggregate, resulting in an transfer of the carrying amount of other financial liabilities of RMB1,343,061,000 to Ordinary Share capital of RMB15,000 and share premium of RMB1,343,046,000, respectively.

(iv) Purchase of own shares

During the year ended December 31, 2021, the Company repurchased its own Ordinary Shares on the Stock Exchange as follows:

Month/year	**Number of Shares repurchased**	**Highest price paid per Share** *HK$*	**Lowest price paid per Share** *HK$*	**Aggregated considerations paid** *RMB'000*
September 2021	**6,342,000**	**8.22**	**7.53**	**41,561**

The repurchased Shares held at the end of Reporting Period are classified as treasury shares and are presented as a decrease in the capital reserve.

(v) Shares issued under share option scheme

During the year ended December 31, 2021, options were exercised to subscribed for 6,554,000 Ordinary Shares in the Company at a total consideration of RMB6,574,000, of which nil and RMB6,574,000 was credited to share capital and share premium, respectively. RMB7,756,000 was transferred from the capital reserve to the share premium account.

OTHER INFORMATION

Corporate Governance Practices

The Company strives to maintain high standards of corporate governance to safeguard the interests of its Shareholders and to enhance corporate value and accountability.

The Company has adopted the Code Provisions of the CG Code as the basis of the Company's corporate governance practices since the Listing Date, and has complied with all applicable Code Provisions as set out in the CG Code during the Reporting Period.

Directors' Securities Transactions

The Company has adopted the Model Code since the Listing Date.

Specific enquiry has been made of all the Directors and all Directors confirmed that they have complied with the Model Code for transactions in the Company's securities during the Reporting Period.

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 Hong Kong 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 Company's Shares were listed on the Stock Exchange on February 4, 2021. 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. As of the date of this announcement, the Company had used the net proceeds from the Global Offering for the following purposes:

	Amount of net proceeds for the relevant use *HK$ million*	**Percentage of total net proceeds** *Percentage*	**Actual amount of proceeds utilized as of December 31, 2021** *HK$ million*	**Amount of proceeds unutilized as of December 31, 2021** *HK$ million*
VitaFlow Liberty™				
— the ongoing R&D activities, clinical trial and product registration of VitaFlow Liberty™	423.9	15.6%	82.0	341.9
— the ongoing sales and marketing activities of VitaFlow Liberty™ in China and overseas	391.3	14.4%	21.6	369.7
Subtotal	**815.2**	**30.0%**	**103.6**	**711.6**

	Amount of net proceeds for the relevant use *HK$ million*	Percentage of total net proceeds *Percentage*	Actual amount of proceeds utilized as of December 31, 2021 *HK$ million*	Amount of proceeds unutilized as of December 31, 2021 *HK$ million*
VitaFlow®	**92.4**	**3.4%**	**5.7**	**86.7**
The remaining products				
— fund the research, preclinical, clinical trial and commercialization of VitaFlow™ III, and VitaFlow™ Balloon Expandable,	190.2	7.0%	3.1	187.1
— the ongoing and planned R&D of our TMV product candidates	312.5	11.5%	18.2	294.3
— the ongoing and planned R&D of our TTVR product candidates, surgical valves and procedural accessories	163.0	6.0%	1.8	161.2
— fund the planned commercialization activities after receiving the relevant regulatory approvals	67.9	2.5%	–	67.9
Subtotal	**733.6**	**27.0%**	**23.1**	**710.5**
Fund the expansion of our product portfolio through collaboration with global enabler	**407.6**	**15.0%**	**164.9**	**242.7**
Expand our production capacity and strengthen our manufacturing capabilities for VitaFlow® and VitaFlow Liberty™	**396.7**	**14.6%**	**32.4**	**364.3**
Working capital and general corporate purposes	**271.7**	**10.0%**	**68.2**	**203.5**
Total	**2,717.2**	**100.0%**	**397.9**	**2,319.3**

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" and there is no change to the intended use of proceeds as disclosed in the Prospectus. For details of the breakdown of the use of proceeds, please refer to the 2021 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 (2020: nil).

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

Save for the 6,342,000 Shares of the Company purchased through the trustee of the Share Award Scheme at cash consideration of HK$49,870,630 on the Stock Exchange for the Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company from the Listing Date to December 31, 2021.

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, 2021 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 Mr. Jonathan H. Chou, Dr. Ding Jiandong and Ms. Sun Zhixiang. 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, 2021.

Annual General Meeting (the "AGM")

The AGM of the Company will be held on Wednesday, June 22, 2022. The circular (including 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 17, 2022 to Wednesday, June 22, 2022, 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 16, 2022.

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, 2021 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

"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
Alwide® Plus	Alwide® Plus balloon catheter
"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
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"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
"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

"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"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$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"KOL(s)"	doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"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®"	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)
"MicroPort® Group"	MicroPort and all of its subsidiaries
"Milford Haven"	Milford Haven Global Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of MicroPort
"mitral valve"	the valve that prevents the blood in left ventricle from flowing back to left atrium
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MP CardioFlow"	Shanghai MicroPort CardioFlow Medtech Co., Ltd. (上海微創心通醫療科技有限公司), a limited liability company established in the PRC on May 21, 2015 and a wholly-owned subsidiary of our Company
"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
"Pingzhi Partnership"	Shanghai Pingzhi Enterprise Management Consulting Center (Limited Partnership) (上海屏至企業管理諮詢中心（有限合夥）), a limited partnership established in the PRC
"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
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2021
"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
"Shanghai MicroPort"	Shanghai MicroPort Limited, a company incorporated in the BVI with limited liability on January 8, 2019, a wholly-owned subsidiary of MicroPort and one of our Controlling Shareholders
"Share(s)" or "Ordinary 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 Award Scheme"	the share award scheme adopted by our Company on March 30, 2021, as amended from time to time
"Share Option Scheme"	the share option scheme adopted by our Company on March 13, 2020, as amended from time to time
"sq.m"	square meter, a unit of area
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"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
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollar(s)" or "US$"	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® transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and the tip-preshaped super stiff guidewire Angelguide®
"VitaFlow Liberty™"	unless the context indicates otherwise, "VitaFlow Liberty™" refers to the VitaFlow Liberty™ transcatheter aortic valve implantation system, which comprises of a PAV, a motorized delivery system and certain procedural accessory.

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

Hong Kong, March 29, 2022

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. Ding Jiandong and Ms. Sun Zhixiang.