

Investor Newsletter

Issue **03** 2017



MPSC Announces 2016 Annual Results

MicroPort Scientific Corporation (HK: 853) ("MPSC" or the "Company"), a leading medical technology company focusing on innovation, manufacturing and marketing high-end medical devices globally, announced on March 29 the audited annual results of the Company and its subsidiaries ("Group") for the year ended 31 December 2016 ("reporting period").

During the reporting period, the Group successfully achieved revenue of approximately US\$389.9 million, representing a growth of 6.6% excluding the foreign exchange impact. Meanwhile, the Group successfully turned around in the first half and gained a profit of US\$15.1 million for the year ended 31 December 2016, as compared with a net loss of US\$11.4 million for the year ended 31 December 2015. The significant improvement was primarily attributable to the increase in gross profit by US\$19.2 million driven by the revenue growth, the decrease in operating expenses by US\$8.5 million through the improvement of operating efficiencies, and increase in foreign exchange gain by US\$2.5 million. ▶

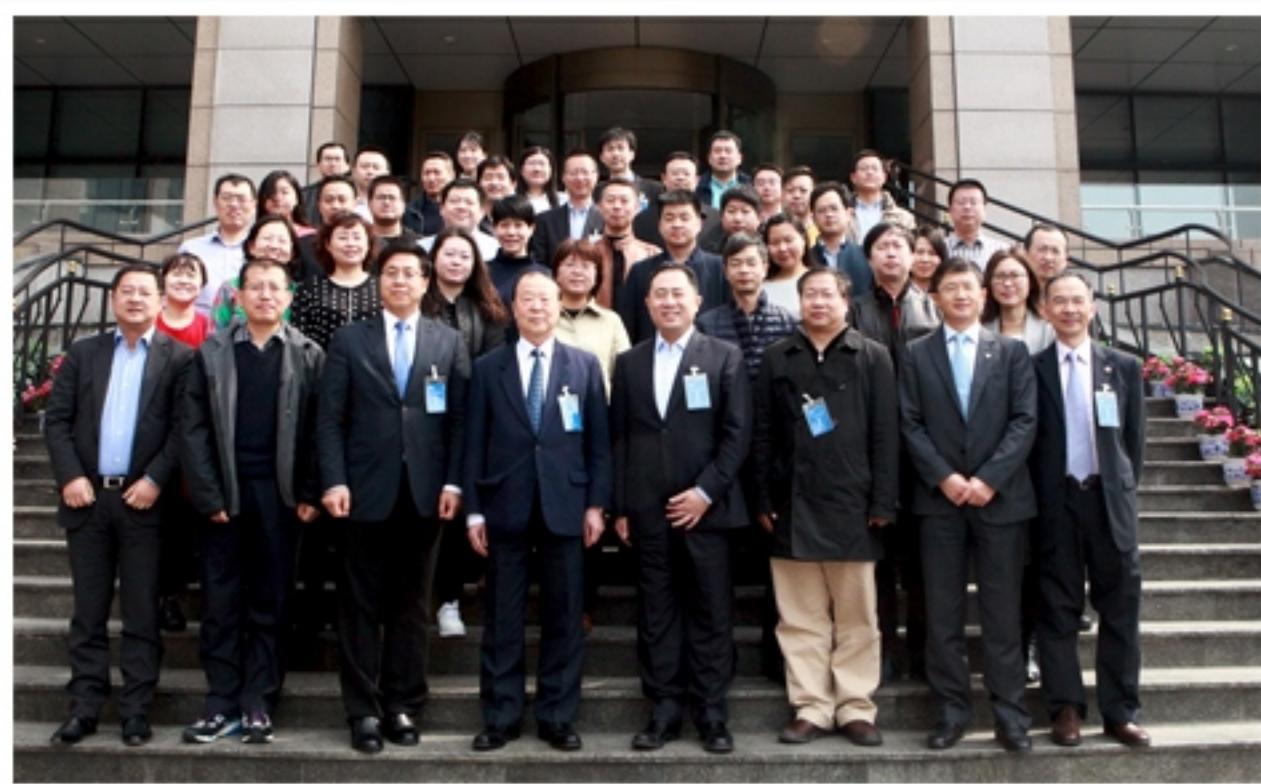
The Group's outstanding performance was mainly driven by strong sales performance of key business segments and products. During the year ended 31 December 2016, cardiovascular segment performed strongly with US\$138 million of revenue, up 11.4% (excluding the foreign exchange impact) compared to the corresponding period of 2015. The increase was driven by outstanding performance of our third-generation drug-eluting stent Firehawk® Rapamycin Target Eluting Coronary Stent System ("Firehawk®"), as its revenue recorded a year-on-year increase of 127.0% (excluding the foreign exchange impact) of which the overseas sales revenue increased by 212.4% (excluding the foreign exchange impact), as well as continued organic growth in Firebird2® Rapamycin-Eluting Coronary CoCr Stent ("Firebird2®"). Other China business also grew vigorously and recorded revenue growth of 23.8% (excluding the foreign exchange impact), 28.1% (excluding the foreign exchange impact) and 19.5% (excluding the foreign exchange impact) respectively from our endovascular business, electrophysiology business and neurovascular business. Orthopedics devices segment remained stable and recorded 1.6% growth in revenue, with international (Non-China) orthopedic business recorded positive revenue growth for the first time in the past seven years, achieved positive cash flows and EBITDA as planned and further narrowed losses, and the China orthopedic business achieved a growth of 16.5% (excluding the foreign exchange impact), with the sales revenue of our joint products in China up 32% (excluding the foreign exchange impact) year-on-year, much higher than market average growth rate. In addition, the businesses of Global Supply Center, Orthopedic Instrument and the Project of Domestically Made Joint Product are carried forward smoothly as planned, which will further reduce the manufacturing cost of our orthopedic products and enhance their competitiveness by better integrating the Company's resources.

"In 2017, our pipeline of various businesses continues to progress, with several products expected to gain regulatory approval followed by planned market launch, which will become strong momentum of sustainable growth for the Company," said Dr. Zhaohua Chang, MPSC Chairman and Chief Executive Officer. "Looking forward, we will continue to take solid steps on the path towards becoming a leading global medical device company with sound operating strategies, advanced and diversified product pipeline, as well as further improved corporate governance."

MicroPort® Hosts the Investigator Meeting for Firesorb® Pivotal Clinical Study - FUTURE II Trial

On March 11, Shanghai MicroPort Medical (Group) Co., Ltd. ("MicroPort®") hosted the Investigator Meeting (The initial meeting) for pivotal clinical study of Firesorb® — FUTURE II Trial in its Shanghai headquarters, and around 40 investigators from over 20 participating hospitals attended the meeting. Firesorb® is the second-generation fully bioresorbable scaffold in-house developed by MicroPort®.

Firesorb® clinical trials comprise of FUTURE I, FUTURE II and FUTURE III. The first patient of Firesorb® FUTURE I was enrolled in last January in Fuwai Hospital of Chinese Academy of Medical Sciences, and the six-month angiographic results of FUTURE I was released during the 2016 Transcatheter Cardiovascular Therapeutics ("TCT") in October. In the Investigator Meeting, Professor Bo Xu shared the six-month angiographic results of FUTURE I with the attendees and analyzed some clinical cases. The six-month angiographic findings of FUTURE I study fully demonstrated Firesorb®'s safety and efficacy in preliminary clinical applications, as it shows that there are no any events of devices related clinical endpoints - the rate of cardiac death, target vessel myocardial infarction, target lesions revascularization and stent thrombosis are all zero. The six-month in-segment late lumen loss is 0.13mm. Its 12-month angiographic findings will be released in this year's China Interventional Therapeutics ("CIT") from March 30 to April 2. Another pivotal study of Firesorb® - FUTURE III Clinical Trial is expected to be launched in the fourth quarter of 2017. The FUTURE series clinical trials will lay a great foundation for the following clinical studies of Firesorb® and the results of these clinical studies would provide evidence to support Firesorb®'s market launch in China.



Firesorb® is the fourth-generation coronary stent system in-house developed by MicroPort®. It is applicable for primary coronary lesions in patients with ischemic heart disease. Compared with traditional permanent metal stents, the bioresorbable scaffold uses special bioresorbable material, and is expected to degrade and be absorbed in vivo completely within three years after implantation, without permanent metal supports within the blood vessels, and thus vascular structures can be restored to its natural state. The bioresorbable scaffold can effectively reduce the incidence of late stent thrombosis and other adverse events, which is conducive to coronary positive remodeling and postoperative imaging diagnosis.

MicroPort® Endovascular Brings in Strategic Investor – China Renaissance and CICC

On March 10, MPSC and its relevant subsidiaries signed the Equity Transfer Agreements respectively with Huajie (Tianjin) Medical Investment Partnership (Limited Partnership) (“Huajie Tianjin”) and CICC Jiatai Equity Investment Fund Partnership II (Tianjin) (Limited Partnership) (“CICC Jiatai”) to transfer an aggregate of approximately 9.81% of the equity interest in its holding subsidiary MicroPort Endovascular (Shanghai) Co., Ltd. (“MicroPort® Endovascular”) at a consideration of RMB180 million with reference to the valuation of MicroPort® Endovascular being RMB1,851 million.

The Equity Transfer Agreements comprise the proposed transfer of approximately 7.0249% of the equity interest in MicroPort® Endovascular to Huajie Tianjin at a consideration of RMB130 million and the proposed transfer of approximately 2.7830% of the equity interest in MicroPort® Endovascular to CICC Jiatai at a consideration of RMB51.5 million. Huajie Tianjin mainly invests in industries of medical device, medical service and pharmaceuticals. Its parent company is China Renaissance, China’s leading Financial Institution serving the new economy. CICC Jiatai mainly invests in unlisted companies and private share placements of listed companies, and offers relevant consulting service. Its parent company is CICC, China’s first joint venture investment bank and a recognized leader of China’s investment industry.

MicroPort® Endovascular primarily focuses on developing, manufacturing, and marketing the interventional medical devices for the treatment of heart, brain, peripheral vascular and endovascular-related diseases. Upon the completion of the Equity Transfer Transactions, the percentage of equity interest in MicroPort® Endovascular that MPSC indirectly holds will be 61.79%. These financing agreements brought in strategic investors with professional background for MicroPort® Endovascular, which will further promote its long-term development and enhance its market competitiveness. At the same time, through signing the Equity Transfer Agreements, MPSC will be able to optimize the financial structure and support the ongoing development of various business sectors.



MPSC Selected as Shenzhen-Hong Kong Stock Connect Eligible Stock

On March 6, MPSC selected as Shenzhen-Hong Kong Stock Connect eligible stock, according to an announcement on the official website of Shenzhen-Hong Kong Stock Connect. It means eligible investors in the mainland can more easily trade MPSC stocks, which would attract more mainland investors to learn about the company's strategic development and investment opportunity.

Shenzhen-Hong Kong Stock Connect is a mutual stock market access mechanism between the mainland and Hong Kong under which Shenzhen Stock Exchange ("SZSE") and the Stock Exchange of Hong Kong Limited ("SEHK") have established technical connectivity to enable investors in the mainland and Hong Kong to trade eligible shares listed on the other's market through their local securities companies or brokers.

According to relevant rules, the scope of eligible shares of the Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect will be the constituent stocks of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index, any constituent stock of the Hang Seng Composite SmallCap Index which has a market capitalization of HK\$5 billion or above, and all SEHK-listed shares of companies which have issued both A shares and H shares. With the adjustment of the above mentioned indices, the eligible shares were changed accordingly and MPSC was included in the latest share list.



MPSC Launches Firehawk® in Press Conference and INDIA LIVE

From March 2 to March 4, MPSC attended the annual meeting INDIA LIVE held in New Delhi of India to display its innovative product Firehawk® and broadcasted a Firehawk® live case. Before INDIA LIVE, MPSC held a press conference to announce the commencement of its Indian operations and the launch of Firehawk® in India.

During the press conference, Jonathan Chen, Executive Vice President of International Operations and Investor Relations, presented MPSC's globalization development and its vision in developing the India market by introducing its history, current situation, and future plan. Then, he and Riyaz Desai, Managing Director of MPSC India subsidiary, answered questions from the media. Riyaz Desai said: "MPSC has full confidence and determination in entering the India market. We believe the launch of Firehawk® and other innovative products will for sure benefit Indian patients suffering from cardiovascular diseases." After the press conference, most local mainstream media, such as Times of India, Business Standard and Express Pharma, published the news story "MicroPort commences local commercial operations in India with its flagship technology Firehawk®" which had a great impact on the local market.

During INDIA LIVE, MPSC broadcasted a live case of Firehawk®, which was watched by around 1,000 attendees. The Physician Dr. Trehan pointed out: "I personally favor DES with abluminal coating. I started to use Firehawk recently and discovered it has excellent performance in all aspects." The post-procedure angiographic result showed Firehawk® has outstanding radial force in complex cases such as LM lesions, which was well received by experts in attendance.

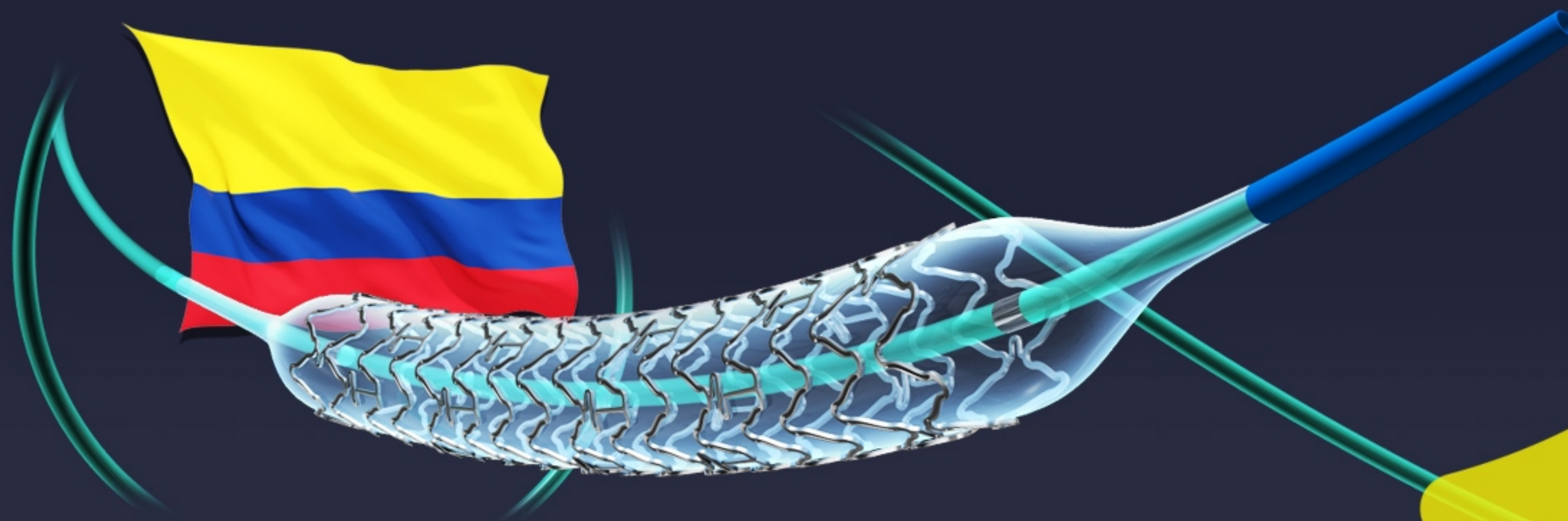


Recently, Indian government authority unveiled new price cap for cardiac interventional DES, which will exert great influence on India's interventional market and may even lead to industry reshuffle. "In the face of the new policy, it is quite challenging for Firehawk®'s market expansion in India in its very early stage. But as a country that has the third largest amount of PCI cases in the world, India is a market we will definitely pay special efforts to," said Dr. Linda Lin, First Vice President of MPSC International Business. "We will keep cultivating the India market to provide ideal solutions for local patients with coronary diseases."

Firehawk® Obtains Regulatory Approval in Colombia

MicroPort® recently obtained the regulatory approval from Colombia's health authority INVIMA for its in-house developed Firehawk®. Previously, Firehawk® has received approval in several other Latin American countries, such as Brazil, Mexico and Argentina.

As the third largest country in Latin America, Colombia has a population of 50 million with a huge, growing market for cardiovascular interventional products.



MicroPort Orthopedics Inc. Announces Results of Clinical Outcome Study Demonstrating 98.8% Implant Survivorship of its Medial-Pivot Knee System at 17 Years

- High Overall Patient Satisfaction, Pain Relief and Functional Recovery Also Reported -

On February 28, MicroPort Orthopedics Inc. announced that The Knee has published a study evaluating long-term clinical and radiographic outcomes of the Medial-Pivot Knee System. The results demonstrate excellent clinical outcomes for both satisfaction (95%) and survivorship (98.8%) at 17 years with patients noting a great sense of stability and comfort during regular activities.

It has been reported that approximately 20% of patients are not satisfied with the outcome of their total knee replacement as a result of residual pain and functional issues often attributed to implant design. MicroPort's Medial-Pivot Knee System is uniquely designed to restore stability and normal knee kinematics to deliver reproducible outcomes that can improve function and drive patient satisfaction.

"I am in my third year of using the Evolution® Medial-Pivot Knee System and this publication validates the results that I have seen in my practice," says David Backstein, MD, MEd, FRCSC, Head of Orthopaedic Surgery at Mount Sinai Hospital in Toronto, Ontario. "In my experience, the functional outcomes for patients treated with this system have certainly been superior than the systems I've used in the past and patients have fewer complaints. When I see them at six or eight weeks follow-up, they're at a different stage of recovery than I was seeing previously with traditional implant designs. I've been exceptionally happy with the results and feel comfortable knowing I am implanting a prosthesis with 98.8% survivorship at 17 years."

The paper titled A Long Term Clinical Outcome of the Medial Pivot Knee Arthroplasty System was authored by George A Macheras et al. from the "KAT" General Hospital, Athens, Greece. In the study, 325 patients with knee osteoarthritis underwent Total Knee Arthroplasty ("TKA") using the Medial-Pivot prosthesis. All patients showed a statistically significant improvement in the Knee Society clinical rating system, Western Ontario and McMaster Universities Osteoarthritis Index, and Oxford knee score. The majority of patients (94%) were able to perform age-appropriate activities with average knee flexion of 120° and 98% of patients reported relief of pain to be excellent, very good or good. Additionally, survival analysis showed a cumulative success rate of 98.8% at 17 years.



MicroPort® OrthoRecon Launches Medial-Pivot Knee Postmarket Clinical Follow-up Program

After six months of preparation, Suzhou MicroPort OrthoRecon Co., Ltd. ("MicroPort® OrthoRecon") officially launched the Postmarket Clinical Follow-up Program of Medial-Pivot Knee in a kick-off meeting held in Xi'an from February 24 to February 25. The program is initiated by Professor Kunzheng Wang, Chairman-elect of Chinese Orthopaedic Association and Director of the Second Affiliated Hospital of Xi'an Jiaotong University, and will be carried out in 18 leading hospitals in the Chinese mainland and Hong Kong. In the kick-off meeting, several professionals delivered keynote speeches.

This Postmarket Clinical Follow-up Program is designed to evaluate the postoperative recovery of Asian patients, mostly Chinese patients, who used Medial-Pivot Knee, to find out the best solutions in terms of patient satisfaction and function recovery. The participating hospitals will assess the Medial-Pivot Knee by gait analysis, muscle force test and patient satisfaction rating.

With the advancement of China's joint arthroplasty techniques, the number of patients receiving TKA has been growing at a rate of 15% annually. TKA has been regarded as one of the most successful surgeries since the 20th century and most of the knee prostheses are proven to have good clinical survivorship. However, it has been reported that approximately 20% of patients are not satisfied with the outcome of their TKA as a result of residual pain and functional issues. Thus, it has become the main focus of the joint prosthesis field on how to improve function and drive patient satisfaction.



Simon Chen, Executive General Manager of MicroPort® OrthoRecon, said: "During the period of the follow-up program, we will launch a series of academic salon activities to provide a platform for TKA experts to exchange ideas and discuss complex cases. We hope these activities would help promote the development of China's joint arthroplasty industry and thereby to improve patient's life quality."

MicroPort® Signs Strategic Partnership Agreement with Shanghai Pharmaceuticals Medical Device

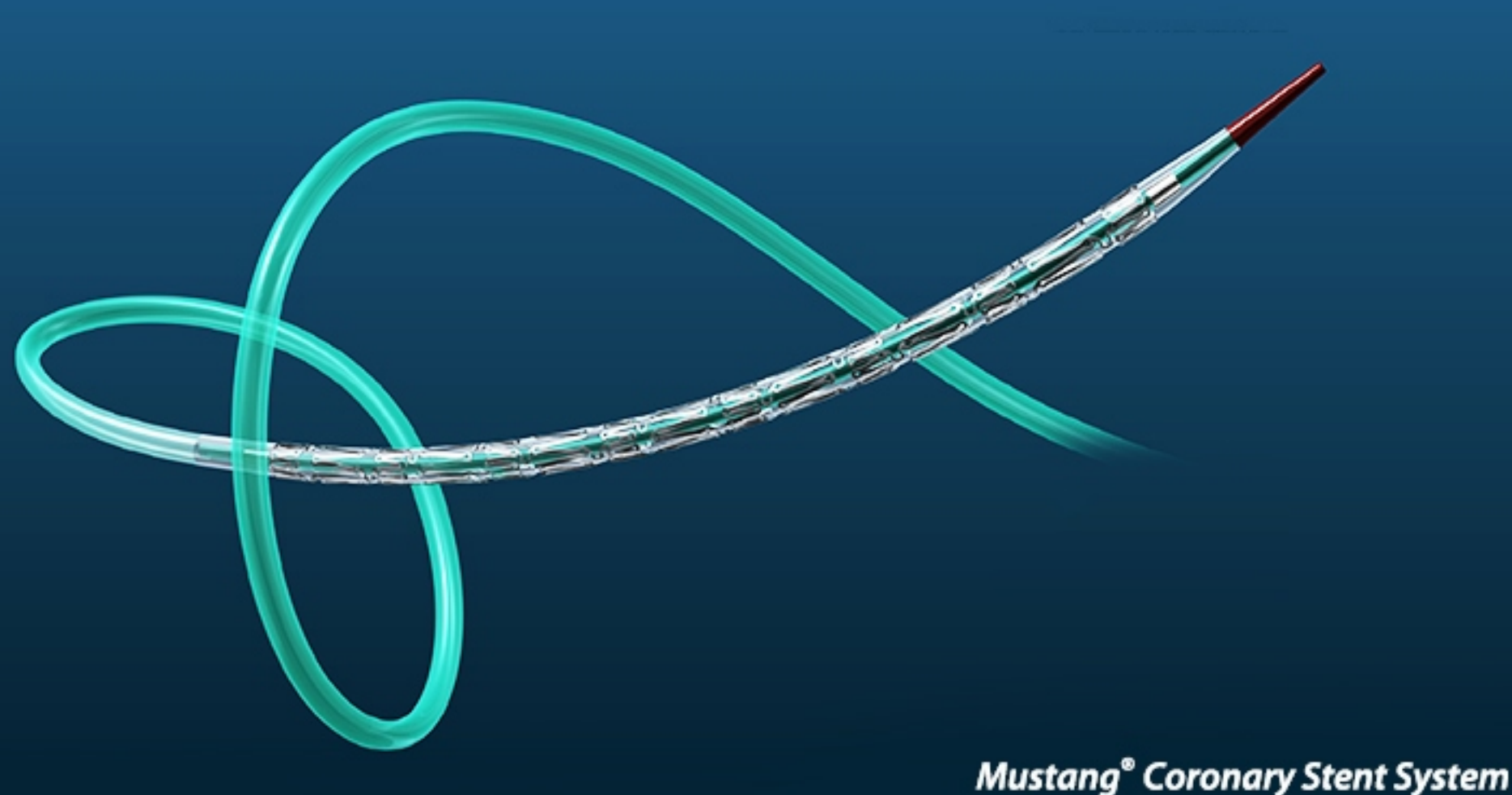
On March 17, MicroPort® and Shanghai Pharmaceuticals Medical Device (Shanghai) Co., Ltd ("Shanghai Pharmaceuticals Medical Device") signed a strategic partnership agreement which will allow the two companies to achieve cooperation in various business segments in China to jointly promote the development of the domestic medical device industry.

MicroPort® Chief Marketing Officer Bo Peng said, "MicroPort® hopes to build comprehensive strategic partnership with Shanghai Pharmaceuticals Medical Device based on a win-win principle. This partnership will leverage complementary strengths of the two parties, integrating our advantages in logistics, clinical resources and hospital services, to create more business opportunities in the future."





Firebird2™



Mustang® Coronary Stent System

Three MicroPort® Products Included in the List of the Third Batch of Excellent Domestically Made Medical Products

Three products of MicroPort® - Firehawk®, Firebird2™ and Mustang® Coronary Stent System (“Mustang®”), were selected in the List of the Third Batch of Excellent Domestically Made Medical Products (“the List”) released by China Association of Medical Equipment (“CAME”) under the commission of the National Health and Family Planning Commission (“NHFPC”), falling into the cardiovascular stent category.

Since November 2016, the CAME started to screen medical products for the List according to three indicators - technical parameter, company’s situation, and clinical application assessment. The indicators were independently assessed and the product needs to achieve over 80% of the full mark for each indicator to be selected in the List. It was the first time that the high-value consumables such as cardiovascular stents were included in the selection. Several cardiovascular stent developers signed up for the screening test, but only 10 products were finally listed, and as many as three of them are MicroPort® products, fully demonstrating the competitiveness of our cardiovascular stents.

MicroPort® Project of "Development and Industrialization of Key Technologies in Minimally Invasive Treatment of Aortic Diseases" Wins First Prize of Shanghai Science and Technology Progress Award

On March 22, the Project of "Development and Industrialization of Key Technologies in Minimally Invasive Treatment of Aortic Diseases," jointly developed by MicroPort®, MicroPort® Endovascular, Beijing Anzhen Hospital of Capital Medical University, and Changhai Hospital of the Second Military Medical University, won the First Prize of Shanghai Science and Technology Progress Award.

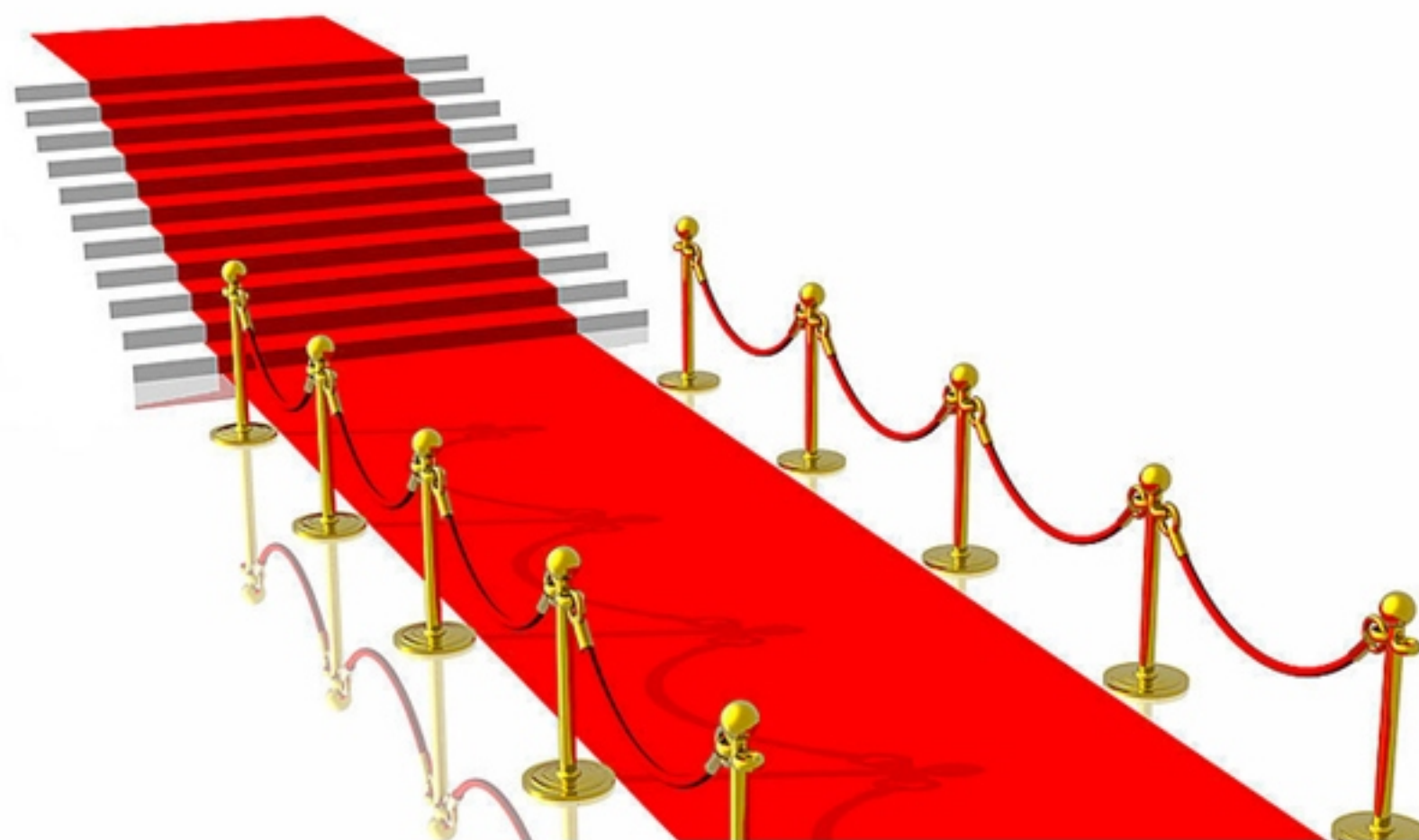
The Project is a comprehensive solution for aortic diseases provided by MicroPort® Endovascular after years of research in interventional treatment of aortic diseases, including CRONUS™ Surgical Stent Graft System ("CRONUS™"), Hercules™-T Low Profile Stent-Graft ("HT-LP") and Delivery System, and Aegis™ Bifurcated Stent-Graft System ("Aegis™") and Delivery System, etc. These innovative stents-graft have revolutionized the open surgery repair, and largely reduced the mortality rate of patients.



MicroPort® Awarded Shanghai Pudong New Area Top 20 Outstanding Contributors to Advanced Manufacturing Industry

On March 29, MicroPort® was awarded the Top 20 Outstanding Contributors to Advanced Manufacturing Industry of Shanghai Pudong New Area, fully demonstrating government authority's recognition of the achievements MicroPort® made in 2016.

During the ceremony, a total of 140 enterprises were given seven awards including Top 20 Special Contributors to Economic Growth, Top 20 Outstanding Contributors to Financial Industry, Top 20 Outstanding Contributors to Advanced Manufacturing Industry, Top 20 Outstanding Contributors to Modern Service Industry, Top 20 Outstanding Contributors to Technology Innovation, Top 20 Innovative Enterprises, and Top 20 High-growth Enterprises.



MicroPort® OrthoRecon Attends 5th CHS Annual Meeting

From March 3 to March 5, MicroPort® OrthoRecon recently attended the Fifth Annual Meeting of Chinese Hip Society ("CHS") and hosted a satellite meeting.

On March 4, MicroPort® OrthoRecon hosted a satellite meeting of "How SuperPath™ Micro-posterior Total Hip Arthroplasty ("SuperPath™") Improves Patient Satisfaction." During the meeting, Professor Yihe Hu of Xiangya Hospital of Central South University was invited as the Chairman, and Professor Yunsu Chen of Shanghai Sixth People's Hospital and Professor Chuan He of Shanghai Ruijin Hospital were invited as keynote speakers. Based on relevant findings of Chinese and foreign medical literature, Professor Chen concluded key problems that lead to patient dissatisfaction toward their hip arthroplasty: around 33% patients are not satisfied with their postoperative recovery to function of going up and down stairs and 38% are not satisfied with the recovery to function of cutting toenails and putting on shoes or stocks. To answer these problems, SuperPath™ is designed as a superior capsular approach to deal with acetabulum side which can preserve anterior and posterior capsular, as well as prevent external rotators. This technique can provide patients with lower dislocation rate and improve patients' satisfaction of fast recovery to normal daily life movements like going up and down stairs. Based on his own experience, Professor Chuan He shared the operating skills of SuperPath™ step by step, which gave the attendees a comprehensive understanding of SuperPath™, especially for the beginners. In the closing statement, Professor Yihe Hu said: "MicroPort® OrthoRecon is globalized company rooted in China. Its SuperPath™ technique has a relatively short learning curve for surgeons who are familiar with posterior approach, and it corresponds with the market trend of the orthopedic industry as it offers fast return to patients and improves patient satisfaction."



MicroPort® Endovascular Attends the Fifth Shandong (Mount Tai) Aortic Surgery Forum

On March 10, MicroPort® Endovascular attended the Fifth Shandong (Mount Tai) Aortic Surgery Forum in Jinan, Shandong Province.



Focused on the latest advancement and discipline construction of aortic surgery disease treatment, the forum invited many domestic and international experts to have in-depth discussions on hot topics of the vascular surgery industry. Professor Weiliang Jiang of the Second Affiliated Hospital of Harbin Medical University shared the method and therapeutic evaluation of branch reconstruction on aortic arch, and compared the three techniques "chimney," "fenestration" and "branched stent" in terms of operating method, clinical efficacy, and long-term complications. During his speech, Professor Jiang presented several cases in which MicroPort® Endovascular in-house developed Castor™ Branched Aortic Stent Graft and delivery system ("Castor™") was used, and he commented: "Castor™ enlarges the indication of TEVAR surgery, lowered the occurrence of endoleaks, and has excellent safety and efficacy."

Castor™ is the world's first branched stent graft system designed for an entirely endovascular treatment of thoracic dissection encroaching the left subclavian artery or the original tear located within 15mm distal to the left subclavian artery. Castor™ employs an easy-to-use unibody design, including a main body and a branch stent graft for the left subclavian artery as a whole. In 2015, Castor™ was granted the Green-Path by the China Food and Drug Administration ("CFDA"), a special fast-track procedure for innovative medical devices to gain CFDA approval, and is expected to gain the CFDA approval within this year to officially enter the China market.



MicroPort® NeuroTech Hosts WILLIS® Academic Symposium

From March 4 to March 5, MicroPort NeuroTech (Shanghai) Co., Ltd. ("MicroPort® NeuroTech") hosted WILLIS® Intracranial Stent Graft System ("WILLIS®") Academic Symposium. Several local neurovascular interventional specialists attended the symposium and shared their experience and the technique in using WILLIS®.

The symposium was chaired by Director Lin Zhao of the Second Hospital of Hebei Medical University, covering topics of the application of WILLIS®, clinical experience in using WILLIS®, the learning curve of WILLIS®, the endovascular treatment of blood blister-like aneurysm, and the application of endovascular graft exclusion ("EVGE") in treating ophthalmic artery segmental aneurysm. Professor Minghua Li of Shanghai Sixth People's Hospital, who is the inventor of WILLIS® EVGE, and Professor Chuhan Jiang of Beijing Tian Tan Hospital were invited to share their clinical experience in using WILLIS® to enhance the attendees' understanding in WILLIS®, and meanwhile they had active interactions with the attendees regarding WILLIS®'s indications.

During the symposium, MicroPort® NeuroTech displayed the WILLIS® simulator, and many experts, mostly those who learnt about WILLIS® for the first time, were attracted to get hands-on experience and inquire for more product information, and they were amazed by the excellent performance of WILLIS® through trying out the simulator.

MicroPort® EP Attends the 14th International Conference on Cardiac Electrophysiology

Shanghai MicroPort EP MedTech Co., Ltd. ("MicroPort® EP") recently attended the 14th International Conference on Cardiac Electrophysiology AFIC & NIHD sessions held in Armed Forces Institute of Cardiology/National Institute of Heart Diseases in Rawalpindi, Pakistan. Themed on "Rhythm for Life 2017," the congress invited eminent electrophysiologists from America, Europe and Asia to share basic EP knowledge and their clinical experience with EP cases. MicroPort® EP displayed its comprehensive EP solutions which attracted wide attention from experts in attendance.

During the conference, MicroPort® EP introduced to global EP physicians its comprehensive EP solutions. Specifically, it displayed Columbus™ 3D EP Navigation System, OptimAblate® RF Generator, OptimAblate® Irrigation Pump, FireMagic™ Irrigated Ablation Catheter, EasyLoop™ Circular Mapping Catheter, and EasyFinder™ Electrophysiology Diagnostic Catheter, all of which have gained CE mark approval and were highly recognized by domestic and international EP physicians.

Many cardiologists spoke highly of MicroPort® EP solutions after watching the detailed presentation of therapeutic ablation cases like AF, VT, SVT and PVCs guided by Columbus™ 3D EP Navigation System. MicroPort® EP's presence in this congress would pave the way for its market expansion in Pakistan.



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