



MicroPort Scientific Corporation

微創醫療科學有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00853)

Interim Report
2011



** for identification purpose only*

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Corporate Information

DIRECTORS

Executive Directors

Dr. Zhaohua Chang (*Chairman*)
Ms. Yan Zhang
Mr. Hongbin Sun
Mr. Qiyi Luo

Non-Executive Directors

Mr. Norihiro Ashida
Mr. Hiroshi Shirafuji
Mr. Lei Ding (*Appointed on 26 August 2011*)
Mr. Xiaolong Liu (*Resigned on 26 August 2011*)

Independent Non-Executive Directors

Mr. Zezhao Hua
Mr. Jonathan H. Chou
Dr. Guoen Liu

JOINT COMPANY SECRETARIES

Ms. Yee Har Susan Lo, *FCS (PE), FCIS*
Ms. Man Yee Chu, *ACS, ACIS*

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang
Ms. Yee Har Susan Lo

AUDIT COMMITTEE

Mr. Jonathan H. Chou (*Chairman of the Audit Committee*)
Mr. Norihiro Ashida
Mr. Zezhao Hua

REMUNERATION COMMITTEE

Dr. Zhaohua Chang (*Chairman of the Remuneration Committee*)
Mr. Jonathan H. Chou
Dr. Guoen Liu

NOMINATION COMMITTEE

Mr. Lei Ding (*Chairman of the Nomination Committee*)
(*Appointed on 26 August 2011*)
Dr. Guoen Liu
Mr. Zezhao Hua
Mr. Xiaolong Liu (*Resigned on 26 August 2011*)

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

501 Newton Road
Zhangjiang Hi-Tech Park
Shanghai 201203
The PRC

PLACE OF BUSINESS IN HONG KONG

Level 28
Three Pacific Place
1 Queen's Road East
Hong Kong

AUDITORS

KPMG, *Certified Public Accountants*

COMPLIANCE ADVISER

TC Capital Asia Limited

LEGAL ADVISER

Jun He Law Offices (HK Law)

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.microport.com.cn

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Shanghai Pudong Branch
Bank of China Limited
Shanghai Zhangjiang Sub-Branch
China CITIC Bank Shanghai Zhangjiang Sub-Branch
Shanghai Pudong Development Bank
Zhangjiang Sub-Branch

Financial Highlights

The board (the “Board”) of directors (the “Directors”) of MicroPort Scientific Corporation (the “Company”) is pleased to announce the unaudited but reviewed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010.

	For the six months ended		Change %
	30 June		
	2011	2010	
	in RMB million	in RMB million	
	(unaudited)	(unaudited)	
Turnover	448.8	375.7	19.5
Gross profit	379.6	326.2	16.4
Profit for the period	203.6	149.7	36.0
Earnings per share — Basic (RMB)	0.14	0.13	7.7
— Diluted (RMB)	0.14	0.13	7.7

Management Discussion and Analysis

BUSINESS OVERVIEW

We are a leading developer, manufacturer and marketer of medical devices in the PRC, engaging in the research and development, manufacturing and sales of various high-end medical products. Our products include those for vascular diseases and disorders, such as cardiovascular, neurovascular, peripheral and intracranial vascular, as well as devices for cardiology, orthopedics and diabetes. Our products are sold to 897 hospitals throughout the PRC and exported to approximately 20 countries in the Asia Pacific region (excluding the PRC), South America and Europe.

During the six months ended 30 June 2011, the Company achieved a record profit after taxation of approximately Renminbi (“RMB”) 203.6 million over a revenue of approximately RMB448.8 million, compared to the profit after taxation of RMB149.7 million over the revenue of RMB375.7 million for the six months ended 30 June 2010. This achievement was made possible with the dedication of our employees, our continual cost cutting measures and a better reputation of our products within the medical community.

Our third generation drug eluting coronary stent (the “Firehawk”) is undergoing extensive clinical studies. In May 2011, we have successfully enrolled 510 patients for a Target I randomized controlled trial (the “Target I Trial”). There are 16 top tier national clinical trial centers participating in this Target I Trial. Target II single arm trial, has already started in July 2011, and over 700 patients will be enrolled in over 30 major hospitals in the PRC.

Our thoracic aortic aneurysm (“TAA”)/abdominal aortic aneurysm (“AAA”) products maintain their market leading position during the first half of 2011. We are the only major domestic manufacturer in the stent graft market and are successfully competing with two other international companies in this sector. Sales of our Apollo intracranial stents are also enjoying healthy growth during the first half of 2011.

Our electrophysiological (“EP”) devices, the cardiac RF ablation catheter (the “FireMagic”) and the fixed curve diagnostic catheter (the “EasyFinder”), have shown notable growth in revenue since their launches in first half of 2010 and 2011 separately. Positive response from our new EP products meant our efforts in research and development has come to fruition, and we expect it to greatly enhance our future growth. During the period under review, we have secured eight patents, including inventions, utility models as well as design, from the State Intellectual Property Office (the “SIPC”) of the PRC, with three of them belonging to the field of EP devices. These patents include “System and method for quickly constructing 3D geometric model of lumen in human organ” (invention patent), “A Carrying Device for the Magnetic Field Generator” (invention patent) and “The Shell of 3D Cardiac EP Mapping System” (designing patent). We are proud of our 3D mapping system as it represents the first time that such a system has been designed and built locally by a PRC company. Current clinical studies of our EP devices have shown remarkable performance and therefore will pave the way for the larger scale upcoming clinical trials. Our goal is to provide eventually a complete EP solution, including diagnostics and treatment devices.

Management Discussion and Analysis

Four of our orthopedics products have been granted CE certificates in November 2010 and we have actively pursued sales for this division by building up our sales and marketing channels in the European Union for these products. On 16 July 2011, we managed to secure our first significant agreement with a key international distributor and will soon supply our spinal implants to the international market. This agreement covers 18-months of purchasing orders valued at US Dollars (“USD”) 3.5 million. Aside from existing orthopedic products, we are in the process of applying for CE certification for our new spine and trauma products.

We have increased research and development efforts in our diabetic products line and are expecting certain patent registration over the next few years. New products in the pipeline are micro-infusion gonadotropin-releasing hormone (GnRH) pump and motor driven insulin pen. Our micro-infusion GnRH pump is showing promising results in clinical trials and if registration process is smooth, this product can enter the market in early 2012. Meanwhile, our motor driven insulin pen has just been prototyped and is expected to safety testing and fine tuning in the second half of 2011.

On the overseas front, two of our products for the treatment of cardiovascular diseases, the Hercules Thoracic Stent-Graft System and Hercules Bifurcated Stent-Graft System have been granted approval for the registration by the Bureau of Food and Drugs of Philippines in January and April 2011 respectively.

Our remarkable financial performance as well as our research and development achievements have strengthened our foundation both in the PRC and overseas. We remain confident in our long-term growth prospects through continuing diversification and innovation of our products, as well as leverage on our cutting edge research and development. Overall, we are very satisfied with the results for the first half of 2011.

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

RESULTS OF OPERATION

Turnover

Turnover increased by 19.5% from RMB375.7 million in the six months ended 30 June 2010 to RMB448.8 million in the six months ended 30 June 2011. Drug eluting stents accounted for most of the increase in turnover. We did not generate any turnover from our orthopedics device business during the six months ended 30 June 2010 and 2011 as that business has just been launched and is expected to start generating turnover in the second half of 2011.

Revenue from drug eluting stents

Revenue generated from the sales of drug eluting stents increased by 21.7% from RMB327.4 million in the six months ended 30 June 2010 to RMB398.4 million in the six months ended 30 June 2011. Growth in this six-month period was primarily driven by the continued growth and development of the market for the drug eluting stents in the PRC.

Management Discussion and Analysis

Revenue from TAA/AAA Stent Grafts

Revenue generated from the sales of TAA/AAA stent grafts increased by 9.4% from RMB23.4 million in the six months ended 30 June 2010 to RMB25.6 million in the six months ended 30 June 2011. Growth in this six-month period remains steady, with us maintaining our market position.

Revenue from EP devices

Revenue generated from our EP devices increased from RMB0.2 million in the six months ended 30 June 2010 to RMB2.5 million in the six months ended 30 June 2011. We are very pleased with the financial performance of our EP devices as this is an indication of the EP devices being accepted by the market. It also reflects the efforts that our sales and marketing team has put into these products thus getting them off the ground.

Revenue from other businesses

Revenue generated from sales of other medical devices and products decreased by 9.7% from RMB24.7 million in the six months ended 30 June 2010 to RMB22.3 million in the six months ended 30 June 2011.

Cost of sales

Cost of sales increased by 40.0% from RMB49.4 million in the six months ended 30 June 2010 to RMB69.2 million in the six months ended 30 June 2011. The increase was primarily due to the increase in sales volume.

Gross profit and gross margin

As a result of the foregoing factors, gross profit increased by 16.4% from RMB326.2 million in the six months ended 30 June 2010 to RMB379.6 million in the six months ended 30 June 2011, and gross margin remained relatively stable in the six months ended 30 June 2011 compared to the same period in 2010.

Other revenue and other net income

We had other revenue of RMB15.4 million and other net income of RMB22.5 million for the six months ended 30 June 2011. Compared to the six months ended 30 June 2010, other revenue was RMB2.2 million while other net income was RMB1.2 million. These increases were primarily attributable to the funds raised from our initial public offering (the "IPO") and were generating other revenue for the Company in the form of interest income and other net income from foreign exchange gain on deposits placed in the form of RMB.

Management Discussion and Analysis

Research and development costs

Research and development costs increased by 43.3% from RMB49.2 million in the six months ended 30 June 2010 to RMB70.5 million in the six months ended 30 June 2011. The increase was primarily due to an increase in salaries, bonuses and related expenses for personnel engaged in research and development.

Sales and marketing costs

Sales and marketing costs increased by 13.8% from RMB54.1 million in the six months ended 30 June 2010 to RMB61.5 million in the six months ended 30 June 2011. The increase was primarily due to an increase of salaries, bonuses and related expenses for personnel engaged in sales and marketing.

Administrative expenses

Administrative expenses increased by 58.5% from RMB25.9 million in the six months ended 30 June 2010 to RMB41.0 million in the six months ended 30 June 2011. The increase was primarily attributable to the increases in salaries, bonuses and related expenses for administrative personnel as well as the amortization expenses of options.

Finance costs

Finance costs decreased from RMB10.5 million in the six months ended 30 June 2010 to RMB0.9 million in the six months ended 30 June 2011. As all redeemable convertible preference shares of the Company were converted into ordinary shares upon IPO, the Company no longer incurs finance cost related to the redeemable convertible preference shares on 30 June 2011.

Income tax

Income tax increased from RMB28.9 million in the six months ended 30 June 2010 to RMB34.9 million in the six months ended 30 June 2011. This increase was primarily due to the increase in net profit of the Company. On the other hand, our effective tax rate decreased from 16.2% in the six months ended 30 June 2010 to 14.6% in the six months ended 30 June 2011.

Profit for the period and net profit margin

As a result of the foregoing factors, profit for the period increased by 36.0% from RMB149.7 million in the six months ended 30 June 2010 to RMB203.6 million in the six months ended 30 June 2011, and net profit margin increased from 39.8% in the six months ended 30 June 2010 to 45.4% in the six months ended 30 June 2011.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had cash and cash equivalent of RMB727.6 million (31 December 2010: RMB928.1 million). The Board's approach to manage liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities to avoid any unacceptable losses or damage to the Group's reputation.

Borrowing and gearing ratio

Total borrowing of the Group as at 30 June 2011 was RMB4.2 million, as compared to RMB54.1 million as of 31 December 2010, and is denominated in RMB. It bears a variable interest rate which is determined with reference to the annual deposit rate as quoted by the People's Bank of China on each 29 September, plus 0.3 percent. As at 30 June 2011, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of the Group remained at a low level of 0.002, as compared to 0.027 as at 31 December 2010.

Working capital

Our working capital as at 30 June 2011 was RMB1,816.4 million, as compared to RMB1,703.4 million as at 31 December 2010.

Foreign exchange exposure

The Group is exposed to currency risk primarily from (i) sales and purchases which give rises to receivables and payables that are denominated in a foreign currency (mainly in USD); and (ii) IPO proceeds received by the Company were in Hong Kong Dollars ("HKD") and were mostly exchanged into RMB and USD. The Company has adopted the USD as its functional currency, thus the fluctuation of exchange rates between RMB and USD exposes the Group to currency risk. During the period under review, the Group recorded a net exchange gain of RMB22.5 million, as compared to RMB1.2 million for the six months ended 30 June 2010. The Group does not employ any financial instruments for hedging purposes.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately RMB44.9 million, which was used in the construction of buildings as well as acquiring equipment and machinery (30 June 2010: RMB51.6 million).

Charge on assets

As at 30 June 2011, the Group had pledged its building held for own use with a net book value of RMB26.8 million (30 June 2010: RMB29.7 million) for the purpose of securing a loan with a carrying value of RMB4.2 million (30 June 2010: RMB4.7 million).

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities or any significant outstanding contingent liabilities (30 June 2010: Nil).

Management Discussion and Analysis

HUMAN RESOURCES

As at 30 June 2011, the Group employed approximately 1,164 employees, as compared to 1,214 employees as at 30 June 2010. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB99.9 million (30 June 2010: approximately RMB67.9 million). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees. A share option scheme has also been adopted for employees of the Group. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department.

PROSPECTS

Our Company's persistent emphasis on research and development has led to a series of products in the pipeline that are being actively developed and tested through clinical trials and studies, or are in the process of being validated by various government or licensing approvals:

1. Further developing and improving our existing products

In line with our continuous improvement philosophy, we are committed to improve the quality of our existing product offering and lead to the next generation of medical device products. Our research and development efforts are focused on increasing the safety and efficiency of our existing drug eluting coronary stents, as well as our third generation drug eluting coronary stents, the Firehawk, which is currently undergoing extensive clinical studies, and achieving excellent progress. Significant efforts will be invested for continuous development to secure our leading position in the cardiovascular devices sector.

2. Diversification of our existing and new products

Apart from our current strength in the vascular and coronary areas of medicine, we are further expanding our presence and diversifying into complementary and new product lines, such as EP and orthopedics devices. Our aim is to provide a complete range of EP devices that includes diagnostics and treatment equipment in the near future. We are also actively performing research and development on a new artificial pacemaker with promising results coming from the software design, which could see it implemented onto an artificial pacemaker chip before the end of 2011.

3. Internationalizing our brand and our products

We will continue to market our products globally and focus on exploring new markets. Our four orthopedic products that have been granted the necessary CE certificates enable our business to enter the European market. These new products will start to generate revenue in the second half of 2011 as we have secured some orders recently. Our business is also focusing on developing new global markets for our vascular products, and our long term aim is for our complete range of products to be available in every country. We are committed to realizing the MicroPort global brand concept, and are determined to achieve recognition by patients and doctors globally as a guarantee for best quality and outstanding services.

Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

1. Interests and short position in the shares (the “Shares”) of the Company

Name of Director/ Chief Executive	No. of Shares	Note	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Chang Zhaohua	217,110,000	1	Deemed interest	Long position	15.06
Luo Qiyi	10,919,550		Beneficial owner	Long position	0.76
Zhang Yan	3,200,000	2	Beneficial owner	Long position	0.22

2. Interests and short position in the underlying Shares

Name of Director/ Chief Executive	No. of Shares	Note	Capacity	Nature of interest	Approximate percentage of total number of Shares in issue (%)
Chang Zhaohua	10,000,000	3	Beneficial owner	Long position	0.69
Zhang Yan	4,500,000	3	Beneficial owner	Long position	0.31
Sun Hongbin	4,000,000	3	Beneficial owner	Long position	0.28
Luo Qiyi	2,780,450	3	Beneficial owner	Long position	0.19

Other Information

Notes:

- (1) Chang Zhaohua, our founder, Director and chairman of our Company, owns 49% equity interest in Shanghai We'Tron Capital Corp. which in turn owns 94.19% equity interest in We'Tron Capital China Limited. Chang Zhaohua is therefore deemed to be interested in the number of Shares held by We'Tron Capital China Limited.
- (2) Some or all of the relevant Shares are held through special purpose vehicles.
- (3) These Directors are interested in the underlying Shares of the Company by virtue of the options granted to them under the share option scheme of the Company. For further details, please refer to the below section headed "Share Option Scheme".

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2011, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests and short position in the Shares

Name of Substantial Shareholder	No. of Shares	Note	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Otsuka Holding Co. Ltd.	468,994,120	1	Interest of controlled corporation	Long position	32.52
Otsuka Medical Devices Co., Ltd.	468,994,120	1	Beneficial owner	Long position	32.52
Shanghai Zhangjiang Science and Technology Investment Co.	285,748,050	2	Interest of controlled corporation	Long position	19.82
Shanghai Zhangjiang (Group) Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	19.82
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	19.82
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	19.82
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	19.82
Shanghai ZJ Hi-Tech Investment Corporation	285,748,050	2	Interest of controlled corporation/ Beneficial owner	Long position	19.82
Shanghai ZJ Holdings Ltd.	285,748,050	2	Interest of controlled corporation	Long position	19.82
Shanghai Zhangjiang Health Solution Holdings Limited	215,883,620	2	Beneficial owner	Long position	14.97

Other Information

Name of Substantial Shareholder	No. of Shares	Note	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Shanghai We'Tron Capital Corp.	217,110,000	3	Interest of controlled corporation	Long position	15.06
We'Tron Capital China Ltd.	217,110,000	3	Beneficial owner	Long position	15.06
Gao Yang Investment Corp.	75,233,720	4	Interest of controlled corporation/ Beneficial owner	Long position	5.22
Shen Yao Fang	75,233,720	4	Interest of controlled corporation	Long position	5.22

Notes:

- (1) Otsuka Holdings Co., Ltd. holds the entire issued share capital of Otsuka Medical Devices Co., Ltd. and therefore, is deemed to be interested in the same number of Shares held by Otsuka Medical Devices Co., Ltd.
- (2) Shanghai Zhangjiang (Group) Co., Ltd. is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Shanghai Pudong New Area People's Government. Shanghai Zhangjiang (Group) Co., Ltd. holds 100% interest in Shanghai Zhangjiang Science and Technology Investment Co., which in turn holds 100% interest in Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Company Limited, which in turn holds 50% interest in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai Zhangjiang (Group) Co., Ltd. also holds 53.58% interest in Shanghai Zhangjiang Hi-Tech Park Development Co. Ltd., which in turn holds 100% interest in Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd., which in turn holds 100% interest in Shanghai ZJ Holdings Limited, which in turn holds 50% in Shanghai ZJ Hi-Tech Investment Corporation. Shanghai ZJ Hi-Tech Investment Corporation holds 100% interest in each of Shanghai Zhangjiang Health Solution Holdings Limited, Shanghai Zhangjiang Health Solution Investment Limited and Shanghai Zhangjiang Health Solution Industry Limited. The interest in 285,748,050 Shares by these companies relates to the same block of Shares by virtue of the long position in the Shares held by the following companies:

Name of Controlled Corporation	No. of Shares	Percentage of total number of Shares in issue (%)
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.49
Shanghai Zhangjiang Health Solution Holdings Limited	215,883,620	14.97
Shanghai Zhangjiang Health Solution Investment Limited	53,398,570	3.70
Shanghai Zhangjiang Health Solution Industry Limited	9,423,280	0.65
Total	285,748,050	19.82

Other Information

- (3) Chang Zhaohua, our founder, Director and chairman of our Company, owns 49% equity interest in Shanghai We'Tron Capital Corp., which in turn owns 94.19% equity interest in We'Tron Capital China Limited. Chang Zhaohua is therefore deemed to be interested in the number of Shares held by We'Tron Capital China Limited.
- (4) Shen Yao Fang holds the entire issued share capital of Gao Yang Investment Corp., which in turns holds 52,750,000 Shares. Gao Yang Investment Corp. is also interested in the entire issued share capital of Q1 Capital Corporation, which in turns holds 22,483,720 Shares. Shen Yao Fang and Gao Yang Investment Corp. is therefore deemed to be interests in the same 75,233,720 Shares held by Gao Yang Investment Corp. and Q1 Capital Corporation.

Save as disclosed above, and as at 30 June 2011, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2011, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transaction by the Directors. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

Other Information

SHARE OPTION SCHEME

During the period under review, the movement and details of the options granted under the Share Option Scheme are as follows:

Category of participants	As at 1 January 2011	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2011	Date of grant of share options	Vesting period	Exercise period of share options	Exercise price of share options	Share price of the Company as at the date of grant of share options
Directors										
Zhaohua Chang	1,000,000	–	–	–	1,000,000	9 July 2010	9 Jul. 2011– 8 Jul. 2014	9 Jul. 2011– 8 Jul. 2020	USD3.062	NA
In aggregate	1,000,000	–	–	–	1,000,000					
Yan Zhang	100,000	–	–	–	100,000	25 July 2008	25 Jul. 2008– 27 Apr. 2010	25 Jul. 2008– 24 Jul. 2018	USD3.062	NA
	250,000	–	–	–	250,000	9 July 2010	9 Jul. 2010– 8 Jul. 2014	9 Jul. 2011– 8 Jul. 2020	USD3.062	NA
	100,000	–	–	–	100,000	9 August 2010	9 Aug. 2010– 8 Aug. 2014	28 Apr. 2011– 8 Aug. 2020	USD3.062	NA
In aggregate	450,000	–	–	–	450,000					
Qiyi Luo	28,045	–	–	–	28,045	2 March 2007	2 Mar. 2007– 14 Feb. 2011	15 Feb. 2008– 24 Jan. 2017	USD2.75	NA
	250,000	–	–	–	250,000	9 July 2010	9 Jul. 2010– 8 Jul. 2014	9 Jul. 2011– 8 Jul. 2020	USD3.062	NA
In aggregate	278,045	–	–	–	278,045					
Hongbin Sun	400,000	–	–	–	400,000	9 August 2010	9 Aug. 2010– 8 Aug. 2014	1 Sep. 2011– 8 Aug. 2020	USD3.062	NA
In aggregate	400,000	–	–	–	400,000					
Directors in aggregate	2,128,045	–	–	–	2,128,045					
Consultants										
	491,208	–	–	–	491,208	20 February 2004	24 Sep. 2010– 23 Sep. 2011	24 Sep. 2011– 19 Feb. 2014	USD0.25	NA
	177,408	–	–	–	177,408	20 February 2004	24 Sep. 2010– 23 Sep. 2011	24 Sep. 2011– 19 Feb. 2014	HKD0.5498	NA
	81,868	–	–	–	81,868	20 February 2004	24 Sep. 2010– 23 Sep. 2011	24 Sep. 2011– 19 Feb. 2014	HKD0.5827	NA
	177,408	–	–	–	177,408	20 February 2004	24 Sep. 2010– 23 Sep. 2011	24 Sep. 2011– 19 Feb. 2014	HKD0.7046	NA
	100,000	–	–	–	100,000	17 May 2007	17 May. 2007– 16 May. 2011	17 May 2008– 16 May. 2017	USD3.062	NA
	50,000	–	–	–	50,000	14 June 2007	24 Sep. 2010– 23 Sep. 2014	24 Sep. 2011– 23 Sep. 2020	USD3.062	NA
Consultants in aggregate	1,077,892	–	–	–	1,077,892					

Other Information

Category of participants	As at 1 January 2011	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2011	Date of grant of share options	Vesting period	Exercise period of share options	Exercise price of share options	Share price of the Company as at the date of grant of share options
Employees										
	81,868	—	—	—	81,868	20 February 2004	24 Sep. 2010– 23 Sep. 2011	24 Sep. 2011– 19 Feb. 2014	HKD0.5637	NA
	302,528	—	—	—	302,528	2 March 2007	2 Mar. 2007– 14 Feb. 2011	15 Feb. 2008– 24 Jan. 2017	USD2.75	NA
	348,862	—	54,759	11,568	282,535	23 April 2007	23 Apr. 2007– 1 Mar. 2013	23 Apr. 2007– 22 Apr. 2017	USD2.75	NA
	50,000	—	—	—	50,000	14 June 2007	23 Sep. 2007– 22 Sep. 2012	23 Sep. 2008– 22 Sep. 2017	USD3.062	NA
	100,000	—	—	—	100,000	25 July 2008	25 Jul. 2008– 24 Jul. 2012	25 Jul. 2009– 24 Jul. 2018	USD3.062	NA
	250,000	—	—	—	250,000	1 December 2008	10 Sep. 2008– 9 Sep. 2012	10 Sep. 2009– 9 Sep. 2018	USD3.062	NA
	20,000	—	—	—	20,000	1 December 2008	24 Jun. 2008– 23 Jun. 2012	24 Jun. 2009– 23 Jun. 2018	USD3.062	NA
	150,000	—	—	—	150,000	1 December 2008	1 Jan. 2009– 31 Dec. 2012	1 Jan. 2010– 31 Dec. 2018	USD3.062	NA
	25,000	—	—	—	25,000	6 February 2009	6 Feb. 2009– 5 Feb. 2014	6 Feb. 2010– 5 Feb. 2019	USD4.25	NA
	400,000	—	—	—	400,000	21 October 2009	9 Oct. 2009– 8 Oct. 2014	9 Oct. 2010– 20 Oct. 2019	USD3.062	NA
	150,000	—	—	—	150,000	21 October 2009	15 Oct. 2009– 14 Oct. 2014	15 Oct. 2010– 20 Oct. 2019	USD3.062	NA
	50,000	—	—	—	50,000	21 October 2009	1 Jan. 2010– 31 Dec. 2014	1 Jan. 2011– 20 Oct. 2019	USD3.062	NA
	70,000	—	—	—	70,000	8 July 2010	1 Aug. 2010– 31 Jul. 2014	1 Aug. 2011– 7 Jul. 2020	USD3.062	NA
	53,094	—	—	19,994	33,100	8 July 2010	8 Jul. 2010– 7 Jul. 2014	8 Jul. 2011– 7 Jul. 2020	USD3.062	NA
	1,364,873	—	—	—	1,364,873	9 July 2010	9 Jul. 2010– 8 Jul. 2014	9 Jul. 2011– 8 Jul. 2020	USD3.062	NA
Employees in aggregate	3,416,225	—	54,759	31,562	3,329,904					
Total	6,622,162	—	54,759	31,562	6,535,841					

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the principles as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance throughout the six months ended 30 June 2011.

Other Information

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2011 (2010: Nil).

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company. The Audit Committee has reviewed the interim results for the six months ended 30 June 2011 with the management of the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

GENERAL INFORMATION

The Group's consolidated financial statements for the six months ended 30 June 2011 have been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standards on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

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

Shanghai, China
26 August 2011

Report of the Auditors



Review report to the board of directors of MicroPort Scientific Corporation

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 38 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the “Company”) as of 30 June 2011 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

26 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011 (unaudited)
(Expressed in RMB)

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Turnover	3	448,824	375,677
Cost of sales		(69,227)	(49,431)
Gross profit		379,597	326,246
Other revenue	4	15,395	2,209
Other net income	4	22,459	1,161
Research and development costs		(70,454)	(49,150)
Sales and marketing costs		(61,524)	(54,067)
Administrative expenses		(40,993)	(25,862)
Other operating expenses		(5,083)	(11,404)
Profit from operations		239,397	189,133
Finance costs	5(a)	(880)	(10,518)
Profit before taxation	5	238,517	178,615
Income tax	6	(34,919)	(28,911)
Profit for the period		203,598	149,704
Earnings per share (RMB)	7		
— Basic		0.14	0.13
— Diluted		0.14	0.13

The notes on pages 25 to 38 form part of this unaudited interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 (unaudited)
(Expressed in RMB)

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Profit for the period		203,598	149,704
Other comprehensive income for the period			
Exchange difference on translation of financial statements of entities outside the PRC, net of nil tax		(30,374)	(2,178)
Total comprehensive income for the period		173,224	147,526

The notes on pages 25 to 38 form part of this unaudited interim financial report.

Consolidated Statement of Financial Position

At 30 June 2011 (unaudited)
(Expressed in RMB)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	8	263,496	223,019
– Interests in leasehold land held for own use under operating leases		36,380	36,770
		299,876	259,789
Intangible assets		19,769	19,454
Prepayments for fixed assets		14,852	15,506
Goodwill		2,105	2,105
Deferred tax assets		7,684	9,928
		344,286	306,782
Current assets			
Inventories	9	70,429	84,616
Trade and other receivables	10	306,639	209,918
Deposits with banks	11	814,272	644,273
Cash and cash equivalents	12	727,584	928,053
		1,918,924	1,866,860
Current liabilities			
Trade and other payables	13	86,037	95,915
Bank loans and interest-bearing borrowings		452	50,462
Income tax payable		15,953	16,941
Deferred income		121	128
		102,563	163,446
Net current assets		1,816,361	1,703,414
Total assets less current liabilities		2,160,647	2,010,196
Non-current liabilities			
Interest-bearing borrowings		3,743	3,670
Deferred income	14	38,450	20,688
Deferred tax liabilities		15,080	15,159
		57,273	39,517
Net assets		2,103,374	1,970,679

The notes on pages 25 to 38 form part of this unaudited interim financial report.

Consolidated Statement of Financial Position

At 30 June 2011 (unaudited)
(Expressed in RMB)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital and reserves	15		
Share capital		110	110
Reserves		2,103,264	1,970,569
Total equity		2,103,374	1,970,679

Approved and authorised for issue by the board of directors on 26 August 2011.

Zhaohua Chang
Chairman

Hongbin Sun
Chief Financial Officer

The notes on pages 25 to 38 form part of this unaudited interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 (unaudited)
(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total RMB'000
	Note	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share-based compensation capital reserve RMB'000	Statutory general reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2010		89	16,898	12,146	7,350	13,828	337,382	387,693
Changes in equity for the six months ended 30 June 2010:								
Profit for the period		—	—	—	—	—	149,704	149,704
Other comprehensive income		—	—	(2,178)	—	—	—	(2,178)
Total comprehensive income		—	—	(2,178)	—	—	149,704	147,526
Dividends approved in respect of the previous year	15(a)	—	—	—	—	—	(2,370)	(2,370)
Shares issued under share option scheme		—	10,923	—	(3,682)	—	—	7,241
Equity-settled share-based transactions		—	—	—	3,440	—	—	3,440
Balance at 30 June 2010 and 1 July 2010		89	27,821	9,968	7,108	13,828	484,716	543,530
Changes in equity for the six months ended 31 December 2010:								
Profit for the period		—	—	—	—	—	90,397	90,397
Other comprehensive income		—	—	(14,079)	—	—	—	(14,079)
Total comprehensive income		—	—	(14,079)	—	—	90,397	76,318
Dividends approved in respect of the previous year		—	—	—	—	—	(171,201)	(171,201)
Equity-settled share-based transactions		—	—	—	17,397	—	—	17,397
Issuance of shares for initial public offering	20	—	1,529,878	—	—	—	—	1,529,898
Shares issuance costs		—	(89,997)	—	—	—	—	(89,997)
Conversion of redeemable convertible preference shares	1	—	64,733	—	—	—	—	64,734
Balance at 31 December 2010		110	1,532,435	(4,111)	24,505	13,828	403,912	1,970,679
Balance at 1 January 2011		110	1,532,435	(4,111)	24,505	13,828	403,912	1,970,679
Changes in equity for the six months ended 30 June 2011:								
Profit for the period		—	—	—	—	—	203,598	203,598
Other comprehensive income		—	—	(30,374)	—	—	—	(30,374)
Total comprehensive income		—	—	(30,374)	—	—	203,598	173,224
Dividends approved in respect of the previous year	15(a)	—	—	—	—	—	(60,042)	(60,042)
Shares issued under share option scheme	15(b)	—	1,428	—	(446)	—	—	982
Equity settled share-based transactions		—	—	—	18,531	—	—	18,531
Balance at 30 June 2011		110	1,533,863	(34,485)	42,590	13,828	547,468	2,103,374

The notes on pages 25 to 38 form part of this unaudited interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011 (unaudited)
(Expressed in RMB)

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Cash generated from operations		166,027	125,820
Income tax paid		(33,743)	(39,712)
Net cash generated from operating activities		132,284	86,108
Net cash used in investing activities		(213,334)	(56,317)
Net cash used in financing activities		(119,629)	(51,643)
Net decrease in cash and cash equivalents		(200,679)	(21,852)
Cash and cash equivalents at 1 January	12	928,053	90,194
Effect of foreign exchange rate changes		210	(141)
Cash and cash equivalents at 30 June	12	727,584	68,201

The notes on pages 25 to 38 form part of this unaudited interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of MicroPort Scientific Corporation (the “Company”) and its subsidiaries (the “Group”) since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 18.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2011.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The above developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both lines of businesses and geographic locations. In 2011, the Group separates the electrophysiology devices business from vascular devices business when presenting its reportable segments. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

- Vascular devices business: sales, manufacture, research and development of drug eluting stents, TAA/AAA stent grafts, bare metal stents and medical stent related products to appointed sales distributors.
- Diabetes devices business: sales, manufacture, research and development of devices related to diabetes mellitus.
- Orthopedics devices business: sales, manufacture, research and development of orthopedics technology.
- Electrophysiology devices business: sales, manufacture, research and technology development of electrophysiology devices.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

3. SEGMENT REPORTING — continued

(a) Segment result, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all tangible assets, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables, bank loans, interest-bearing borrowings and deferred income attributable to the activities of each individual segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is "segment net profit/(loss)". Items that are not specifically attributed to individual segments, such as unallocated corporate income and expenses, equity-settled share-based compensation expenses, changes in fair value of redeemable convertible preference shares, listing expenses incurred for the Company's initial public offerings and PRC dividend withholding tax are excluded from segment net profit/(loss).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

3. SEGMENT REPORTING — continued

(a) Segment result, assets and liabilities — continued

In addition to receiving segment information concerning segment net profit/(loss), management is provided with segment information concerning revenue from external customers, write-down of inventories, income tax, depreciation and amortisation, and additions to non-current segment assets used by the segments in their operations.

	Six months ended 30 June 2011				
	Vascular devices business RMB'000	Diabetes devices business RMB'000	Orthopedics devices business RMB'000	Electrophysiology devices business RMB'000	Total RMB'000
Revenue from external customers (note(d))	444,723	1,578	—	2,523	448,824
Reportable segment profit/(loss)	212,748	(4,979)	(6,958)	(7,700)	193,111
Depreciation and amortisation for the period	13,233	832	1,410	863	16,338
Income tax	36,031	—	—	—	36,031
Write-down of inventories	5,571	—	—	—	5,571
Additions to non-current segment assets	51,782	148	3,314	1,499	56,743

	At 30 June 2011				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	797,111	43,303	37,876	52,264	930,554
Reportable segment liabilities	135,187	3,819	1,358	417	140,781

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

3. SEGMENT REPORTING — continued

(a) Segment result, assets and liabilities — continued

	Six months ended 30 June 2010				Total RMB'000
	Vascular devices business RMB'000	Diabetes devices business RMB'000	Orthopedics devices business RMB'000	Electrophysiology devices business RMB'000	
Revenue from external customers (note(d))	372,115	3,333	—	229	375,677
Reportable segment profit/(loss)	191,376	(5,004)	(6,299)	(8,343)	171,730
Depreciation and amortisation for the period	10,833	1,052	651	230	12,766
Income tax	28,905	6	—	—	28,911
Write-down of inventories	2,169	—	—	—	2,169
Additions to non-current segment assets	32,319	1,371	—	—	33,690

	At 31 December 2010				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	632,535	50,446	33,484	56,903	773,368
Reportable segment liabilities	166,724	5,789	—	4,359	176,872

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

3. SEGMENT REPORTING — continued

(b) Reconciliations of reportable segment profit, assets and liabilities

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit		
Reportable segment net profit	193,111	171,730
Equity-settled share-based compensation expenses	(18,531)	(3,440)
Change in fair value of redeemable convertible preference shares	—	(8,239)
Listing expenses incurred for the Company's initial public offering	—	(10,000)
Unallocated corporate income and expenses	29,018	(347)
Consolidated profit for the period	203,598	149,704

	At	At
	30 June	31 December
	2011	2010
	RMB'000	RMB'000
Assets		
Reportable segment assets	930,554	773,368
Unallocated corporate assets	1,332,656	1,400,274
Consolidated total assets	2,263,210	2,173,642
Liabilities		
Reportable segment liabilities	140,781	176,872
Unallocated corporate liabilities	19,055	26,091
Consolidated total liabilities	159,836	202,963

Unallocated corporate income and expenses mainly include corporate foreign exchange gain/(loss), interest income, administration costs and other expenses.

Unallocated corporate assets mainly include cash and cash equivalents, prepayments and deposits which are not specifically attributable to individual reportable segments.

Unallocated corporate liabilities mainly include dividends payable to Company's equity shareholders, deferred tax liabilities in respect of withholding tax on retained earnings of a PRC subsidiary and bank loans not specifically attributable to individual reportable segments.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

3. SEGMENT REPORTING — continued

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered. Revenue attributable to individual countries except the PRC is not material. Substantially all of the Group's assets are located in the PRC, therefore, assets by geographic location are not presented.

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
The PRC	416,593	347,461
Asia (exclude the PRC)	15,576	14,650
South America	14,621	8,941
Europe	2,034	4,625
	32,231	28,216
	448,824	375,677

(d) Major customers

The Group's customer base includes three customers with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2011 (six month ended 30 June 2010: three customers). Revenue from these customers is set out below:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Customer A	100,747	85,949
Customer B	51,780	47,732
Customer C	51,891	44,634
	204,418	178,315

A group of entities known to be under common control is considered as a single customer in the above analysis. All of the above customers purchase vascular and electrophysiology devices from the Group in the PRC.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

4. OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Other revenue		
Government grant	778	200
Interest income on bank deposits	14,617	1,915
Others	—	94
	15,395	2,209
Other net income		
Net foreign exchange gain	22,469	1,167
Other net losses	(10)	(6)
	22,459	1,161

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
(a) Finance costs		
Interest on borrowings	715	2,038
Others	165	241
Total interest expense on financial liabilities not at fair value through profit or loss	880	2,279
Change in fair value of redeemable convertible preference shares	—	8,239
	880	10,518

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

5. PROFIT BEFORE TAXATION — continued

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
(b) Other items		
Amortisation of intangible assets	368	368
Depreciation	15,970	12,398
Research and development costs (other than depreciation)	65,646	44,889
Inventories write-down (note 9)	5,571	2,169

6. INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	32,754	28,285
Deferred tax		
Origination and reversal of temporary difference	2,165	626
	34,919	28,911

- (a) Pursuant to the rules and regulations of the Cayman Islands, the Company is exempt from income tax in the Cayman Islands. In addition, subsidiaries located in jurisdictions other than the PRC and the Netherlands are not subject to any income tax in these jurisdictions.
- (b) MicroPort Medical B.V. ("MP B.V."), the Company's 100% owned subsidiary in the Netherlands, is subject to the Netherlands corporate income tax which was charged at progressive rates ranging from 20% to 25.5% during 2010 and 2011. As MP B.V. is loss making for the six months ended 30 June 2011, no current tax is provided.
- (c) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2011
(Expressed in RMB)

6. INCOME TAX — continued

According to Guoshuihan 2009 No. 203, if the entity is certified as an “advanced and new technology enterprise”, it is entitled to a preferential income tax rate of 15%. MicroPort Medical (Shanghai) Co., Ltd. (“MP Shanghai”), the Company’s 100% owned PRC subsidiary, has been certified as “advanced and new technology enterprise” since 2008. According to the PRC laws and regulations, MP Shanghai has to apply for the continuing entitlement of “advanced and new technology enterprise” every three years. In 2011, MP Shanghai has submitted the relevant application for the continuing entitlement of “advanced and new technology enterprise” and management of MP Shanghai is of the view that it will be able to obtain the renewed certificate in late 2011. Therefore, a 15% income tax rate is applied when calculating the income tax of MP Shanghai for the six months ended 30 June 2011.

The applicable income tax rate of the Group’s other PRC subsidiaries is 25%.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB203,598,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB149,704,000) and the weighted average of 1,442,221,000 ordinary shares in issue during the six months ended 30 June 2011 (six months ended 30 June 2010: 1,137,211,000 ordinary shares, after adjusting for the share split in September 2010).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB203,598,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB149,704,000) and the weighted average of 1,468,962,000 ordinary shares for the six months ended 30 June 2011 (six months ended 30 June 2010: 1,140,997,000 ordinary shares, after adjusting for the share split in September 2010) in issue after adjusting for the effects of dilutive potential ordinary shares under the Company’s share option scheme.

(c) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2011	2010
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares during the period	1,442,221	1,137,211
Effect of deemed issue of shares under the Company’s share option scheme for nil consideration	26,741	3,786
Weighted average number of ordinary shares (diluted) during the period	1,468,962	1,140,997

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8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of equipment and machinery with a cost of RMB9,689,000 (six months ended 30 June 2010: RMB6,275,000) and incurred construction costs for buildings of RMB40,068,000 (six months ended 30 June 2010: RMB21,169,000).

9. INVENTORIES

During six months ended 30 June 2011, RMB5,571,000 (six months ended 30 June 2010: RMB2,169,000) has been recognised, for certain obsolete inventories, as a reduction in the amount of inventories and as an addition to the cost of sales.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current	271,780	199,321
Less than 1 month past due	5,935	2,075
1 to 3 months past due	78	186
More than 3 months past due	2,613	2,833
	280,406	204,415
Less: Allowance for doubtful debts	(2,523)	(2,523)
Trade receivables net of allowance for doubtful debts	277,883	201,892
Prepayments	12,339	5,525
Other receivables	16,417	2,501
	306,639	209,918

All of the trade and other receivables are expected to be recovered within one year.

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11. DEPOSITS WITH BANKS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Time deposits with original maturities over three months	809,999	640,000
Pledged deposits	4,273	4,273
	814,272	644,273

12. CASH AND CASH EQUIVALENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and on hand	181,009	928,053
Time deposits with banks	546,575	—
	727,584	928,053

Time deposits with banks as at 30 June 2011 are all within three months of maturity at acquisition.

13. TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 1 month or on demand	29,336	9,274
Due after 1 month but within 3 months	490	1,223
Due after 3 months but within 6 months	—	687
Trade payables	29,826	11,184
Receipts in advance	288	438
Other payables and accruals	54,505	84,064
Dividends payable to equity shareholders of the Company	1,418	229
	86,037	95,915

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(Expressed in RMB)

14. DEFERRED INCOME

Deferred income represents government grant received for supporting the Group's expenditures in respect of certain research and development projects.

15. CAPITAL, REVERSES AND DIVIDENDS

(a) Dividends

- (i) No interim dividend was declared after the interim period.
- (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD5 cents (equivalent to RMB4.16 cents) per share (six months ended 30 June 2010: USD0.07 cents (equivalent to RMB0.47 cents) per share)	60,042	2,370

(b) Equity settled share-based transactions

54,759 share options were exercised during the six months ended 30 June 2011 (2010: 403,379) and the total number of ordinary shares increased by 547,590 for the six months ended 30 June 2011 (2010: 4,033,790 ordinary shares), after adjusting for the share split in September 2010.

16. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Contracted for	102,824	77,016
Authorised but not contracted for	56,763	84,889
	159,587	161,905

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For the six months ended 30 June 2011
(Expressed in RMB)

17. MATERIAL RELATED PARTY TRANSACTIONS

The Group has transactions with the companies controlled by the ultimate shareholder (“Ultimate shareholder’s companies”). The following is a summary of principal related party transactions carried out by the Group with the above related parties for the periods presented.

(a) Recurring

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of goods to:		
Ultimate shareholder’s companies	15,562	14,518

(b) Amounts due from

	At	At
	30 June	31 December
	2011	2010
	RMB'000	RMB'000
Trade receivables due from:		
Ultimate shareholder’s companies	11,746	6,373

18. COMPARATIVE FIGURES

Certain items in the comparative figures have been reclassified to conform with the current period’s presentation to facilitate comparison. Details of these reclassifications are disclosed in note 3.