MicroPort Scientific Corporation
微創醫療科學有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00853)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of MicroPort Scientific Corporation (the "**Company**") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2011 together with the comparative audited figures for 2010, as follows:

	Financial year ended		
	2011	2010	Change %
	RMB'000	*RMB'000*	
Turnover	**839,849**	727,718	15.4
Gross Profit	**702,581**	629,513	11.6
Profit for the year	**320,855**	240,101	33.6
Earnings per share –			
Basic (RMB)	**0.22**	0.20	10.0
Diluted (RMB)	**0.22**	0.20	10.0

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011
(Expressed in RMB)

	Note	2011 RMB'000	2010 RMB'000
Turnover	3	**839,849**	727,718
Cost of sales		**(137,268)**	(98,205)
Gross profit		**702,581**	629,513
Other revenue	4	**53,156**	22,854
Other net income/(loss)	4	**40,671**	(30,523)
Research and development costs		**(153,035)**	(117,855)
Distribution costs		**(152,112)**	(129,048)
Administrative expenses		**(97,920)**	(69,718)
Other operating costs		**(17,912)**	(18,643)
Profit from operations		**375,429**	286,580
Finance (costs)/income	5(a)	**(1,376)**	8,576
Profit before taxation	5	**374,053**	295,156
Income tax	6(a)	**(53,198)**	(55,055)
Profit for the year		**320,855**	240,101
Earnings per share	8		
Basic (RMB)		**0.22**	0.20
Diluted (RMB)		**0.22**	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011
(Expressed in RMB)

	Note	**2011** *RMB'000*	2010 *RMB'000*
Profit for the year		**320,855**	240,101
Other comprehensive income for the year			
Exchange differences of translation of financial statements of entities outside the PRC, net of nil tax		**(62,322)**	(16,257)
Total comprehensive income for the year		**258,533**	223,844

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011
(Expressed in RMB)

	Note	2011 RMB'000	2010 RMB'000
Non–current assets			
Fixed assets			
– Property, plant and equipment		**322,113**	223,019
– Land use rights		**38,269**	36,770
		360,382	259,789
Intangible assets		**85,632**	19,454
Prepayments for fixed assets		**46,978**	15,506
Goodwill		**64,466**	2,105
Deferred tax assets		**11,674**	9,928
		569,132	306,782
Current assets			
Inventories		**73,962**	84,616
Trade and other receivables	9	**286,617**	209,918
Deposits with banks		**319,279**	644,273
Cash and cash equivalents		**1,095,209**	928,053
		1,775,067	1,866,860
Current liabilities			
Trade and other payables	10	**141,284**	95,915
Short term loan		**2,000**	50,000
Long term loan (current portion)		**476**	462
Income tax payable		**10,059**	16,941
Deferred income		**114**	128
		153,933	163,446
Net current assets		**1,621,134**	1,703,414
Total assets less current liabilities		**2,190,266**	2,010,196

	Note	2011 RMB'000	2010 RMB'000
Non–current liabilities			
Long term loan		**3,193**	3,670
Deferred income		**46,628**	20,688
Deferred tax liabilities		**25,290**	15,159
		75,111	39,517
NET ASSETS		**2,115,155**	1,970,679
CAPITAL AND RESERVES			
Share capital		**109**	110
Reserves		**2,115,046**	1,970,569
TOTAL EQUITY		**2,115,155**	1,970,679

Approved and authorised for issue by the board of directors on 19 March 2012.

Zhaohua Chang
Chairman

Hongbin Sun
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

(Expressed in RMB)

	Note	**2011** **RMB'000**	2010 RMB'000
Non–current assets			
Investments in subsidiaries		**827,561**	545,404
Current assets			
Trade and other receivables	9	**5,408**	10
Deposits with banks		**300,000**	600,000
Cash and cash equivalents		**686,154**	800,229
		991,562	1,400,239
Current liabilities			
Trade and other payables	10	**23,653**	36,164
		23,653	36,164
Net current assets		**967,909**	1,364,075
Total assets less current liabilities		**1,795,470**	1,909,479
Non–current liabilities			
Deferred tax liabilities		**–**	5,146
NET ASSETS		**1,795,470**	1,904,333
CAPITAL AND RESERVES			
Share capital		**109**	110
Reserves		**1,795,361**	1,904,223
TOTAL EQUITY		**1,795,470**	1,904,333

Approved and authorised for issue by the board of directors on 19 March 2012.

Zhaohua Chang
Chairman

Hongbin Sun
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

(Expressed in RMB)

	Attributable to equity shareholders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Capital redemption reserve *RMB'000*	Exchange reserve *RMB'000*	Capital reserve *RMB'000*	Statutory general reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2010	89	16,898	–	12,146	7,350	13,828	337,382	387,693
Changes in equity for 2010:								
Profit for the year	–	–	–	–	–	–	240,101	240,101
Other comprehensive income	–	–	–	(16,257)	–	–	–	(16,257)
Total comprehensive income	–	–	–	(16,257)	–	–	240,101	223,844
Dividends approved in respect of the previous year	–	–	–	–	–	–	(173,571)	(173,571)
Equity-settled share-based transactions	–	–	–	–	20,837	–	–	20,837
Shares issued under the share option plans	–	10,923	–	–	(3,682)	–	–	7,241
Issuance of shares for initial public offering	20	1,529,878	–	–	–	–	–	1,529,898
Share issuance costs	–	(89,997)	–	–	–	–	–	(89,997)
Conversion of redeemable convertible preference shares	1	64,733	–	–	–	–	–	64,734
At 31 December 2010	110	1,532,435	–	(4,111)	24,505	13,828	403,912	1,970,679

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Expressed in RMB)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Capital reserve	Statutory general reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	**110**	**1,532,435**	**–**	**(4,111)**	**24,505**	**13,828**	**403,912**	**1,970,679**
Changes in equity for 2011:								
Profit for the year	–	–	–	–	–	–	320,855	320,855
Other comprehensive income	–	–	–	(62,322)	–	–	–	(62,322)
Total comprehensive income	–	–	–	(62,322)	–	–	320,855	258,533
Dividends approved in respect of the previous year	–	–	–	–	–	–	(60,042)	(60,042)
Equity-settled share-based transactions	–	–	–	–	26,695	–	–	26,695
Shares issued under the share option plans	–	8,485	–	–	(3,118)	–	–	5,367
Repurchase of own shares								
– par value paid	(1)	–	–	–	–	–	–	(1)
– premium paid	–	–	–	–	–	–	(86,576)	(86,576)
– transfer between reserves	–	–	1	–	–	–	(1)	–
Appropriation of statutory general reserve	–	–	–	–	–	30,107	(30,107)	–
Shares purchased under share award scheme	–	–	–	–	(14,925)	–	–	(14,925)
Shares granted under share award scheme	–	–	–	–	15,425	–	–	15,425
At 31 December 2011	**109**	**1,540,920**	**1**	**(66,433)**	**48,582**	**43,935**	**548,041**	**2,115,155**

CONSOLIDATED CASH FLOWS STATEMENT
For the year ended 31 December 2011
(Expressed in RMB)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Operating activities			
Cash generated from operations		**364,339**	283,490
Tax paid:			
– PRC Corporate Income Tax paid		**(63,999)**	(55,913)
– PRC dividend withholding tax paid		**–**	(31,450)
– Non-PRC income tax paid		**(210)**	(35)
Net cash generated from operating activities		**300,130**	196,092
Investing activities			
Payment for the purchase of fixed assets		**(155,256)**	(96,808)
Proceeds from sale of fixed assets		**11**	–
Government grant received related to assets		**5,307**	–
Expenditure on development project		**(31,454)**	(10,166)
Placement of deposits with banks with original maturities over three months		**(520,000)**	(680,000)
Uplift of deposits with banks with original maturities over three months		**845,000**	231,000
Increase in pledged deposits		**(6)**	(1,678)
Interest received		**27,418**	6,908
Payments for acquisition of subsidiaries		**(93,274)**	–
Net cash generated from/(used in) investing activities		**77,746**	(550,744)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Financing activities			
Proceeds from new loans		**–**	100,000
Repayments of loans		**(50,590)**	(50,590)
Proceeds from shares issued under the share option plans		**5,367**	7,241
Interest paid		**(779)**	(3,921)
Dividends paid to ordinary shareholders		**(59,410)**	(275,287)
Dividends paid to holder of redeemable convertible preference shares		**–**	(7,484)
Payment for repurchase of shares		**(86,577)**	–
Payment for repurchase of shares under share award scheme		**(15,425)**	–
Net proceeds from initial public offering		**–**	1,422,755
Net cash (used in)/generated from financing activities		**(207,414)**	1,192,714
Net increase in cash and cash equivalents		**170,462**	838,062
Cash and cash equivalents at 1 January		**928,053**	90,194
Effect of foreign exchange rate changes		**(3,306)**	(203)
Cash and cash equivalents at 31 December		**1,095,209**	928,053

1. Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and are presented in Renminbi ("RMB"), which is the functional currency of the Group's major operating subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

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 impacts of the developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3 Turnover and segment reporting

(a) Turnover

The Group derives revenue principally from the sales of medical devices through appointed sales distributors. The Group does not provide product warranties to customers. Sales returns are only allowed when defective products are reported to the Group within the time as agreed by buyer and seller.

Revenue from the sales of medical devices mainly comprises of two major categories of products, namely drug-eluting stents and thoracic aortic aneurysm ("TAA")/abdominal aortic aneurysm ("AAA") stent grafts. Revenue by major category of products is as follows:

	2011	2010
	RMB'000	*RMB'000*
Vascular devices		
– Drug eluting stents	**729,329**	627,756
– TAA/AAA stent grafts	**50,322**	46,516
– Others	**50,406**	46,017
Diabetes devices	**2,828**	5,938
Orthopedics devices	**1,462**	–
Electrophysiology devices	**5,502**	1,491
	839,849	727,718

The Group's customer base includes three customers with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2011 (2010: three customers). Revenue from the vascular devices business in respect of these customers is set out below:

	2011	2010
	RMB'000	*RMB'000*
Customer A	**176,158**	156,943
Customer B	**92,133**	83,314
Customer C	**85,074**	83,834
	353,365	324,091

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

Further details regarding the Group's principal activities are disclosed below:

(b) Segment Reporting

The Group manages its businesses by divisions, which are organised by a mixture of both lines of businesses and geographic locations. 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.

(i) Segment results, 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 bases:

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 exchange gain/(loss), unallocated corporate income and expenses, equity-settled share-based payment 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).

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

	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	**830,057**	**2,828**	**1,462**	**5,502**	**839,849**
Reportable segment profit/(loss)	**363,109**	**(21,003)**	**(18,601)**	**(23,250)**	**300,255**
Depreciation and amortisation for the year	**27,665**	**2,422**	**4,397**	**2,473**	**36,957**
Income tax	**55,581**	**(2,294)**	**(89)**	**–**	**53,198**
Write-down of inventories	**11,564**	**509**	**–**	**–**	**12,073**
Impairment losses of non-current assets					
– property, plant and equipment	**1,016**	**–**	**–**	**–**	**1,016**
– intangible assets	**–**	**8,543**	**–**	**–**	**8,543**
– goodwill	**–**	**2,105**	**–**	**–**	**2,105**
Reportable segment assets	**1,066,008**	**28,006**	**208,382**	**50,217**	**1,352,613**
Additions to non-current segment assets	**145,939**	**460**	**136,158**	**2,805**	**285,362**
Reportable segment liabilities	**161,793**	**4,565**	**47,896**	**540**	**214,794**

	2010				
	Vascular devices business	Diabetes devices business	Orthopedics devices business	Electrophysiology devices business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	720,289	5,938	–	1,491	727,718
Reportable segment profit/(loss)	341,833	(10,540)	(15,817)	(16,889)	298,587
Depreciation and amortisation for the year	23,172	2,228	1,697	724	27,821
Income tax	54,879	176	–	–	55,055
Write-down of inventories	(1,942)	50	–	–	(1,892)
Reportable segment assets	632,535	50,446	33,484	56,903	773,368
Additions to non-current segment assets	79,409	1,826	8,692	2,637	92,564
Reportable segment liabilities	166,724	5,789	–	4,359	176,872

(ii) Reconciliation of reportable segment profit or loss, assets and liabilities

	2011	2010
	RMB'000	*RMB'000*
Profit		
Reportable segment net profit	**300,255**	298,587
Equity-settled share-based payment expenses	**(42,120)**	(20,837)
Dividends on redeemable convertible preference shares	**–**	(4,888)
Change in fair value of redeemable convertible preference shares	**–**	17,528
Listing expenses	**–**	(17,146)
Unallocated exchange gain/(loss)	**44,088**	(30,802)
Unallocated income and expenses	**18,632**	(2,341)
Consolidated profit for the year	**320,855**	240,101

	2011	2010
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**1,352,613**	773,368
Unallocated corporate assets:		
– Cash and cash equivalents	**686,218**	800,274
– Deposits with banks	**300,000**	600,000
– Others	**5,368**	–
	991,586	1,400,274
Consolidated total assets	**2,344,199**	2,173,642
Liabilities		
Reportable segment liabilities	**214,794**	176,872
Deferred tax liabilities	**12,865**	12,865
Unallocated corporate liabilities	**1,385**	13,226
Consolidated total liabilities	**229,044**	202,963

(iii) 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 for the PRC is not material. Substantially all of the Group's assets are located in the PRC, therefore, assets by geographic location is not presented.

	2011	2010
	RMB'000	*RMB'000*
The PRC (country of domicile)	**781,481**	673,135
Asia	**26,788**	24,671
South America	**22,790**	18,176
Europe	**8,790**	11,736
	58,368	54,583
	839,849	727,718

4 Other revenue and net income/(loss)

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Government grants	**21,031**	18,018
Interest income on bank deposits	**32,117**	4,314
Others	**8**	522
	53,156	22,854
Other net income/(loss)		
Net loss on disposal of property, plant and equipment	**(118)**	(15)
Net foreign exchange gain/(loss)	**40,789**	(30,508)
	40,671	(30,523)

5 Profit before taxation

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

	2011	2010
	RMB'000	*RMB'000*
(a) Finance costs/(income)		
Interest on borrowings	**934**	3,585
Others	**442**	479
Total interest expense on financial liabilities not at fair value through profit or loss	**1,376**	4,064
Dividends on redeemable convertible preference shares	**–**	4,888
Change in fair value of redeemable convertible preference shares	**–**	(17,528)
	1,376	(8,576)
(b) Staff costs		
Contributions to defined contribution retirement plan	**31,599**	24,735
Equity-settled share-based payment expenses	**42,088**	20,817
Salaries, wages and other benefits	**148,352**	124,401
	222,039	169,953

Pursuant to the relevant labor rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement schemes organised by the local authorities. Contributions to these retirement schemes vest immediately.

Save for the above, the Group has no other material obligation for payment of retirement benefits beyond the contributions described above.

	2011	2010
	RMB'000	*RMB'000*
(c) Other items		
Amortisation		
– land use rights	**792**	778
– intangible assets	**1,054**	735
	1,846	1,513
Depreciation	**34,760**	26,308
Impairment losses:		
– property, plant and equipment	**1,016**	–
– intangible assets	**8,543**	–
– goodwill	**2,105**	–
– trade and other receivables	**–**	(28)
	11,664	(28)
Operating lease charges: minimum lease payments		
– hire of property and plant	**5,161**	2,832
Auditors' remuneration:		
– audit services	**2,498**	2,440
– tax services	**50**	–
	2,548	2,440
Research and development costs (other than amortisation costs)	**153,035**	117,855
Listing expenses	**–**	17,146
Cost of inventories	**172,063**	123,901

6 Income tax

(a) Taxation in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax-PRC Corporate Income Tax ("CIT")		
Provision for the year	**57,280**	78,105
Over provision in respect of prior years	**(21)**	(164)
	57,259	77,941
Current tax – Other than the PRC		
Provision for the year	**67**	99
Deferred tax		
Origination and reversal of temporary differences	**(4,128)**	(22,985)
	53,198	55,055

The following describes the applicable tax rates for the Company and its major operating subsidiaries.

The Company is incorporated in the Cayman Islands. The Company's subsidiaries, namely MicroPort Medical Limited ("MP Medical"), Leader City Limited ("Leader City"), MicroPort Orthopidics Corp. ("MP Orthopidics BVI") and MicroPort Endovascular Corp. ("MP Endovascular BVI") are incorporated in the British Virgin Islands ("BVI"). They are not subject to tax on income or capital gains under the current laws of the respective jurisdictions. In addition, upon any payments of dividends by the Company, MP Medical, Leader City, MP Orthopidics BVI and MP Endovascular BVI, no withholding tax is imposed.

MicroPort Medical MP B.V. ("MP B.V.") is subject to Netherlands corporate income tax which is charged at progressive rates ranging from 20% to 25.5% for both the year ended 31 December 2010 and 2011.

MicroPort Orthopidics China Corp. Limited ("MP Orthopidics HK") and MicroPort Endovascular China Corp. Limited ("MP Endovascular HK") are incorporated in Hong Kong. MP Orthopidics HK and MP Endovascular HK are subject to Hong Kong profits tax at 16.5% of the estimated assessable profits.

MicroPort Medical (Shanghai) Co., Ltd. ("MP Shanghai"), the Company's PRC subsidiary, has been certified as "advanced and new technology enterprise" since 2008. According to Guoshuihan [2009] No.203, if an entity is certified as an "advanced and new technology enterprise", it is entitled to a preferential income tax rate of 15%. 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. MP Shanghai has obtained the renewed certificate of "advanced and new technology enterprise" dated 17 August 2011. Therefore, a 15% income tax rate is applied when calculating the income tax of MP Shanghai for the year ended 31 December 2011.

All of the other PRC subsidiaries of the Group are subject to income tax at 25% (2010: 25%).

According to the CIT Law and its implementation rules, PRC-resident enterprises are levied withholding tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008.

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

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**374,053**	295,156
PRC statutory income tax rate	**25%**	25%
Computed "expected" income tax expense	**93,513**	73,789
Effect of PRC preferential tax rate	**(37,023)**	(36,614)
Effect of Netherlands' tax rate differential	**(17)**	(25)
Effect of entities not subject to income tax	**(15,317)**	9,412
Effect of non-deductible equity-settled share-based payment expenses	**6,674**	5,210
Effect of other non-deductible expenses	**2,557**	2,731
Effect of deemed taxable income (note)	**2,457**	2,029
Effect of super-deduction on research and development expenses	**(7,751)**	(5,918)
Effect of tax losses not recognised	**8,126**	4,605
Over provision in respect of prior years	**(21)**	(164)
Actual income tax expense	**53,198**	55,055

Note: The amount represents the CIT payable in respect of the deemed sales of the free goods offered to the Group's customers for marketing and promotional use.

7. Annual dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2011	2010
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period HK$7cents (equivalent to RMB6 cents) per ordinary share (2010: HK$5 cents (equivalent to RMB4 cents) per ordinary share)	**80,969**	60,042

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2011	2010
	RMB'000	*RMB'000*
Dividends in respect of the previous financial year, approved during the year, of HK$5 cents (equivalent to RMB4 cents) per share (2010: US$2.28 cents (equivalent to RMB15.47 cents) per share)	**60,042**	173,571

(iii) Dividends on redeemable preference shares issued by the Company

Dividends payable to holder of Preference Shares of the Company attributable to the previous financial year, approved and paid during the year

	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the year, of HK$nil cents (2010: US$5.85 cents (equivalent to RMB40 cents) per share)	**–**	4,888

Dividends were distributed to holder of Preference Shares in accordance with the terms of Preference Shares. Dividends on Preference Shares are included in finance costs (note 5(a)) in profit or loss.

8. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB320,855,000 (2010: RMB240,101,000) and the weighted average of 1,437,910,000 ordinary shares (2010: 1,219,528,000 ordinary shares) in issue during the year, taking into account the 10-for-1 share split of the Company's ordinary shares occurred on 24 September 2010 as if the share split had occurred at the beginning of the years presented.

(i) Weighted average number of ordinary shares

	2011	2010
	'000	*'000*
Issued ordinary shares at 1 January	**1,442,023**	1,135,040
Effect of share options exercised	**1,155**	2,630
Effect of shares repurchased	**(5,268)**	–
Effect of issuance of shares for placing and the initial public offering	**–**	78,523
Effect of conversion of redeemable convertible preference shares	**–**	3,335
Weighted average number of ordinary shares at 31 December	**1,437,910**	1,219,528

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB320,855,000 (2010: RMB240,101,000) and the weighted average number of ordinary shares of 1,464,056,000 shares (2010: 1,222,523,000 shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

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

	2011	2010
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares during the year	**1,437,910**	1,219,528
Effect of deemed issue of shares under the Company's option scheme at nil consideration	**26,146**	2,995
Weighted average number of ordinary shares during the year	**1,464,056**	1,222,523

9. Trade and other receivables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade debtors:				
– third party customers	**268,189**	198,042	**–**	–
– related parties	**6,747**	6,373	**–**	–
	274,936	204,415	**–**	–
Less: Allowance for doubtful debts	**(2,336)**	(2,523)	**–**	–
	272,600	201,892	**–**	–
Other debtors	**7,021**	2,501	**5,368**	–
Amounts due from subsidiaries	**–**	–	**40**	10
Loans and receivables	**279,621**	204,393	**5,408**	10
Deposits and prepayments	**6,996**	5,525	**–**	–
	286,617	209,918	**5,408**	10

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

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Current	**255,387**	199,321
Less than 1 month past due	**14,207**	2,075
1 to 3 months past due	**351**	186
More than 3 months past due	**2,655**	310
Amounts past due	**17,213**	2,571
	272,600	201,892

Trade receivables are due within 30 to 180 days from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**2,523**	2,551
Net impairment loss reversed	**–**	(28)
Uncollectible amounts written off	**(187)**	–
At 31 December	**2,336**	2,523

The Group's trade debtors of RMB2,336,000 (2010: RMB2,523,000) were individually determined to be impaired as at 31 December 2011. The individually impaired receivables related to customers whose debts have been long outstanding with no subsequent settlement received or customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered.

(c) Trade debtors that are not impaired

At 31 December 2011 and 2010, all the trade debtors aged less than three months past due are not impaired.

These debtors related to a number of customers for whom there was no recent history of default or have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

10. Trade and other payables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**39,478**	11,184	**–**	–
Other payables and accrued charges	**98,355**	84,064	**524**	12,997
Amounts due to subsidiaries	**–**	–	**22,268**	22,938
Dividends payable to ordinary shareholders	**861**	229	**861**	229
	138,694	95,477	**23,653**	36,164
Advances received	**2,590**	438	**–**	–
	141,284	95,915	**23,653**	36,164

All of the above balances are expected to be settled or recognised as income within one year.

Included in trade and other payables are trade payables with the following ageing analysis as of the end of the reporting period:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Due within 1 month or on demand	**32,009**	9,274
Due after 1 month but within 3 months	**6,583**	1,223
Due after 3 months but within 6 months	**886**	687
	39,478	11,184

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Overview

We are a leading medical technology company that develops, manufactures and sells high-end medical devices in The People's Republic of China (the "PRC"). Our products include those used for vascular diseases and disorders, such as cardiovascular, neurovascular, aortic and peripheral vascular, as well as devices for cardiology, electrophysiology ("EP"), orthopedics and diabetes. These products are sold and marketed to over 1,000 hospitals throughout the PRC and in approximately 17 countries in Asia Pacific region (excluding the PRC), South America and Europe.

Products

Our products offered for sale can be categorized into six business segments, namely, cardiovascular, aortic and peripheral vascular devices, neurovascular, EP, orthopedic and diabetes devices. For the year ended 31 December 2011, we derived 90.7% of our net sales from our cardiovascular device, 6% from aortic and peripheral vascular devices, 2.1% from our neurovascular device, 0.7% from our EP device, 0.2% from our orthopedic device, and 0.3% from our diabetes device.

Cardiovascular Devices

Our high quality product offering, with our Firebird 2 coronary stent as the main product, has enabled us to be in the leading position of cardiovascular device market in the PRC. The Firebird 2, our second-generation coronary stent, remained as the top selling product of the Group in 2011. We make an effort continuously to further assess the safety and effectiveness of our products, and to provide more information and scientific basis for long-term application. In July 2011, a prospective, multi-center randomized controlled clinical trial of Firebird 2 has been launched for assessing the safety and effectiveness of the stents more precisely. Subsequently in the same month, MicroPort completed the enrollment of 1,000 patients in its FIRE2 – DIABETES which involved over 40 research centers all over the world. This finding will also provide the efficacy and safety of the products in treatment of complex coronary lesions in diabetes. From an international market perspective, Firebird 2 has further gained approvals in Peru and Venezuela.

Firehawk, our third generation bio-absorbable polymer sirolimus-eluting coronary stent, represents our latest product offering of our drug-eluting stent family. It is on track for the three phases clinical studies, which are the pre-marketing clinical investigation study, namely the First-In-Man ("FIM"), the TARGET I and the TARGET II. To date, all patient enrollments for the pre-marketing clinical study have been achieved. The early studies have proven that Firehawk is safe and effective in treating coronary artery disease patients. Currently, it is undergoing clinical follow-up and data-processing stage. The Firehawk's pre-marketing clinical investigation, which involved a total of 1,261 patients, is the largest clinical study on drug eluting coronary stent systems that has ever been conducted in the PRC.

Apart from the coronary stent products, we also market percutaneous transluminal coronary angioplasty ("PTCA") accessory. We have been developing and manufacturing a broad line of products for coronary revascularization and have offered 10 out of the 16 commonly-used PTCA accessories. Currently, we have set up an independent department for strategic planning, R&D, registration, production and marketing of the PTCA accessories.

Looking ahead, we expect our PTCA accessories business will provide positive contribution to the Group. Having synergistic effect with our drug-eluting coronary stents, our PTCA accessories business enables us to secure and maintain the leading position in the cardiovascular device market by providing a comprehensive portfolio of coronary stents and PTCA equipment.

Aortic and Peripheral Vascular Devices

Our aortic and peripheral vascular devices increased approximately 8% when compared to the prior fiscal year. In the first half of 2011, we have been granted registration of two of our products, namely Hercules Thoracic Stent-Graft System and Hercules Bifurcated Stent-Graft system in Philippines. Furthermore, the Hercules Thoracic Stent-Graft System has also been granted for registration in Thailand in July 2011.

In order to increase the acceptance and reputation of the Hercules products in the Asia-Pacific region that we have formally entered, we have organized two live surgery demonstrations of Hercules in Philippines in September 2011. The post-operative angiography results showed that the aneurism was successfully isolated, which also symbolized the success of the surgery.

Neurovascular Devices

Apollo, our intracranial stent, holds great promise to effectively treat brain strokes since its launching in 2005. The sales growth of Apollo for the financial year 2011 shows promising results, with 31% increments when compared to the year 2010. Furthermore, we have maintained its sales growth rate over 25% for the past four consecutive years.

Our intracranial stent for treating intracranial aneurysms, the Willis, is undergoing approval by the PRC's State Food and Drug Administration (the "SFDA") and is expected to be launched in 2012. Another device, the Tubridge, an intracranial vascular reconstruction device, has finished the pre-clinical study with positive results. Accordingly, a family of the neurovascular devices can be marketed, which diversifies our product portfolio.

EP Devices

Our EP devices segment showed prominent growth with 269% increments when compared to the financial year ended 31 December 2010. Our efforts in R&D and the remarkable performance in clinical studies of our EP devices have led us to successful development of our EP devices segment. The successful first-in-man clinical studies of the Columbus 3D electrophysiological mapping system and the Voyager irrigated RF ablation catheter, provided an excellent foundation for further upcoming large scale multi-center clinical trial, and marked the milestone for entering into the high potential growth AF ablation device market. The cardiac RF ablation catheter FireMagic and the fixed curve diagnostic catheter EasyFinder have also shown significant growth in revenue.

During 2011, we have obtained three patents in this area, namely "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). The EasyLoop, the circumferential pulmonary vein catheter, is undergoing approval by the SFDA and expected to be granted as well. We are expanding our footprint in the EP devices market by introducing our innovative products as well as development of a full series of EP devices.

Orthopedic Devices

Our orthopedic devices segment is growing rapidly to become one of our core businesses for the financial year ended 31 December 2011. Our new products, including Spine Posterior Fixation System, Anterior Cervical Plate System, Cervical Fusion Device, and Thoracic & Lumbar Fusion Device, have gained the CE approval and this is the first time for our orthopedic products have obtained such approval. As a part of our priority growth initiatives, we have also invested in the development of our orthopedic solutions through acquisition.

On 30 November 2011, we announced the completion of the acquisition of Suzhou Best, a domestic manufacturer and marketer of orthopedic implants and related medical instruments. Suzhou Best offers a full product line of trauma and spine stabilizer systems with SFDA approval. This acquisition adds substantial scale to the Company's existing orthopedic business and furthers its objective of diversification by expanding into other medical device markets, thus offering significant growth opportunities. In addition, Suzhou Best has a developed distribution network and relationship in the PRC orthopedic industry, which could create synergies by leveraging on our Group's existing technology in orthopedics and sales team. This increases the Company's overall market share and provides an established platform for the future growth of our orthopedic devices in the PRC.

In July 2011, we have signed an agreement with a key international distributor, who will help supply our spinal implants to the international market. This is a milestone achievement for our orthopedics segment. This agreement covers 18-months of purchasing orders valued at US Dollars ("US$") 3.5 million and we have started delivering the products since January 2012.

Diabetes Devices

For the year 2011, our diabetes devices division was restructured to improve its services to the patients. Hence, sales were down compared to previous historical years. We have, however, maintained our technological edge in this field by being the first Chinese-invented micro pulse infusion system used for the treatment of idiopathic hypogonadotropic hypogonadism, which has been proven and its efficiency were being validated throughout the clinical studies in October 2011.

In late 2011, we have successfully finished the registration of "Reservoir of Insulin Pump" and "Infusion Set of Insulin Pump" which were approved by the SFDA. We will continue to develop and manufacture more product lines in order to diversify our diabetes portfolio.

After the award of "2010 China (Asia-Pacific) Best Service Call-Center", our Customer Care Division won the second customer service award, namely the Outstanding Customer Service Award, at the China Best Call Center and BPO (Business Process Outsourcing) Summit 2011 in September 2011. Although the sales of our diabetes devices are not significant compared to the Group's revenue, we believe that good service can enhance the brand recognition and awareness among patients and in the long run lead to sales increase of our products.

Manufacturing

In 2011 we have implemented the lean manufacturing practice in most of our manufacturing processes after its initiation in 2010. This concept of "Outstanding production management system brings quality of the products" helps drive the sustainability in the supply chain.

The yielding rate of production is steadily increasing. Understanding production site management is a critical aspect of good manufacturing practice, and we have further strengthened our management in this aspect.

As a result of our continued cost management, the cost of our major product, "Firebird 2", has been significantly reduced. This is due to the improvement in manufacturing process and in-house extrusion of tubing supply. The inventory turnover days have been reduced by 12.8% through the improvement in our production management and optimizing the production process.

The implementation of Manufacturing Execution System ("MES") improves the automation of our production management. This electronic processing system has been implemented throughout the production process, which helps to improve the management efficiency, production process traceability, production data analysis, as well as the quality risk control.

Sales, Marketing and Distribution Network

Our portfolio of business is getting stronger and balanced. For our coronary stent market, we have marketed to 976 hospitals with approximately 8.8% increase when compared to the year 2010. We have strengthened our small to medium-sized customer base and also developed new markets. The number of the distributors we have has also increased as well.

For our peripheral vascular device market, our sales increased more than 12.6% for the year, including the intracranial stents and other stents. By utilizing our sales and marketing team, we actively organized trainings to the doctors. This in turn contributed to more hospitals in medium and smaller cities in the PRC becoming better equipped and staffed. Furthermore, we have built an academic platform through different media channels and set up an international training center for minimally invasive stents. We have also participated in different national and international academic forums in order to increase our reputation in different parts of the PRC.

For our EP device segment, our portfolio is getting more comprehensive and the sales of FireMagic increased to 331%. The implantation rate increased to 520% when compared to the year ended 2010. We have attended different national and international academic forums, organized trainings for doctors and undergone large-scale clinical studies in order to promote our brand of EP devices.

Competition

As the PRC government has mandated that medical products be acquired using a centralized tender process, the medical industry is going through a shake up. The resulting impact is lower quality and less efficient manufacturers can no longer compete with better funded and managed companies. MicroPort welcome these changes although it will put downward pressure initially on our profit margins. However, as we are investing in this business for the long run, we expect weaker competitors to be weeded out as we continually improve and upgrade our products to match those produced by international medical companies. With high quality and prices lower than our international counterparts, we are confident that we will prevail if competition heats up.

The environment in which we operate is continuously evolving. As the domestic market leader among the PRC companies manufacturing vascular stents, we anticipate future competition both domestically and internationally. Nevertheless, we are confident of maintaining our market position owing to the high entry barrier and technological advancement that the Group has made.

Research and Development ("R&D")

We finished 2011 in a strong position to deliver innovation through our internal R&D. 12 new patents were produced in 2011, our key product launches are on track, and our existing products contributed to the Company's pipeline progress, which indicate the vitality of our R&D streams.

With our highly skilled teams of R&D of more than 180 scientists and engineers as at 31 December 2011, we are broadening our product offerings in each of the six product categories and exploring new technologies with possible applications in multiple areas. We expect that our R&D team will continue our exceptional track record of growth as we secure the leading position in the medical technology industry in the PRC as well as entering into the international market.

Certification

The continued acceptance of our products in overseas markets is proved by the successful registrations. As of 31 December 2011, we received a total of 75 patents in the PRC, including inventions, utility models and designs, from the State Intellectual Property Office (the "SIPC") of the PRC, and 2 patents in the European Union. In addition, we had 49 patent applications pending in the PRC and 23 patent applications pending Patent Cooperation Treaty ("PCT") and 25 patent applications pending in other countries. As of 31 December 2011, we had 131 patent applications pending in the PRC, 54 PCT patent applications and 42 patent applications pending in other countries.

The Hercules Thoracic Stent-Graft System was registered by the Bureau of Food and Drugs of Philippines and Thai Food and Drug Administration in January and July 2011, respectively. In April 2011, the Hercules Bifurcated Stent-Graft System was also registered in Philippines.

We have made significant achievement in entering South American market during the financial year 2011. In August, the Firebird 2 obtained the approval in Peru. In November, six products have been successfully registered in Venezuela, of which the Hercules Bifurcated Stent-Graft System and Firebird 2 are ready to be launched. Four other products, the PTCA Balloon Catheter, Firebird, Hercules, and Cronus Stent Graft in Surgical Operation were also re-registered successfully. In June 2011, another product, the Aether Distal Protective Device, was also registered in Brazil.

In December, our orthopedics products obtained the CE certifications issued by TUV SUD for two orthopedic products namely Reindeer, our locking compression plate system (including metallic medical bone screws) and Mountever, the Posterior Cervical Fixation System, which augmented our orthopedic devices portfolio for international market. Furthermore, the Shanghai Food and Drug Administration (the "SHFDA") has issued the Class III Medical Device License for MicroPort Orthopedics.

Branding

In 2010, our "MicroPort" trademark has been registered successfully in USA and Hong Kong. By further expanding our brand, we made good achievements in international trademark registration in 2011, with the application of "Mustang", "Jive","Firebird" and "Firebird 2" trademark registration. The registration of the third generation drug eluting coronary stent (the "Firehawk") has also been filed in USA, Australia as well as Europe.

As at 31 December 2011, we have registered 31 trademarks in the PRC, and were recognized as one of the "Shanghai Best Known Trademark" in two successive years, and were elected as one of the Top 10 China Intellectual Property Brand Names of the Year 2010 in medical device industry.

FINANCIAL OVERVIEW

Overview

The Company is very pleased with the achievements we made in the financial year ended 2011. As we further strengthen the core of our company, we will continue to look for opportunities to expand our portfolio in a prudent manner.

Revenue

Our revenue amounted to RMB839.8 million for the year ended 31 December 2011, with an increase of approximately 15.4%, from RMB727.7 million for the year ended 31 December 2010. MicroPort is among the domestic leading suppliers of drug-eluting stents and this product accounted for most of the increase in revenue.

Revenue from vascular stents

– *Drug-eluting stents*

  Drug-eluting stents sales amounted to RMB729.3 million for the year ended 31 December 2011, which was 16.2% higher than the year ended 31 December 2010. This moderate revenue growth rate was a result of a slowdown in the stent market in the PRC and the increasing market competition, partly attributable to the government centralized procurement program. Nevertheless, we are maintaining our market leading position in the PRC.

– *TAA/AAA Stent Grafts*

  TAA/AAA stent grafts sales reported a revenue of RMB50.3 million for the year ended 31 December 2011, which was 8.2% higher than in 2010. While sales growth of TAA/AAA stent grafts did not perform as well compared to last year, we are pleased to maintain our market share under increasing domestic competition. Even multi-nationals medical companies were forced to cut their prices to compete with us in this market, signifying that our product quality are on par with them.

– *Other stents*

  Revenue generated from the sales of other stents increased by 9.5% from RMB46.0 million for the year ended 31 December 2010 to RMB50.4 million for the year ended 31 December 2011. Our 9.5% comparable revenues increase was driven by a strong 31.0% increase from the intracranial stents, but hampered by declining sales of bare-metal stents.

Revenue from EP devices

Revenue from our EP devices amounted to RMB5.5 million for the year ended 31 December 2011, which was approximately 269.0% increase from 2010 on a comparable basis. While there is still significant room for growth for our EP devices, we are very pleased with the financial performance of our EP devices. This result is an indication of the increased acceptance of our EP devices 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.

Revenues from orthopedic devices

Sales derived from our orthopedic devices for the year ended 31 December 2011 accounted for RMB1.5 million only, compared to none in the previous year. With the completion of the acquisition of Suzhou Best, orthopedic devices marketing efforts by ourselves, and the opportunity to market our devices into Suzhou Best's networks, we expect revenue from this division to form a major part of our revenue in the coming years.

Revenue from diabetic devices

Our diabetic business was undergoing restructuring in order to optimize our product offering in this market as well organizational effectiveness in 2011. As a result, the revenue generated from the sales of diabetic devices decreased by 52.4% from RMB5.9 million for the year ended 31 December 2010 to RMB2.8 million for the year ended 31 December 2011.

Cost of Sales

Cost of sales increased by 39.8 % from RMB98.2 million for the year ended 31 December 2010 to RMB137.3 million for the year ended 31 December 2011. The increase was primarily due to the increase in line with sales and the provision of obsolete stocks.

Gross Profit and Gross Profit Margin

As a result of the foregoing factors, gross profit increased by 11.6 % from RMB629.5 million for the year ended 31 December 2010 to RMB702.6 million for the year ended 31 December 2011, and gross profit margin decreased from 86.5% for the year ended 31 December 2010 to 83.7% for the year ended 31 December 2011.

Other Revenue and Other Net Income

We had other revenue and other net income of RMB53.2 million and RMB40.7 million, respectively, for the year ended 31 December 2011. Compared to 31 December 2010, other revenue and other net loss was RMB22.9 million and RMB30.5 million, respectively. The increase of other revenue was driven by the interest income on the bank deposits while the increase of other net income was primarily attributable to the foreign exchange gain on deposits placed in to form of RMB.

Research and Development Costs

Research and development costs increased by 29.9% from RMB117.9 million for the year ended 31 December 2010 to RMB153.0 million for the year ended 31 December 2011. The increase was primarily due to (i) the increase in headcount, (ii) the increase in salaries, bonuses and related expenses, including amortization of options granted for personnel engaged in research and development, and (iii) the increased efforts in undergoing clinical studies and trials.

Sales and Marketing/Distribution Costs

Sales and marketing costs increased by 17.9 % from RMB129.0 million for the year ended 31 December 2010 to RMB152.1 million for the year ended 31 December 2011. The increase was primarily due to (i) an increase of salaries, bonuses and other expenses, including amortization of options granted for personnel engaged in sales and marketing and (ii) an increase of marketing expenses as a result of increased attendance at conference and seminars for our products promotion.

Administrative Expenses

Administrative expenses increased by 40.5 % from RMB69.7 million for the year ended 31 December 2010 to RMB97.9 million for the year ended 31 December 2011. The increase was primarily attributable to (i) the increases in salaries, bonuses and related expenses for administrative personnel, as well as the expenses related to amortization of options granted and (ii) the additional local tax iccured due to the taxation reform.

Finance Costs

Finance costs increased from net finance income of approximately RMB8.6 million for the year ended 31 December 2010, to net finance cost of approximately RMB1.4 million for the year ended 31 December 2011. The net finance income in 2010 was mainly attributable to the fair value gain of redeemable convertible preference shares of RMB17.5 million immediately prior to their conversion into ordinary shares. All redeemable convertible preference shares were converted into ordinary shares upon listing of the Company.

Profit Before Taxation

Profit before taxation increased from RMB295.2 million for the year ended 31 December 2010 to RMB374.1 million for the year ended 31 December 2011. The increase was primarily attributable to (i) the increase in total revenue and stringent cost control and (ii) the increase in other revenue and other net income.

Income Tax

Income tax decreased from RMB55.1 million for the year ended 31 December 2010 to RMB53.2 million for the year ended 31 December 2011. The decrease of our effective tax rate from 18.7 % for the year ended 31 December 2010 to 14.2 % for the year ended 31 December 2011 was attributable to the increase in tax-free other revenue and other net income.

Profit For the Year and Net Profit Margin

As a result of the foregoing factors, profit for the year increased by 33.6 % from RMB240.1 million for the year ended 31 December 2010 to RMB320.9 million for the year ended 31 December 2011. The net profit margin increased from 33.0 % for the year ended 31 December 2010 to 38.2 % for the year ended 31 December 2011.

Liquidity and Financial Resources

As of 31 December 2011, the Group had cash and cash equivalent of RMB1,095.2 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 31 December 2011 was RMB5.7 million, as compared to RMB54.1 million as of 31 December 2010. As at 31 December 2011, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of the Group remained at a low level of 0.0027, as compared to 0.027 as 31 December 2010.

Working Capital

Our working capital as of 31 December 2011 was RMB1,621.1 million, as compared to RMB1,703.4 million as 31 December 2010.

Foreign Exchange Exposure

The Group is exposed to currency risk primarily from the sales and purchases which give rises to receivables and payables that are denominated in a foreign currency (mainly US$). The Company has adopted US$ as its functional currency, thus the fluctuation of exchange rates between RMB and US$ exposes the Group to currency risk. During the year, the Group recorded a net exchange gain of RMB40.8 million, as compared to the net exchange loss of approximately RMB30.5 million as at 31 December 2010. The Group does not employ any financial instruments for hedging purposes.

Capital Expenditure

During the year, the Group's total capital expenditure amounted to approximately RMB155.3 million, which was used in acquiring equipment and machinery.

Acquisition

On 29 November 2011, the Company acquired 100% equity interest in Suzhou Best, a domestic manufacturer and marketer of orthopedic implants and related medical instruments. Total consideration for the acquisition was RMB110 million.

Charge on Assets

As at 31 December 2011, the Group had pledged its building held for own use with a net book value of RMB26.4 million for the purpose of securing a long term loan with a carrying value of RMB3.7 million. The Group had pledged another building for own use with a net book value of RMB9.9 million for the purpose of securing a short loan with a carrying value of RMB2.0 million.

Contingent Liabilities

As at 31 December 2011, the Group had no material contingent liabilities or any significant outstanding contingent liabilities.

Human Resources

As at 31 December 2011, the Group employed approximately 1,323 employees, as compared to 1,204 employees as at 31 December 2010. 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

The medical market in the PRC continues to evolve under the forces of regulation, cost pressure and patient demand. At MicroPort, we intend to lead that evolution. R&D is always the top priority and a series of products are in the pipeline, which are actively developed and tested through clinical and studies, or are in the process of being validated by various government or licensing approvals:

1. Further developing and improving our existing products

   As well as being the market leader in the drug-eluting stents, we are further developing and improving our existing products. We have extensive R&D activities aimed at developing our new generation of existing products. For example, we continue to experience further development of Firehawk supported by positive results from the pre-marketing clinical investigation.

2. Diversification of our existing and new products

   Apart from our cardiovascular range of products, we continuously introduce innovative new products to diversify our existing products and services. The release of the EP devices, and the successful clinical studies and patents awarded from our orthopedic and diabetes devices supports MicroPort in expanding the portfolio of medical products. Understanding that our largest market, drug-eluting stents, provides a relatively stable and significant revenue base, we would like to leverage on this base to expand into other segments of medical devices. As a result, we are aiming at diversifying our products portfolio to increase revenue growth and widen our revenue sources.

3. Strategic acquisitions

   We intend to continue to look for additional strategic acquisitions of the businesses or technologies, which are complementary to our existing businesses. For example, our acquisition of Suzhou Best allows us to quickly tap into the orthopedic industry with a larger product offering and a wider sales network. With MicroPort expanding into other and more variety of medical devices, we will become less dependent on revenue streams from our stents and evolve into a high tech medical device conglomerate.

We are committed to continuous improvement across our enterprise, from product innovation to operational excellence in manufacturing, distribution and sales. Aside from the above mentioned strategies, we never cease expanding our global presence and introducing new products into those markets. While crisis are looming over in Europe and other parts of the world, we believe we can easily overcome them with a committed team and hence a bright future ahead.

Scope of Work of KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been compared by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated accounts for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

Corporate Governance

The Group strives to maintain high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with the code provisions as set out in the CG Code throughout the financial year ended 31 December 2011, save for those otherwise as stated and explained in the relevant paragraphs of this report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Further information on the CG code will be set out in the Corporate Governance Report to be contained in the Company's 2011 Annual Report.

Audit Committee

The Audit Committee comprises of three members namely, Mr. Jonathan H. Chou (Chairman of the Committee), Mr. Norihiro Ashida and Mr. Zezhao Hua, two of which are independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). They have reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters, including the review of the annual financial results and this announcement of the Group for the year ended 31 December 2011.

Model Code for the Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for transactions in the Company's securities throughout the financial year ended 31 December 2011.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2011, the Company has repurchased a total of 25,000,000 Shares on the Stock Exchange and the details of the Share repurchases are set out below:

Month of repurchase	**Total number of Shares repurchased**	**Purchase price paid per Share**		**Aggregate purchase price paid**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
September 2011	8,435,000	4.11	3.62	32,584,506.97
October 2011	10,065,000	4.79	3.82	44,747,453.20
November 2011	6,500,000	4.80	3.87	28,605,483.50
	25,000,000			105,937,443.67

The Directors believe that the repurchases of Shares will lead to an enhancement of the net value of the Group and its assets and its earnings per Share.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year under review.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Annual General Meeting

The Annual General Meeting of the Company will be held on 26 June 2012. Notice of the meeting will be sent to shareholders on or around 20 April 2012.

Proposed Final Dividends and Book Closure for Entitlement of the Proposed Dividend

The Directors recommend the payment of a final dividend for 2011 of HK$0.07 (equivalent to RMB0.06) per share to shareholders of the Company on the register of members of the Company on 26 June 2012. Based on the number of issue shares as at 31 December 2011. This represents a total distribution of approximately HK$99 million (equivalent to RMB81 million).

The Annual General Meeting ("AGM") of the Company is scheduled on Tuesday, 26 June 2012. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 June 2012 to Tuesday, 26 June 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 21 June 2012.

The proposed final dividend is subject to the approval of the shareholders of the Company at the AGM. The record date for entitlement to the proposed final dividend is Thursday, 5 July 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 3 July 2012 to Thursday, 5 July 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 29 June 2012. It is expected that the final dividend will be paid on or around 27 July 2012.

Publication of Results Announcement and Annual Report

This annual results announcement is published on the websites of the Company at http://www.microport.com.cn and Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The 2011 annual report of the Company will be despatched to shareholders of the Company on or around 20 April 2012 and will also be available at the same websites in due course.

Forward Looking Statements

This announcement contains forward looking statements. Statements which are not of historical facts, including statements of the Company's beliefs and expectations, are forward looking statements. They are based upon current plans, estimates and projections and, therefore, no undue reliance should be placed upon them. Forward looking statements are correct only as of the day on which they are made. The Company has no obligation and does not undertake to update any of them publicly in the light of fresh information or of future events. Forward looking statements contain inherent risks, uncertainties and assumptions. The Company warns that should any of these risks or uncertainties ever materialise or that any of the assumptions should prove incorrect or should any number of important factors or events occur or not occur, then the actual results of the Company may differ materially from those either expressed or implied in any of these forward looking statements.

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

Shanghai, 19 March 2012

As at the date of this announcement, the executive Directors are Dr. Zhaohua Chang, Ms. Yan Zhang, Mr. Hongbin Sun and Mr. Qiyi Luo; the non-executive Directors are Mr. Norihiro Ashida, Mr. Hiroshi Shirafuji and Mr. Lei Ding; and the independent non-executive Directors are Mr. Zezhao Hua, Mr. Jonathan H. Chou and Dr. Guoen Liu.