MicroPort Scientific Corporation

微創醫療科學有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code:00853)

ANNUAL REPORT 2012

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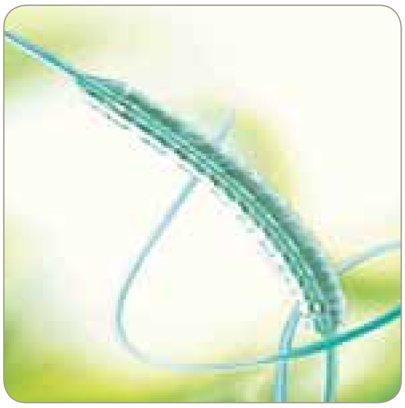


CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Dr. Zhaohua Chang *(Chairman of the Board and Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida
Mr. Hiroshi Shirafuji
Mr. Lei Ding

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Yee Har Susan Lo, *FCS (PE), FCIS*

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang
Ms. Yee Har Susan Lo

AUDIT COMMITTEE

Mr. Jonathan H. Chou *(Chairman)*
Mr. Norihiro Ashida
Mr. Zezhao Hua

REMUNERATION COMMITTEE

Dr. Guoen Liu *(Chairman)*
Dr. Zhaohua Chang
Mr. Jonathan H. Chou

NOMINATION COMMITTEE

Mr. Zezhao Hua *(Chairman)*
Mr. Lei Ding
Dr. Guoen Liu

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 ADVISOR

TC Capital Asia Limited

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

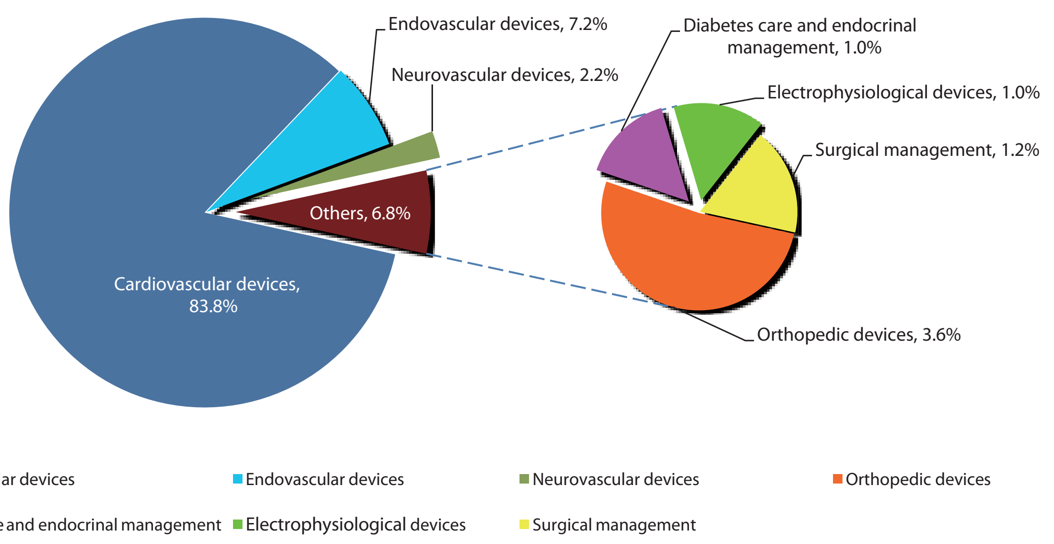
www.microport.com.cn

PRINCIPAL BANKERS

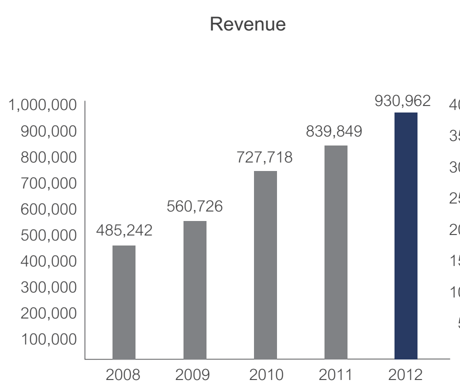
Bank of China (Hong Kong) Limited
China Construction Bank Corporation Shanghai Pudong Branch
Bank of China Limited Shanghai Zhangjiang Sub-Branch
China CITIC Bank Shanghai Zhangjiang Sub-Branch
Shanghai Pudong Development Bank Zhangjiang Sub-Branch

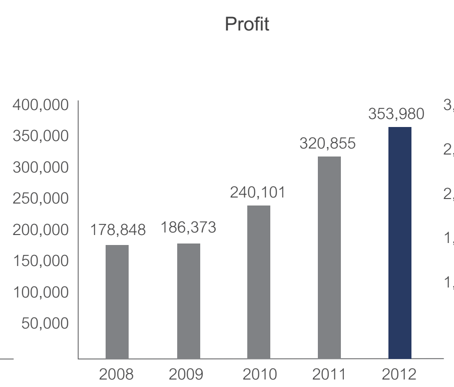
FINANCIAL SUMMARY

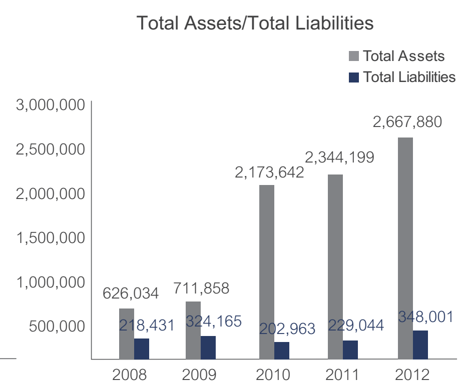
	Financial year ended		
	2012 RMB'000	2011 RMB'000	Change %
Revenue	930,962	839,849	10.85
Gross profit	777,833	702,581	10.71
Profit for the year	353,980	320,855	10.32
Earnings per share –			
Basic (RMB)	0.25	0.22	13.64
Diluted (RMB)	0.25	0.22	13.64



	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Assets					
Non-current assets	1,061,912	569,132	306,782	227,557	188,534
Current assets	1,605,968	1,775,067	1,866,860	484,301	437,500
Total assets	2,667,880	2,344,199	2,173,642	711,858	626,034
Liabilities					
Current liabilities	204,571	153,933	163,446	261,411	174,135
Non-current liabilities	143,430	75,111	39,517	62,754	44,296
Total liabilities	348,001	229,044	202,963	324,165	218,431
Total equity	2,319,879	2,115,155	1,970,679	387,693	407,603







OUR COMPANY

MicroPort is making the world a better place one patient at a time. In fact, for every 30 seconds that pass, on average, one patient somewhere in the world has lifesaving, or quality of life improving medical intervention, using MicroPort products.

Our company is all about improving human life through the practical application of innovative science. Our aim is to continually develop leading technologies and products for physicians, with life-saving solutions and treatments for patients.

We are a young company with an ambition to establish MicroPort as a globally recognised brand name. Yet as the business grows, we strive to retain our unique entrepreneurial spirit. We continue to demonstrate entrepreneurial achievement and innovation coupled with our commitment to improving the social wellbeing.

OUR MISSION

"To improve longevity and quality of life by constant innovation and commercializing the best and most affordable therapeutic solutions."

CHAIRMAN'S STATEMENT

Dr. Zhaohua Chang
Chairman

MicroPort is a brand belonging to patients and physicians, and in pursuit of economic benefit we are committed to pursuit social benefit as well. It is the first year of our new strategy, which is focused on a clear and new direction of growth and diversification. MicroPort has created more new subsidiaries to accelerate the diversification of our product offerings.

We have completed a serial of premarket clinical trial in the PRC of our third generation drug-eluting stent Firehawk® and the clinical data are ready for submission to China Food and Drug Administration ("CFDA"). For eight successive years, Firebird2™ has maintained the leading position of drug-eluting stents market in the PRC. Launching La Fenice® GnRH Infusion Pump is another milestone for the Group, which confirms that our products not only able to save life and improve the quality of life, but also create new life.

Through constant innovating and commercializing the best and most affordable therapeutic solutions, we are realizing our ambitions to improve longevity and quality of life, and are fulfilling our promise to patients and physicians.

TALENT AND INNOVATIONS

Our future is invested in our talented people. MicroPort respects our talented people, we manage our talented people, and we inspire our talented people. MicroPort invests time and effort to develop talented employees and provide a platform for achieving excellence, and fulfilling aspirations. Our objective is to build a culture and environment that inspires our people to grow and succeed.

CHINA AS THE KEY GROWTH DRIVER FOR EXPANSION IN OVERSEAS

In recent years, the growth of the international economy has considerably slowed down, and more multinational competitors are looking for opportunities in the PRC. This is a challenging economic environment for MicroPort, but we are confident of maintaining our leading position in the domestic medical device market, and continuing our growth into the international markets.

MicroPort has many advantages over competitors. Our reputation, brand recognition and mature distribution network are important values for our future. We will maintain and strengthen our leading position, and continue to solidify our relationship within domestic medical device market communities. Moreover, by consolidating our domestic market share and strengthening our market position, we are striving to build a global corporation with a capability of global reach. We have a great opportunity to venture out into global markets, and make MicroPort a world-recognized brand, known for quality, innovation and cutting edge science.

OUR SOCIAL RESPONSIBILTIES

MicroPort never ceases from its commitment to fulfill our inherent social responsibilities.

Our products save life and help creating new life. We know that our company is embedded in our community, and we expect to provide opportunities for cultivating and encouraging talented people in our community. Our continuing commitment to The Hope Schools Project is a concrete way for MicroPort to be part of the community. Our involvement is improving opportunities for children to receive first-rate education, while offering MicroPort and all our employees a better understanding for the real value of self-recognition during our day-to-day business.

OUR FUTURE

We are delighted with our achievements in research and development, manufacturing, and distribution and sales during 2012. And our financial performance in 2012 has again shown we are succeeding.

MicroPort has built a solid foundation in China for future success. We are expecting to set our fleet sailing out to penetrate aggressively into the global market during 2013. We are realizing our overall and long-term strategy. Our ambition is to build global brand awareness and recognition. We are creating more competitive products, attracting more talented people, and further improving our distribution channels to compete for the future. We will realize all our ambitious goals. A bright future for MicroPort is expected.

Dr. Zhaohua Chang
Chairman

Shanghai, 25 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

OVERVIEW

We are a leading medical technology company that develops, manufactures, and sells high-end interventional medical devices internationally. With an ever-diversifying portfolio of products, covering a wide spectrum of disease types such as cardiovascular, neurovascular, endovascular, electrophysiological ("EP"), orthopedic, surgical management, diabetes care and endocrinal management. Today, our products are being used at an average rate of one in every 30 seconds in over 2,000 major hospitals throughout the PRC and around 24 other countries in Asia Pacific region (excluding the PRC), South America and Europe. MicroPort is dedicated to become a leading PRC-based global enterprise capable of providing the best medical device products, which are affordable and globally accessible to as many patients as possible.

During 2012, we further deepened the diversification of our business and seven business segments by the end of December 2012, namely, cardiovascular, neurovascular, endovascular, EP, orthopedic, diabetes care and endocrinal management, and surgical management.

For the year ended 31 December 2012, we derived 83.8 % of our net sales from our cardiovascular devices, 7.2 % from our endovascular devices, 2.2 % from our neurovascular devices, 1.0 % from our EP devices, 3.6 % from our orthopedic devices, 1.0 % from our diabetes care and endocrinal management, and 1.2 % from our surgical management.

CARDIOVASCULAR DEVICES

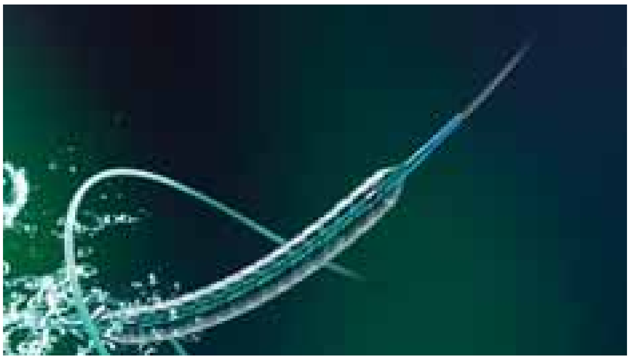
Our cardiovascular segment includes therapies to treat coronary artery disease. We develop, manufacture and sell coronary stents and related delivery systems, along with balloon catheters and accessories.

Our high quality product offering, mainly attributed by our Firebird2™ Rapamycin-Eluting CoCr Coronary Stent (the "Firebird2™"), has enabled us to be in the leading position of cardiovascular device market in the PRC. The Firebird2™, our second-generation coronary stent, continuously remained as the top selling product of the Group in 2012. Furthermore, the Firebird2™ was approved in Ecuador and Uruguay in July and August 2012, respectively, which represented an achievement for the Group in successfully entering the South American market.

As of 22 March 2013, our third generation Drug-eluting Stent ("DES"), the Firehawk® Rapamycin Target Eluting Coronary Stent, has completed a serial of pre-marketing clinical trials in the PRC, and the clinical data of Firehawk® are ready for submission to China Food and Drug Administration ("CFDA"). There are three phrases of pre-marketing clinical trials, including First-in-Man (FIM) Study, TARGET I randomized controlled trial (TARGET I), and TARGET II single clinical-registered study (TARGET II). At 2012 Conference of Transcatheter Cardiovascular Therapeutics ("TCT") on 23 October 2012, Dr. Martin B. Leon, chairman of TCT, professor of Columbia University Medical Center, and the co-principal investigator of TARGET I, presented the latest primary endpoint data of Firehawk TARGET I to the world at the Next-Generation DES and Bioabsorbable Scaffolds forum of TCT. TARGET I had enrolled 460 patients. At 2013 China Interventional Therapeutics (CIT) on 21 March 2013, Run-Lin Gao, Doctor of Medicine ("MD") of Fu Wai Hospital and National Center for Cardiovascular Diseases of China, presented updated results of TARGET II. TARGET II had enrolled 730 patients. These clinical results approved that Firehawk® is safe and effective. Furthermore it also indicated the feasibility and advantage of the "Target Release" feature on Firehawk®.

Apart from the coronary stent products, we also market percutaneous transluminal coronary angioplasty ("PTCA") accessory. Our new generation of PTCA high pressure balloon dilatation catheter is under clinical trial in PRC; meanwhile, it is also in the process of applying for regulatory approval in Europe and expected to be approved in the first half year of 2013. The new generation PTCA catheter upgrades the hydrophilic coating, which offers improved deliverability to facilitate precise tracking and delivery across lesions.

Looking ahead, we expect our PTCA equipment segment to provide positive contribution to the Group. Having synergistic effect with our drug-eluting coronary stents, our PTCA equipment 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.



MANAGEMENT DISCUSSION AND ANALYSIS

ENDOVASCULAR DEVICE

Our Endovascular device segment is comprised of a line of products and therapies to treat abdominal and thoracic aortic aneurysms and peripheral vascular disease.

For the fiscal year of 2012, our endovascular devices business enjoyed a healthy growth. The sales revenue increased by 16.2 % compared to the prior fiscal year.

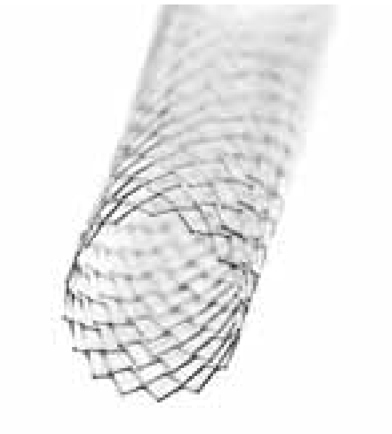
In addition to our cardiovascular line of products, our endovascular devices segment offers a range of other vascular stents to treat endovascular diseases and disorders. As of 31 December 2012, the product categories of our peripheral vascular are Surgical Stent Graft System (CRONUS™) and Peripheral Stent System (CROWNUS®).

Our endovascular primarily develops the Abdominal Aortic Aneurysm ("AAA")/ Thoracic Aortic Aneurysm ("TAA") Stent Graft System, including products of Hercules™-T, Hercules™-B and Aegis™. Furthermore, there are some products in the pipeline, such as new generation of Ultra-Low-Profile AAA System and low profile thoracic stent-graft system, are under development stages.

On 14 August 2012, Hercules™-B Bifurcated Stent-Graft System and Hercules™-T Thoracic Stent-Graft System were successfully registered in Indonesia. By the end of year 2012, Hercules™-B has been launched in many countries, including the PRC, Venezuela, Philippines, Argentina, and Brazil. In addition to the aforesaid countries, Hercules™-T was also marketed into the Thailand and Uruguay.

16.2%

The sales revenue increased 16.2 % compared to the pnor fiscai year



MANAGEMENT DISCUSSION AND ANALYSIS

18.8%

Increased by 18.8 % as compared to that of 2011.

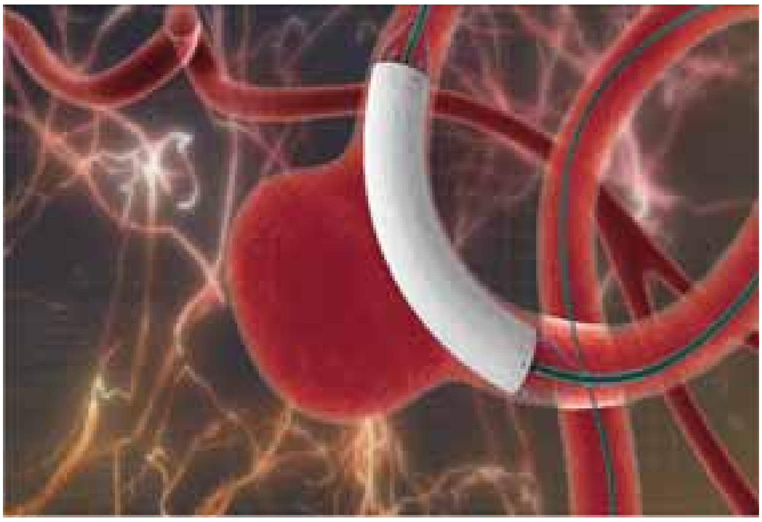
NEUROVASCULAR DEVICES

The segment of neurovascular devices specializes in developing, manufacturing and marketing the medical devices in treating the central nervous system related vascular diseases.

For the neurovascular devices segment, the sales for the year 2012 is mainly attributable to the sales of APOLLO which increased by 18.8% as compared to that of 2011. APOLLO is the first intracranial arterial stent system produced in the PRC.

WILLIS™, our intracranial stent graft system, is the first Chinese designed and manufactured stent for the treatment of intracranial aneurysms. WILLIS™ was approved by CFDA on 5 February 2013. The Group will commence sales and marketing plan of this product as soon as practicable and hopes to generate revenues from the sales of WILLIS intracranial stent graft system in the PRC. The introduction of WILLIS intracranial stent graft system into our portfolio of products available for sale in the PRC will further strengthen our position as the leading medical device player in the PRC.

In addition, the new generation product, Tubridge™, a revascularization device for the treatment of large intracranial aneurysms, is in the phase of clinical trial.



MANAGEMENT DISCUSSION AND ANALYSIS

ELECTROPHYSIOLOGICAL DEVICES

Our primary focus for the segment of EP devices is on the development, manufacturing, and marketing of minimally invasive medical devices for the treatment of EP diseases.

Our EP devices segment shows a remarkable growth with an increase of 76.4% in revenue compared to the financial year ended 31 December 2011. Such significant growth is mainly driven by our continuous effort in market exploitation, R&D activities and excellent performance in clinical studies. During the year 2012, 13 new distributors were developed and our EP products have entered into 40 new hospitals. We also participated in 33 bidding projects during the year 2012 and 8 of our products have been used in 22 provinces in the PRC.

EasyLoop™ was launched on 6 April 2012 after CFDA approval following Easyfinder™ and FireMagic™, and it is the third certificate obtained by our EP devices segment. EasyLoop™ is the first product used in the procedure of complex arrhythmias treatment of the Group and it is indispensable in atrial fibrillation procedure. The circular portion of the catheter is delivered into each pulmonary vein to collect the local electrical signals. The catheter is used along with the 3D mapping system and ablation catheter to complete the pulmonary vein isolation. Currently, the Columbus™ 3D electrophysiological mapping system and Voyager™ irrigated RF ablation catheter are under large scale multi-center clinical trial.

These series of products will help our EP devices segment to provide a more comprehensive portfolio of EP devices to physicians and patients.

76.4%

With an increase of 76.4% in revenue compared to the financial year ended 31 December 2011

MANAGEMENT DISCUSSION AND ANALYSIS

ORTHOPEDIC DEVICES

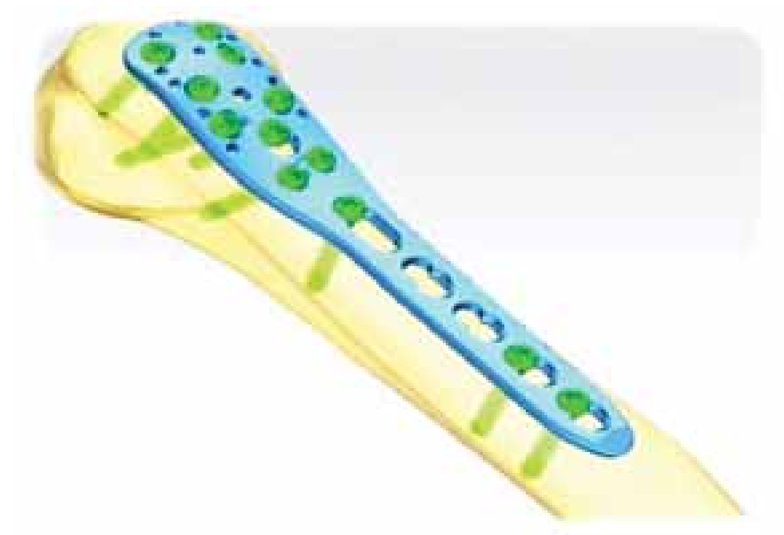
Our segment of orthopedic devices specializes in the development, manufacturing and marketing of instruments and implants for the treatment of orthopedic conditions.

Our orthopedic devices segment indicates a promising growth in the financial year of 2012.

For sales and marketing, we developed two independent logistics platform in addition to a 20-member sales team in 2012, which helped us to set up operation standard and expand new businesses.

Our new products, the Locking Compression Plate System (including metallic medical bone screws) and Posterior Cervical Fixation System have gained the CE approvals in January 2012. On 29 March 2012, the Reindeer Locking Plate System of the Group received FDA 510k approval with registration number K112798, which is the first FDA approval product for the Group.

On 9 November 2012, three Minimally Invasive Surgery ("MIS") instrument sets including the spine MIS instrument set, the Less Invasive Stabilization System ("LISS") aiming system for proximal tibia and the LISS aiming system for distal femur were approved by the Suzhou Food and Drug Administration. These three first-tier instrument sets are all for minimally invasive traumatic and spinal operations and it is a big step forward for the Group in the field of minimally invasive technique in orthopedic devices market.



MANAGEMENT DISCUSSION AND ANALYSIS

DIABETES CARE AND ENDOCRINAL MANAGEMENT

Our primary focus of diabetes care and endocrinal management segment is on the development, manufacturing, monitoring and management of medical devices for the treatment of diabetes and endocrinal.

Our diabetes care and endocrinal management segment welcomes a positive turning point in 2012. As of 31 December 2012, La Fenice® GnRH Infusion Pump has entered into 32 "Triple A" hospitals in the PRC after introduction for 8 months. We drove 244.6 % growth in the financial year of 2012 for the business segment.

GnRH Infusion Pump is designed to meet the needs of Chinese physicians and patients for the treatment of Idiopathic HypogonadotropicHypogonadism (IHH) which is also known as Kallmann Syndrome. Equipped with pulse infusion via micro pump technology, GnRH infusion pump stimulates hypophysis to excrete Follicle-Stimulating Hormone (FSH)/luteinizing hormone (LH) by simulating pulse excretion of human gonadotropin-releasing hormone(GnRH) in order to make patients recover from abnormally physiological regulated function.

The introduction of La Fenice®GnRH Infusion Pump is a milestone for the treatment for IHH and Kallmann patient, and it also demonstrates the value that our group products not only be able to save lives and improve the quality of lives, but also create new lives.

Furthermore, our customer Care Division was awarded as 2012 Best Customer Service – Innovative Service during China Best Call Center and CRM (Custom Relationship Management) Summit 2012 in September 2012. This is the third time that the Company received this customer service award for three consecutive years.

244.6%

We drove 244.6 % growth in the financial year of 2012 for the business segment.

MANAGEMENT DISCUSSION AND ANALYSIS

SURGICAL MANAGEMENT

Our segment of surgical management specializes in extracorporeal circulation and cardiovascular-related devices.

On 20 September 2012, the Group successfully completed the acquisition of Dongguan Kewei Medical Instrument Co., Ltd. ("Dongguan Kewei"), a domestic research and development manufacturer of cardiac surgery device oxygenators in extra-corporal circulation and occluders for minimally invasive intervention devices for structural heart diseases. Furthermore, we also strengthened our marketing capacity by cooperation with an international producer. Over 70 new agents and 20 hospitals have been developed by the end of year 2012.

The products of surgical management include Membrane Oxygenation System, Amender™ PDA Occluder and Amender™ ASD Occluder. The products of Dongguan Kewei help to fill the gap within the product lines of cardiac surgeries and structural heart diseases for the Group.

MANUFACTURING

In 2012, the Push Production was completely replaced by Pull Kanban Production throughout the manufacturing processes. Pull Kanban Production delivered information between different working process and production command was made according to the needs of the next-step working process. The Pull Kanban system helped to avoid over-stock and unnecessary transportation and carriage, ultimately reduced the production cost and shortened production cycle.

By continuous analysis on value stream mapping, we have further streamlined and optimized our production system, reduced non value-added work, as well as shortened our production cycle. In addition, we improved our product performances on pushability and passability through manufacturing process improvements according to our end user's requests.

During the financial year 2012, we also developed the hydrophilic coating technology and coating equipment. In addition, we successfully developed extrusion technologies for braiding reinforced tubes, multilayer tubes, and multi-cavity tubes, which lowered material costs significantly and provided strong support to new product developments. A platform for equipment design and development was established and innovative equipment, including automatic electro-polishing machine and automatic reeling machine, has been developed from the platform.

In 2012, our PTCA workshop was awarded the Four-star Production Site certification in the evaluation of production on-site management by Shanghai Quality Control Association.

Furthermore, we acquired more than 200,000 square meters of land for the construction of production base in PRC at multiple locations to meet our requirement of business development and to ease the pressure of the existing production facilities line.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITION

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

In the coming years, in order to compete effectively in the market, we will continually broaden our products portfolio by innovation and investment in R&D, in order to maintain our leading position in the domestic medical device market and keep on going abroad strategy.

RESEARCH AND DEVELOPMENT

We are keeping our products in advanced level in the market through continuous innovation developed by our R&D team. In 2012, we filed a total of 142 patent applications, including 100 at the State Intellectual Property Office (the "SIPO") of the PRC, 18 under the Patent Cooperation Treaty ("PCT"), and 24 in the other countries. As of 31 December 2012, we have filed a total of 452 patent applications, including 322 at the SIPO of the PRC, 72 under the PCT, and 58 in other countries. We have obtained 24 granted patents by the SIPO of the PRC in 2012 and a total of 146 granted patents have been obtained by 31 December 2012. Our existing products have diversified the portfolio. Furthermore, our new products, such as cardiac pacemaker system and transcatheter aortic valve implantation (TAVI), are under development stages.

By virtue of our highly skilled R&D team with over 230 employees as of 31 December of 2012, we have broadened our product pipelines to 7 leading fields. We expect that our R&D team will keep a good track record in innovation capability and make an all-out effort to stand in a dominate position in the medical technology industry in the PRC and internationally.

BRANDING

The trademark "**MicroPort**" was registered successfully in USA and Hong Kong in 2010. By further expanding our brand, we made good achievements in international trademark registration in 2012. The trademark of "**Firehawk**", our third-generation drug eluting coronary stent, has been registered successfully in China, the USA, Australia, Japan, and EU in 2012. In addition, trademarks of "**Mustang**", "**Jive**", "**Firebird**" and "**Firebird2**" have completed registration successfully in Vietnam.

As of 31 December 2012, we have applied and obtained 279 and 133 trademarks respectively. Our trademark "**MicroPort**" was awarded as the "Shanghai Famous Trademark" with three years validation period from 2011 to 2013. In addition, "**MicroPort**" had been awarded as "Shanghai Top Brand" in 2010 and 2011 successively, and we were elected as one of the 2011 Intellectual Property Top Ten Brands of Chinese Enterprises in medical device industry.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OVERVIEW

The Company is very pleased with the achievements we made in the financial year ended 31 December 2012. We will further strengthen the development of our business diversification and will continue to look for opportunities to expand our portfolio in a prudent manner.

REVENUE

Our revenue amounted to RMB931.0 million for the year ended 31 December 2012, with an increase of RMB91.1 million or 10.8% compared to the year ended 31 December 2011. The growth in sales was mainly attributed to the mild increase of cardiovascular devices by RMB24.2 million or 3.2% and a rapid growth of other non-cardiovascular devices by RMB66.9 million or 78.4%.

REVENUE FROM CARDIOVASCULAR DEVICES

Revenue generated from the sales of cardiovascular devices increased by 3.2% from RMB754.6 million for the year ended 31 December 2011 to RMB778.8 million for the year ended 31 December 2012. The revenue increase was mainly resulted from the increase in sales volume of the domestic drug-eluting stents by 5.2%. The increase domestic drug-eluting stents was slower than that of 2011 due to the increasing market competition in the PRC. Nevertheless, we are still maintaining our marketing leading position in the PRC in 2012.

REVENUE FROM ENDOVASCULAR DEVICE

Revenue generated from the sales of endovascular devices increased by 16.2% from RMB58.0 million for the year ended 31 December 2011 to RMB67.4 million for the year ended 31 December 2012. With the increased market recognition of our endovascular devices, we contracted with more customers for our endovascular products. Accordingly we are maintaining our leading market position with steady growth.

REVENUE FROM NEUROVASCULAR DEVICES

Revenue generated from the sales of neurovascular devices increased by 18.8 % from RMB17.5 million for the year ended 31 December 2011 to RMB20.8 million for the year ended 31 December 2012. Such growth was mainly attributed by the steady increase in sales volume of APOLLO.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE FROM ELECTROPHYSIOLOGICAL DEVICES

Revenue generated from our EP devices increased by 76.4% from RMB5.5 million for the year ended 31 December 2011 to RMB9.7 million for the year ended 31 December 2012. Growth in the year ended 31 December 2012 was mainly attributed by our continuous effort to developed the EP market and the market's increased recognition of our EP devices.

REVENUE FROM ORTHOPEDIC DEVICES

Revenue generated from sales of orthopedic medical devices and products amounted to RMB33.1 million for the year ended 31 December 2012 which represented a growth of RMB31.7 millon or 2,166.9% from 2011. Growth in the year ended 31 December 2012 was mainly attributed to the consolidation of full year operation results of Suzhou Health Medical Appliance Co., Ltd., which was acquired in November 2011.

REVENUE FROM DIABETES CARE AND ENDOCRINAL MANAGEMENT

Revenue generated from sales of diabetes care and endocrinal management medical devices increased by 244.6% from RMB2.8 million for the year ended 31 December 2011 to RMB9.7 million for the year ended 31 December 2012. The growth was mainly resulted from the successful launch of our new product, the La Fenice® GnRH Infusion pump and expanded marketing on insulin pump in 2012.

REVENUE FROM SURGICAL MANAGEMENT

Revenue generated from sales of surgical management devices amounted to RMB11.4 million for the year ended 31 December 2012. The growth was mainly resulted from the consolidation of the results of Dongguan Kewei Medical Instrument Co., Ltd., which was acquired on 20 September 2012.

COST OF SALES

Cost of sales increased by 11.6 % from RMB137.3 million for the year ended 31 December 2011 to RMB153.1 million for the year ended 31 December 2012. The increase was primarily due to the increased sales volume.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the increased sales volume, gross profit increased by 10.7 % from RMB702.6 million for the year ended 31 December 2011 to RMB777.8 million for the year ended 31 December 2012, whilst gross profit margin remains stable.

OTHER REVENUE AND OTHER NET INCOME

The increase of other revenue was primarily attributed to the increase in government subsidies to encourage the research and development projects of the Group and continuing business expansion. While the decrease of other net income by RMB27.5 million was primarily due to the decrease of foreign exchange gain associated with the Company's time deposits denominated in RMB as the oversea exchange rate of RMB against US$, the Company's functional currency, has maintained relatively stable throughout the year of 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

RESEARCH AND DEVELOPMENT COSTS

Research and development costs decreased by 4.7% from RMB153.0 million for the year ended 31 December 2011 to RMB145.8 million for the year ended 31 December 2012. The decrease was primarily due to (i) two R&D projects had reached the development stage, expenditures of which were eligible to be capitalised as intangible assets; and (ii) some projects development progress has not yet reached the stage which requires a higher expenditure level.

SALES AND MARKETING/DISTRIBUTION COSTS

Sales and marketing/distribution costs increased by 13.7 % from RMB152.1 million for the year ended 31 December 2011 to RMB173.0 million for the year ended 31 December 2012. The increase was primarily due to (i) an increase of salaries, bonuses and related expenses for personnel engaged in sales and marketing; (ii) an increase of marketing expenses as a result of increased attendance at conference and seminars for our products promotion; and (iii) the increased efforts in undergoing clinical studies and trials for existing products.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 6.8 % from RMB97.9 million for the year ended 31 December 2011 to RMB104.6 million for the year ended 31 December 2012. The increase was primarily attributable to the increased bad debt provision for receivables associated with one of our customers in Turkey.

FINANCE COSTS

Finance costs increased from RMB1.4 million for the year ended 31 December 2011 to RMB1.7 million for the year ended 31 December 2012. The increase was primarily attributable to the increase of interest on bank borrowings of Dongguan Kewei.

INCOME TAX

Income tax increased from RMB53.2 million for the year ended 31 December 2011 to RMB61.4 million for the year ended 31 December 2012. The increase of the Group's profit before tax was primarily due to the increase of profit before tax of the PRC subsidiaries and the decrease in foreign exchange gain of the Company. As the Company is not subject to any income tax, the decrease in the Company's profits resulted in an increase of our effective tax rate from 14.2% for the year ended 31 December 2011 to 14.8% for the year ended 31 December 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2012, the Group had cash and cash equivalent of RMB413.1 million (31 December 2011: RMB1,095.2 million). The Group has achieved an operating cash inflow of RMB285.6 million for the year ended 31 December 2012. For the benefits of the Group's business expansion and shareholders' interests, the Group has used cash of RMB808 million in investing activities, primarily for conducting products development projects, acquiring fixed assets, completing business acquisitions and placing surplus cash in time deposits. As at 31 December 2012, the Group's current assets exceeded its current liabilities by RMB1,401.4 million. The directors will continue to manage liquidity of the Group, ensure sufficient liquidity at any time to meet its matured liabilities and avoid any unacceptable losses or damage to the Group's reputation.

MANAGEMENT DISCUSSION AND ANALYSIS

BORROWING AND GEARING RATIO

Total borrowing of the Group as at 31 December 2012 was RMB23.2 million, increased by RMB17.5 million as compared to RMB5.7 million as of 31 December 2011. The additional bank borrowing was obtained through the acquisition of Dongguan Kewei on 20 September 2012. As at 31 December 2012, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of the Group remained at a low level of 1.0%, as compared to 0.27% as 31 December 2011.

WORKING CAPITAL

Our working capital as of 31 December 2012 was RMB1,401.4 million, which has been decreased by RMB219.7 million as compared to RMB1,621.1 million as 31 December 2011.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily from the sales and purchases of its PRC subsidiaries which give rises to receivables and payables that are denominated in a foreign currency (mainly US$) and the Company's deposits denominated in RMB. The Company has adopted US$ as its functional currency, whilst its PRC subsidiaries, functional currencies are RMB. Thus the fluctuation of exchange rates between RMB and US$ exposes the Group to currency risk. 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 RMB342.3 million, which was mainly used in (i) building and purchasing lands and (ii) acquiring equipment and machinery and (iii) expenditures on R&D projects which are eligible for capitalisation as intangible assets.

ACQUISITION

On 20 September 2012, the Company completed the acquisition of 100% equity interest in Dongguan Kewei, a domestic research and development manufacturer of cardiac surgery device oxygenators in extra-corporal circulation and occluders for minimally invasive intervention devices for structural heart disease. The consideration for the acquisition consists of RMB108 million in cash and a written option with a fair value of RMB40 million that can be exercised by the seller of Dongguan Kewei in the year of 2016. This written option has been recognised as the Group's non-current liabilities as at 31 December 2012. The acquisition fills the gap of the Company's product lines of cardiac surgery and structural heart diseases of the Company and further offers significant opportunities for expanding into other medical device markets. In addition, Dongguan Kewei has a developed distribution network/ relationship in the PRC cardiac surgery medical equipment industry, thus providing favourable platform to increase the Company's overall market shares.

During the year, the Company has acquired Winning Forward Ltd. and its subsidiary (collectively, "Winning Forward") at a cash consideration of RMB33.7 million. On 5 November 2012, the Company completed the acquisition of 100% equity interest in Winning Forward, a research and development manufacturer of percutaneous transluminal coronary angioplasty accessory.

The above acquisitions will facilitate the Group in expanding into the surgical devices and cardiovascular accessory devices business sectors, and achieve synergies by leveraging on the Group's existing sales network. As a result of above acquisitions, goodwill of RMB109 million has been recognised in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

As at 31 December 2012, the bank borrowing of RMB20 million through the acquisition of Dongguan Kewei was secured by certain fixed assets with a net book value totally RMB30.8 million. The Group had pledged another building for own use with a net book value of RMB25.6 million for the purpose of securing a long term loan with a carrying value of RMB3.2 million.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities or any significant outstanding contingent liabilities.

HUMAN RESOURCES

As at 31 December 2012, the Group employed approximately 1,714 employees, as compared to 1,323 employees as 31 December 2011. 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 devices market in the PRC has been growing rapidly with the development of national economic and government investment in social medical insurance, which attracts more and more multinational corporations to enter this market. In order to compete effectively in the market, we will continuously perform proactive strategies, including but not limited to:

1. DEVELOPING AND IMPROVING OUR EXISTING PRODUCTS

   We are further developing and improving the performance and manufacturing craft of our existing products. We have extensive R&D activities aimed at developing new generation of our existing products, such as the Firehawk®, which has completed a serial of pre-marketing clinical trials in the PRC, and the PTCA high-pressure balloon dilatation catheter is on track for pre-marketing clinical trials.

2. DIVERSIFICATION OF OUR EXISTING AND NEW PRODUCTION

   The numbers of products for sale increased from 54 in the year 2011 to 92 in the year 2012. We are further introducing innovative products to diversify our product offering and provide a comprehensive portfolio of medical devices to physician and patients. Accordingly, we expect to generate revenue from the sales of diversified products lines going forward.

3. MAINTAINING LEADING POSTION IN DOMESTIC MEDICAL DEVICES MARKET

   We will take advantages of our brand recognition and our sales distribution network in domestic market to maintain and strengthen our leading position in the PRC medical devices market. For example, we plan to commence sales and marketing of WILLIS intracranial stent graft system in the PRC, and also aim to strengthen our marketing capacity by cooperation with an international producer in the segment of surgical management.

4. STRATEGIC ACQUISITION

   According to our new strategy, we will focus on a more clear direction of growth and diversification. We intend to continue to look for additional strategic acquisitions of the businesses or technologies, which are complementary to our existing businesses. 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. Through this, we also expect synergistic effects between different businesses to develop.

5. INTERNATIONALIZATION OF OUR BRAND AND PRODUCTS

   We never cease to expand our global presence and introduce new products into the market. We intend to localize R&D and manufacturing in addition to present product export model. We will introduce advanced medical devices through our distribution network and further expand our business by taking advantage of international medical device markets.

We are committed to continuous improvement across our enterprise, from product innovation to operational excellence in manufacturing, distribution and sales. Challenge always comes with opportunities and we believe we will overcome the difficulties. There is a bright future ahead for MicroPort.

CORPORATE SOCIAL RESPONSIBILITY

The principle of corporate social responsibility is firmly embedded in MicroPort's philosophy and strategy as a business enterprise. Our commitment is exemplified by a variety of community focused programs that we organize or support in the PRC.

We care and participate in the welfare of different levels of society through community services. We take this opportunity to share with you our social activities.

CHARITY FOUNDATION

Understanding that the next generation is the pillar of future community, we set up a scholarship fund for the School of Biomedical Engineering, Shanghai Jiao Tong University. It aims at promoting the education development and encouraging students in the biomedical engineering field.

The scholarship is mainly used to offer financial support to those outstanding undergraduates and to sponsor short-term overseas exchange study. Establishment of the scholarship provides a significant opportunity for promoting admission and education for the students who major in biomedical engineering field, and also enhances close cooperation between the university and the company.

CULTIVATING THE FUTURE

As of 31 December 2012, the second MicroPort Hope Primary School was under construction in Guizhou Province of the PRC after the establishment of the first Hope School in Shandong Province.

A foundation of RMB0.75 million has been donated by the Group to reconstruct the primary school in Guizhou Province in order to improve the learning and teaching environment for the local teachers and students. The teaching building of the primary school was originally constructed in early 1986 and was adversely damaged by Wenchuan earthquake in 2008. As there is a lack of funding and poor transportation access, the school building has been rendered dangerous since 2008. The reconstruction is expected to be completed in September 2013 and the new school building will be put to good use right after that.

PATIENT EDUCATION SERIAL LECTURES

In order to improve the life quality of patients and to contribute to public welfare according to our commission, we started the patient education series lectures named MicroPort Heart Journey in 2008. The lecture is aimed at building up a platform for the communication among the patients, calling more people join the job that cares about coronary heart disease patients and improves their life quality.

As at 31 December 2012, the number of patients attending the activities were approximately 1,000 in total and the lecture had a good influence among doctors and patients. In order to help more patients to understand coronary heart disease, how to cure the disease and make life better, we will keep on trying, encouraging more hospitals and patients to join our Heart Journey patient education series lectures and protect our health together.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTOR

Dr. Zhaohua Chang (常兆華), born in 1963, is our founder, Executive Director ("Director"), Chairman and Chief Executive Officer ("CEO") of our Company. Dr. Chang has served as a Director since 14 July 2006 and assumed the responsibility of the Chief Executive Officer of our Company from April 2008 to July 2010, and reassumed the responsibility of the Chief Executive Officer of our Company from September 2012. Dr. Chang is currently holding directorship in various subsidiaries of the Group, ("MP Shanghai"). Dr. Chang has over 23 years of experience in the medical device industry, and he is currently a professor and associate dean of the Medical Device College of the University of Shanghai for Science and Technology. Prior to founding Shanghai MicroPort Medical (Group) Co., Ltd (上海微創醫療器械(集團)有限公司) in 1998, Dr. Chang was the vice president of research and development of Endocare Inc., a NASDAQ listed medical device company based in California, U.S., from 1996 to 1997. From 1990 to 1995, he was the senior engineer and senior scientist, director of research and development and vice president of engineering at Cryomedical Sciences Inc., a medical device company in Maryland, U.S., which was listed on NASDAQ prior to its acquisition by a third party. Dr. Chang has published a number of articles in biomedical science magazines, and holds 14 patents in China and the United States. Dr. Zhaohua Chang received a bachelor's degree in refrigeration engineering in 1983 and a master's degree in cryogenics in 1985 from the University of Shanghai for Science and Technology. Dr. Chang received his Ph.D. degree in biological sciences from the State University of New York at Binghamton in 1992.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida (蘆田典裕), born in 1954, is a Non-executive Director of our Company. Mr. Ashida has served as a Director since 1 November 2006 and has also served as a Director of MP Shanghai since March 2004. Mr. Ashida is currently holding directorship in certain subsidiaries of the Group. Mr. Ashida is an Executive Operating Officer of Otsuka Holdings Co., Ltd. ("Otsuka Holdings") and the Director of its corporate development department. Mr. Ashida is also a Director of Otsuka Medical Devices Co., Ltd. He joined Otsuka Pharmaceutical Co., Ltd. ("Otsuka Pharmaceutical") in April 2003 from Mizuho Corporate Bank Ltd., where he was a general manager from 2002 to 2003. From 1999 to 2002, Mr. Ashida was a general manager of the Industrial Bank of Japan ("IBJ"), where he headed the credit department for western Japan. From 1995 to 1999, Mr. Ashida served as Vice President responsible for business development at 3iBJ Ltd., a venture capital firm formed by 3i Group plc and IBJ. From 1989 to 1995, Mr. Ashida was a Senior Vice President of IBJ (Canada). He joined IBJ in 1977 in its Tokyo branch. Mr. Ashida received his bachelor's degree in economics from the University of Tokyo in 1977.

Mr. Hiroshi Shirafuji (白藤泰司), born in 1944, is a non-executive Director of our Company. Mr. Shirafuji has served as a Director since 1 November 2006 and is also a director of certain subsidiaries of the Group. Mr. Shirafuji is the President of Otsuka Medical Devices Co., Ltd. ("OMD"), a subsidiary of Otsuka Holdings Co., Ltd. ("Otsuka Holdings"). Prior to joining OMD in February 2011, he was an executive director responsible for pharmaceuticals marketing at Otsuka Pharmaceutical from 1997 to 1998. Mr. Shirafuji joined Otsuka Pharmaceutical in 1967. Mr. Shirafuji received his bachelor's degree in economics from Doshisha University in Kyoto in 1967. Mr. Shirafuji was also appointed as president and CEO, representative director of Otsuka Medical Devices Co., Ltd. in February 2011.

Mr. Lei Ding (丁磊), born in 1963, is a Non-executive Director of our Company since 26 August 2011 and Mr Ding is currently holding directorship in certain subsidiaries of the Group. He is currently appointed as the Secretary of the Party Committee and General Manager of Shanghai Zhangjiang (Group) Co., Ltd. (which indirectly holds the shareholding interests of Shanghai ZJ Hi-Tech Investment Corporation, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company as well as the Deputy Secretary of the Party Committee and Executive Deputy Director of the management committee of Shanghai Zhangjiang Hi-Tech Park. Mr. Ding is also the Chairman of the board of directors of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. Ding is a senior engineer. He received his Bachelor's Degree of Science and Master's Degree of Science from Fudan University in 1985 and 1988 respectively and his Master of Business Administration Degree from CEIBS in 2005.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zezhao Hua (華澤釗), born in 1938, was appointed as our Independent Non-executive Director on 9 March 2010. Mr. Hua is a noted scholar in the biotechnology and medical device fields, and has been a professor, lecturer and visiting scholar at several universities in China and the United States for more than 30 years. Mr. Hua has served as first chair professor of the Medical Device College of the University of Shanghai for Science and Technology since 1996. From 1990 to 1996, Mr. Hua was the dean of the Power Engineering College of the East China University of Technology. Mr. Hua was a guest professor of the Department of Biological Sciences of the State University of New York at Binghamton from 1990 to 1991. Mr. Hua has published numerous articles and received various awards in the biotechnology and medical device fields. Mr. Hua also holds 10 patents in China. Mr. Hua was an university student (6-year-system) in thermal engineering and graduate student (3-year-system) in engineering thermophysics in Tsinghua University, and graduated in 1962 and 1965, respectively. Mr. Hua was a visiting scholar at the Massachusetts Institute of Technology from 1980 to 1983.

Mr. Jonathan H. Chou (周嘉鴻), born in 1964, was appointed as our Independent Non-executive Director on 3 September 2010. Mr. Chou has served as Senior Vice President & Chief Financial Officer of Kulicke & Soffa Industries, Inc., a NASDAQ listed company (NASDAQ: KLIC) since December 2010. After successful completion of the move of Kulicke & Soffa's Global Corporate Headquarters from the U.S. to Singapore, he led a complex business tax restructuring project to improve operating efficiency and reduce the company's effective tax rate during a record setting fiscal year of 2011. Effective October 1, 2012, Mr. Chou's overall responsibilities expanded to include Global Information Technology. Mr. Chou has over 20 years of professional experience largely with Fortune 500 companies. He was the Asia Pacific Chief Financial Officer and Vice President, Mergers & Acquisitions of Honeywell International, where he managed the company's M&A activities in the region from Shanghai, China. Prior to Honeywell, he was the Asia Chief Financial Officer of Tyco ADT, the Fire & Security segment of Tyco International, where he led initiatives to improve operating efficiency and improvement of corporate governance to meet Sarbanes-Oxley attestation. Mr. Chou served as Asia/Pacific Regional Chief Financial Officer of Lucent Technologies Inc., based in Hong Kong and Singapore. Before that, he held the position of Managing Director of Treasury & Customer Finance for Asia Pacific and China regions, with a portfolio of over $1.4 billion of vendor financing commitments. Prior to joining K&S, Mr. Chou was the Chief Financial Officer of a private equity portfolio company, where he was instrumental in managing the audit and listing process. In April 2009, he was awarded 'China's Top Ten CFOs of 2008' by CFO World Magazine in recognition of his leadership role for navigating through the global financial crisis. Mr. Chou received a Bachelor of Arts degree from the State University of New York at Buffalo in 1988 and a master's degree in business administration from Fuqua School of Business at Duke University in 1999.

Dr. Guoen Liu (劉國恩), born in 1957, was appointed as our Independent Non-executive Director on 3 September 2010. Dr. Liu is a noted scholar in the fields of health and development economics, health reform and pharmaceutical economics. Dr. Liu has served as professor of economics at Guanghua School of Management of Peking University, executive director of the Guanghua School of Management Health Economics and Management Institute of Peking University, and director of the China Center for Pharmaceutical Economics and Outcomes Research of Peking University since 2006. From 2000 to 2006, Dr. Liu was tenured associate professor of University of North Carolina at Chapel Hill. From 1994 to 2000, Dr. Liu was assistant professor of University of South Carolina. Dr. Liu also serves as editor or a member of the editorial board in various periodic in the fi eld of pharmaceutical economics. Dr. Liu received his bachelor's degree in mathematics from Southwestern University for Nationalities in 1981, his master's degree in statistics from Southwestern University of Finance and Economics in 1985, his Ph.D. in economics from the City University of New York in 1991, and post-doctoral training in health economics from Harvard University in 1994.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Dr. Zhaohua Chang (常兆華), is the CEO of our Company. Please refer to the section headed "Directors — Executive Director" above for the details of his biography.

Ms. Yan Zhang (張燕), born in 1970, is the President of our Company. Ms. Zhang served as an Executive Director of our Company from 22 July 2010 to 20 September 2012. Ms. Zhang also served as our Senior Vice President of corporate affairs, General Counsel, Compliance Officer and Board Secretary prior to July 2010. Ms. Zhang is currently holding directorship in Shanghai MicroPort Lifesciences Co., Ltd. (上海微創生命科技有限公司), a subsidiary of the Group. Ms. Zhang has over 16 years of legal experience practicing PRC law in China. Prior to joining us in 2006, Ms. Zhang was a senior lawyer of King & Wood, a leading law firm in China, from 2000 to 2006. From 1995 to 2000, Ms. Zhang was a lawyer of Development Law Firm in Zhejiang, China. Ms. Zhang received her master's degree in law and her bachelor's degree in law from China East University of Politics and Law in China in 2002 and 1991 and her Master of Business Administration Degree from CEIBS in 2011, respectively.

Mr. Hongbin Sun (孫洪斌), born in 1975, is the Chief Financial Officer ("CFO") of our Company. Mr. Sun served as an Executive Director of our Company from 22 July 2010 to 20 September 2012. He was also a Supervisor of MP Shanghai until July 2010. Mr. Sun is currently holding directorship in Shanghai MicroPort Orthopedics Co., Ltd. (上海微創骨科醫療科技有限公司), a subsidiary of the Group. Mr. Sun has over 15 years of finance experience. Mr. Sun was the Director and General Manager of Otsuka China from 2006 to July 2010. From 2004 to 2006, he served as a Financial Director of Otsuka China. From 1998 to 2003, Mr. Sun was an Assistant Manager of the Shanghai office of KPMG. Mr. Sun is a member of the Chinese Institute of Certified Public Accountants and is also a Chartered Financial Analyst. Mr. Sun received his bachelor's degree in economics from Shanghai Jiao Tong University in China in 1998.

Mr. Qiyi Luo (羅七一), born in 1962, is the Chief Technology Officer ("CTO") of our Company. Mr. Luo served as an Executive Director of our Company from 22 July 2010 to 20 September 2012. Mr. Luo is currently holding directorship in Shanghai MicroPort EP MedTech Co., Ltd. (上海微創電生理醫療科技有限公司), a subsidiary of the Group. Mr. Luo has over 20 years of experience in the medical device industry. Prior to joining us in 2003, he worked as Principal Research and Development Engineer and Senior Manufacturing/Development Engineer at Medtronic AVE in the United States from 1995 to 2002. From 1991 to 1995, he worked as Supervisor and Engineer of the angioplasty research and development team at Vas-Cath Inc., a subsidiary of C.R. Bard, Inc., in Canada. Mr. Luo, jointly with others, holds 30 patents and has 52 patent applications pending in China, the United States, Japan and the European Union. Mr. Luo received his bachelor's degree in applied science from Yunnan University of Technology in China in 1983 and his master's degree in applied science from Queen's University in Canada in 1990.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Bo Peng (彭博), born in 1968, is our Chief Marketing Officer. Prior to August 2010, Mr. Peng served as Senior Vice President of domestic sales and marketing of the Company. Mr. Peng has over 18 years of experience in marketing and sales. Prior to joining us in 2001, Mr. Peng served as Vice President, General Manager of the sales subsidiary, and Director of Xianxing Electronics Group. Mr. Peng received his bachelor's degree in computer science from Changchun University of Science and Technology in 1990 and a master's degree in business administration from Shanghai University of Finance & Economics in 2003.

Mr. Kongrong Karl Pan (潘孔榮), born in 1959, is our Senior Vice President of Manufacturing and Operation. Mr. Pan has over 20 years of experience in manufacturing and supply chain management in the medical device industry. Prior to joining us in 2009, Mr. Pan served as Senior Principal Engineer and Engineering Manager at St. Jude Medical Inc. in the United States from 1997 to 2009. From 1992 to 1996, Mr. Pan was Senior Research and Development Engineer at Jostens Inc. in the United States. Mr. Pan holds one patent in the United States. Mr. Pan received his Bachelor of Science degree in aerospace engineering from Beijing University of Aeronautics and Astronautics in China in 1982 and his Master of Science degrees in mechanical engineering from Shanghai Polytechnic University in China and University of Minnesota in the United States in 1986 and 1992, respectively. Mr. Pan also obtained his master's degree in business administration from the University of Minnesota in the United States in 2002.

REPORT OF THE DIRECTORS

The Board of the Company is pleased to present this annual report together with the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of Group's activities during the year.

RESULTS AND APPROPRIATIONS

The profit of the Group for the financial year ended 31 December 2012, the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 64 to 152 of this annual report.

The Directors recommends the payment of a final dividend of HK$0.08 (equivalent to RMB0.06 per share) (2011: HK$0.07 (equivalent to RMB0.06 per share)). Subject to the approval by Shareholders of the Company at the forthcoming annual general meeting, the final dividends will be distributed on or about 26 July 2013 to the Shareholders of the Company whose names appear on the register of members of the Company on 5 July 2013. Based on the numbers of issued shares as at 31 December 2012, this represents a total distribution of approximately HK$112,538,000 (equivalent to RMB91,246,000). Details of dividends declared are set out in note 25 to the consolidated financial statements of this annual report. The Board did not declare any interim dividend for 2012 (2011: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2012, purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for 9.24 % and 24.23 % respectively of the Group's cost of sales for the year. Sales to the Group's largest customer and the five largest customers in aggregate accounted for 16.02 % and 43.73 % respectively of the Group's total revenue for the year.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25(c)(i) to the consolidated financial statements of this annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2012 are set out in note 20 to the consolidated financial statements.

LISTING OF SHARES

The Company's shares were listed on the Stock Exchange on 24 September, 2010. Details are set out in note 25(c)(i) to the consolidated financial statements of this annual report.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the "Consolidated Statement of Changes in Equity".

As at 31 December 2012, the Company had reserves available for distribution of RMB 1,702 million (2011: RMB 1,814 million).

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past 5 financial years is set out in the section Five Years Financial Summary of this annual report.

DIRECTORS

The Directors during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Dr. Zhaohua Chang
Ms. Yan Zhang *(Resigned on 20 September 2012)*
Mr. Hongbin Sun *(Resigned on 20 September 2012)*
Mr. Qiyi Luo *(Resigned on 20 September 2012)*

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida
Mr. Hiroshi Shirafuji
Mr. Lei Ding

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Dr. Zhaohua Chang, Mr. Norihiro Ashida and Mr. Hiroshi Shirafuji will retire from office as Directors at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election pursuant to the Articles of Association of the Company. Information about the Board, including members' appointments and retirements, and their interests in Company's shares, is set out in the Corporate Governance Report of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 30 to 34 of this annual report.

DIRECTORS' SERVICE CONTRACT

None of the Executive Directors and Non-executive Directors has entered into a service contract regarding their office of director with the Company.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three year commencing from 24 September 2010 and such appointment will continue thereafter unless and until terminated by either party in accordance with the letter of appointment.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as an incentive for directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with highest emoluments are set out in notes 7 and 8 to the consolidated financial statements of this annual report.

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

As at 31 December 2012, 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	Notes	Capacity	Nature of interest	Approximate percentage of interest in the Company
Chang Zhaohua	217,110,000	1	Interest of controlled corporation	Long position	15.43 %

2. INTERESTS AND SHORT POSITION IN THE UNDERLYING SHARES

Name of Director/Chief Executive	No. of Shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the Company
Chang Zhaohua	10,000,000	2	Beneficial owner	Long position	0.71 %

Notes:

(1) Chang Zhaohua is deemed to be interested in the 217,110,000 Shares held by We'Tron Capital China Limited by virtue of him being one of the three directors of Maxwell Maxcare Science Foundation Limited. Maxwell Maxcare Science Foundation Limited holds 49% of Shanghai We'Tron Capital Corp. who in turn is interested in 94.19% of We'Tron Capital China Limited.

(2) Chang Zhaohua is interested in the underlying Shares of the Company by virtue of the options granted to him 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 31 December 2012, 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.

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

As at 31 December 2012, 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	Notes	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	33.34
Otsuka Medical Devices Co., Ltd.	468,994,120	1	Beneficial owner	Long position	33.34
Shanghai Zhangjiang Science and Technology Investment Co.	285,748,050	2	Interest of controlled corporation	Long position	20.32
Shanghai Zhangjiang (Group) Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	20.32
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	20.32
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	20.32
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Co., Ltd.	285,748,050	2	Interest of controlled corporation	Long position	20.32
Shanghai ZJ Hi-Tech Investment Corporation	285,748,050	2	Interest of controlled corporation/ Beneficial owner	Long position	20.32
Shanghai ZJ Holdings Ltd.	285,748,050	2	Interest of controlled corporation	Long position	20.32
Shanghai Zhangjiang Health Solution Holdings Limited	215,883,620	2	Beneficial owner	Long position	15.35
Shanghai We'Tron Capital Corp.	217,110,000	3	Interest of controlled corporation	Long position	15.43
We'Tron Capital China Ltd.	217,110,000	3	Beneficial owner	Long position	15.43
Maxwell Maxcare Science Foundation Limited	217,110,000	3	Interest of controlled corporation	Long position	15.43
Gao Yang Investment Corp.	75,233,720	4	Interest of controlled corporation/ Beneficial owner	Long position	5.35
Shen Yao Fang	75,233,720	4	Interest of controlled corporation	Long position	5.35

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	0.50
Shanghai Zhangjiang Health Solution Holdings Limited	215,883,620	15.35
Shanghai Zhangjiang Health Solution Investment Limited	53,398,570	3.80
Shanghai Zhangjiang Health Solution Industry Limited	9,423,280	0.67
Total	285,748,050	20.32

(3) Maxwell Maxcare Science Foundation Limited holds 49% of Shanghai We'Tron Capital Corp. who in turn is interested in 94.19% of We'Tron Capital China Limited. Therefore, Maxwell Maxcare Science Foundation Limited, Shanghai We'Tron Capital Corp. and We'Tron Capital China Limited are interested in the same 217,110,000 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 31 December 2012, 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 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.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Save as disclosed in note 29 to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the Controlling Shareholders (as defined in the Listing Rules) of the Company or any or its subsidiaries.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "Interests and short positions of the Directors in Shares, underlying Shares and debentures of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

The connected transactions under Chapter 14A of Listing Rules are the same as the related party transactions set out in note 29 to the consolidated financial statements. The independent non-executive Directors of the Company have reviewed the continuing connected transactions of the Company within the reporting period and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company had applied for and was granted a waiver from strict compliance with the announcement and independence shareholders' approval requirements under Chapter 14A of the Listing Rules during the IPO of its shares for these continuing connected transactions of the Company. The continuing connected transactions within the reporting period did not exceed the annual cap as set out in the waiver letter and in the prospectus of the Company.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group in note 29(b) to the consolidated financial statements in accordance with Rule 14A.38 of the Listing Rules.

Save as disclosed therein, there were no other connected transactions or continuing connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended 31 December 2012, the Company has repurchased a total of 17,727,000 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 Highest	Purchase price paid per Share Lowest	Aggregate purchase price paid
		HK$	HK$	HK$
September 2012	1,772,000	3.88	3.32	6,515,171.60
October 2012	4,502,000	4.32	3.86	18,416,400.70
November 2012	9,543,000	4.63	4.01	41,000,930.30
December 2012	1,910,000	4.66	4.55	8,808,929.00
	17,727,000			74,741,431.60

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.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company save as those disclosed in note 28.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

SHARE OPTION SCHEMES

PRE-IPO SHARE OPTION SCHEME

In order to attract and retain eligible persons, and to provide an additional incentive for them to promote the success of the Group, the Company had adopted a share option scheme in 2004 (the "**2004 Option Plan**") and 2006 (the "**2006 Incentive Plan**") (collectively the "Pre-IPO Share Option Scheme). The 2004 Option Plan, authorized to grant up to 10,261,030 share options, was modified when the Company agreed to assume the obligation of all outstanding and unvested share options of MicroPort Medical (Cayman) Corporation, while the 2006 Incentive Plan was modified prior to IPO by increasing the maximum aggregate number of shares which may be issued to 6,509,157.

As part of the restructuring of the Company due to the IPO, the Company approved a 10-for-1 share split, which as a result adjusted all share options issued prior to the share split by a 10-for-1 ratio accordingly. As such, total number of securities available for issue under the Pre-IPO Share Option Scheme is 102,610,300 and 65,091,570 for the 2004 Option Plan and the 2006 Incentive Plan, respectively. As at 31 December 2012, the total aggregate share options that may be granted under the Pre-IPO Share Option Scheme is 167,701,870, which represent 11.9% of the issued share capital of the Company. However, no additional options have been issued under the Pre-IPO Share Option Scheme since the listing of the Company on the Stock Exchange, and the total outstanding options that has been issued under the Pre-IPO Share Option Scheme is 53,228,680.

The administrator of the Pre-IPO Share Option Scheme may at its discretion select the employees, directors and consultants to whom awards may be granted from time to time. The Pre-IPO Share Option Scheme shall be no more than ten (10) years from the date of grant, and five (5) years if the grantee who owns shares representing more than ten percent (10%) of the voting power of all classes of shares in the Company. The exercise price of the Pre-IPO Share Option Scheme shall be based on one hundred percent (100%) of the fair market value per share on the date of grant, and one hundred ten percent (110%) if the grantee who owns shares representing more than ten percent (10%) of the voting power of all classes of shares in the Company. The administrator shall determine the provisions, terms, and conditions of each award including, but not limited to, the award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, shares, or other consideration) upon settlement of the award, payment contingencies, and satisfaction of any performance criteria.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was approved and adopted pursuant to a written resolution of all the Shareholders of the Company on 3 September 2010 (the "Adoption Date").

The purpose of the Share Option Scheme is to provide the Company with a means of incentivizing Directors, employees of business associates and retaining employees, and to encourage employees to work towards enhancing the value of our Company and promote the long-term growth of the Company. The Share Option Scheme will link the value of the Company with the interests of participants, enabling participants and the Company to develop together and promoting the Company's corporate culture.

The Directors of the Company may, at their discretion, invite any directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of our Group who our Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the Share Option Scheme.

The Company shall be entitled to issue options, provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme of the Company shall not exceed 10% of the aggregate Shares in issue at the date when the Shares were first listed on the Stock Exchange, which is 140,411,234 Shares. As of 31 December 2012, 29,350,000 Shares were available for issue under the Share Option Scheme, which represented 2.1% of the issued share capital. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being.

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. The amount payable by each grantee of option to the Company on acceptance of the offer for the grant of option is US$1.00.

At the time of the grant of the options, the Company will specify the minimum period for which an option must be held before it can be exercised. The Share Option Scheme does not contain any such minimum period. The period within which the option must be exercised will be specified by the Company at the time of grant. Such period must expire no later than 10 years from the relevant date of grant (being the date of which the Board resolves to make an offer of options to the relevant grantee).

The Board will determine the price per Share upon the exercise of an option according to the terms of the Share Option Scheme, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Hong Kong Stock Exchange on the date of the offer of a grant; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of the offer of a grant; and (iii) the nominal value of a share on the date of grant.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

During the year, 28,300,000 share options were granted and the status of the share options granted up to 31 December 2012 is as follows:

Category of participants	As at 1 January 2012	Granted during the period	Exercised during the period	Withdrawn during the period	As at 31 December 2012	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	10,000,000	–	–	–	10,000,000	9 Jul. 2010	9 Jul. 2011 – 8 Jul. 2014	9 Jul. 2011 – 8 Jul. 2020	USD0.3062	NA
In aggregate	**10,000,000**	**-**	**-**	**-**	**10,000,000**					
Consultants										
	4,212,080	–	2,171,630	–	2,040,450	20 Feb. 2004	24 Sep. 2010 – 23 Sep. 2011	24 Sep. 2011 – 19 Feb. 2014	USD0.025	NA
	1,774,080	–	74,000	–	1,700,080	20 Feb. 2004	24 Sep. 2010 – 23 Sep. 2011	24 Sep. 2011 – 19 Feb. 2014	HKD0.05498	NA
	818,680	–	–	–	818,680	20 Feb. 2004	24 Sep. 2010 – 23 Sep. 2011	24 Sep. 2011 – 19 Feb. 2014	HKD0.05827	NA
	1,774,080	–	–	–	1,774,080	20 Feb. 2004	24 Sep. 2010 – 23 Sep. 2011	24 Sep. 2011 – 19 Feb. 2014	HKD0.07046	NA
	1,000,000	–	–	–	1,000,000	17 May 2007	17 May 2007 – 16 May 2011	17 May 2008 – 16 May 2017	USD0.3062	NA
	500,000	–	–	–	500,000	14 Jun. 2007	24 Sep. 2010 – 23 Sep. 2014	24 Sep. 2010 – 23 Sep. 2020	USD0.3062	NA
In aggregate	**10,078,920**	**-**	**2,245,630**	**-**	**7,833,290**					
Employees										
	818,680	–	–	–	818,680	20 Feb. 2004	24 Sep. 2010 – 23 Sep. 2011	24 Sep. 2011 – 19 Feb. 2014	HKD0.05637	NA
	3,268,340	–	25,690	637,040	2,605,610	2 Mar. 2007	2 Mar. 2007 – 14 Feb. 2011	15 Feb. 2008 – 24 Jan. 2017	USD0.275	NA

Category of participants	As at 1 January 2012	Granted during the period	Exercised during the period	Withdrawn during the period	As at 31 December 2012	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										
	2,549,000	–	303,440	39,190	2,206,370	23 Apr. 2007	23 Apr. 2007 – 1 Mar. 2013	23 Apr. 2007 – 22 Apr. 2017	USD0.275	NA
	500,000	–	–	–	500,000	14 Jun. 2007	23 Sep. 2007 – 22 Sep. 2012	23 Sep. 2008 – 22 Sep. 2017	USD0.3062	NA
	925,000	–	25,000	–	900,000	25 Jul. 2008	25 Jul. 2008 – 24 Jul. 2012	25 Jul. 2009 – 24 Jul. 2018	USD0.3062	NA
	1,000,000	–	–	–	1,000,000	25 Jul. 2008	25 Jul. 2008 – 27 Apr. 2010	25 Jul. 2008 – 24 Jul. 2018	USD0.3062	NA
	200,000	–	–	–	200,000	1 Dec. 2008	24 Jun. 2008 – 23 Jun. 2012	24 Jun. 2009 – 23 Jun. 2018	USD0.3062	NA
	1,500,000	–	–	–	1,500,000	1 Dec. 2008	1 Jan. 2009 – 31 Dec. 2012	1 Jan. 2010 – 31 Dec. 2018	USD0.3062	NA
	250,000	–	–	–	250,000	6 Feb. 2009	6 Feb. 2009 – 5 Feb. 2014	6 Feb. 2010 – 5 Feb. 2019	USD0.425	NA
	4,000,000	–	–	–	4,000,000	21 Oct. 2009	9 Oct. 2009 – 8 Oct. 2014	9 Oct. 2010 – 20 Oct. 2019	USD0.3062	NA
	1,500,000	–	–	–	1,500,000	21 Oct. 2009	15 Oct. 2009 – 14 Oct. 2014	15 Oct. 2010 – 20 Oct. 2019	USD0.3062	NA
	500,000	–	–	–	500,000	21 Oct. 2009	1 Jan. 2010 – 31 Dec. 2014	1 Jan. 2011 – 20 Oct. 2019	USD0.3062	NA
	700,000	–	–	–	700,000	8 Jul. 2010	1 Aug. 2010 – 31 Jul. 2014	1 Aug. 2011 – 7 Jul. 2020	USD0.3062	NA
	314,500	–	38,500	–	276,000	8 Jul. 2010	8 Jul. 2010 – 7 Jul. 2014	8 Jul. 2011 – 7 Jul. 2020	USD0.3062	NA

Category of participants	As at 1 January 2012	Granted during the period	Exercised during the period	Withdrawn during the period	As at 31 December 2012	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										
	11,523,730	–	1,126,000	1,749,000	8,648,730	9 Jul. 2010	9 Jul. 2010 – 8 Jul. 2014	9 Jul. 2011 – 8 Jul. 2020	USD0.3062	NA
	5,000,000	–	–	–	5,000,000	9 Jul. 2010	9 Jul. 2011 – 8 Jul. 2014	9 Jul. 2011 – 8 Jul. 2020	USD0.3062	NA
	1,000,000	–	–	–	1,000,000	9 Aug. 2010	9 Aug. 2010 – 8 Aug. 2014	28 Apr. 2011 – 8 Aug. 2020	USD0.3062	NA
	4,000,000	–	210,000	–	3,790,000	9 Aug. 2010	9 Aug. 2010 – 8 Aug. 2014	1 Sep. 2011 – 8 Aug. 2020	USD0.3062	NA
	500,000	–	–	–	500,000	17 Oct. 2011	17 Oct 2012 – 17 Dec. 2018	17 Oct 2012 – 16 Oct. 2021	HKD4.790	NA
	750,000	–	–	–	750,000	1 Nov. 2011	1 Nov 2012 – 1 Nov. 2017	1 Nov 2012 – 31 Oct. 2021	HKD4.470	NA
	–	10,000,000	–	–	10,000,000	28 Aug. 2012	28 Aug. 2019	28 Aug. 2019 – 27 Aug. 2022	HKD3.350	HKD3.350
	–	500,000	–	–	500,000	7 Sep. 2012	6 Sep. 2013 – 6 Sep. 2017	6 Sep. 2013 – 6 Sep. 2022	HKD3.330	HKD3.330
	–	500,000	–	–	500,000	22 Oct. 2012	22 Oct 2013 – 22 Oct. 2017	22 Oct 2013 – 21 Oct. 2022	HKD4.210	HKD4.210
	–	13,300,000	–	200,000	13,100,000	10 Dec. 2012	10 Dec. 2019	10 Dec. 2019 – 09 Dec. 2022	HKD4.600	HKD4.600
In aggregate	**40,799,250**	**24,300,000**	**1,728,630**	**2,625,230**	**60,745,390**					
Seller of Dongguan Kewei	–	4,000,000	–	–	4,000,000	25 Jun. 2012	25 Jun. 2016	25 Jun. 2016 – 26 Jul. 2016	HKD3.240	HKD3.190
Total	**60,878,170**	**28,300,000**	**3,974,260**	**2,625,230**	**82,578,680**					

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the financial year ended 31 December 2012 as required under the Listing Rules.

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.

CLOSURE OF THE REGISTER OF MEMBERS

The Annual General Meeting ("AGM") of the Company is scheduled on Wednesday, 26 June 2013. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 June 2013 to Wednesday, 26 June 2013, 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 Service 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 21, June 2013.

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, 4 July 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 3 July 2013 to Thursday, 4 July 2013, 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 Service 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 Tuesday, 2 July 2013. It is expected that the final dividend will be paid on or around 26 July 2013.

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report of this Annual Report.

CHARITABLE DONATION

During the year, the Group made donations in cash and in form of medical products in the total amount of approximately RMB2.9 million (equivalent to HK$3.6 million).

AUDITORS

KPMG has acted as auditors of the Company for the financial year ended 31 December 2012.

KPMG shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for reappointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

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

Shanghai, China
25 March 2013

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in this annual report for the financial year ended 31 December 2012. The Company is committed to maintaining high standards of corporate governance and practices to protect the interests of the shareholders of the Company. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value. The Company adopts the principles set out in the Corporate Governance Code and embedding best governance practices throughout the organization.

CORPORATE GOVERNANCE PRACTICES

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

The Stock Exchange has revised the Corporate Governance Practices with effect from 1 April 2012 (the "**New Code Provisions**"). Throughout the year ended 31 December 2012, the Company complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices set out in the Corporate Governance Code (applicable to financial reports covering a period after 1 April 2012) and former Code on Corporate Governance Practices, with the exceptions of Code Provision A.2.1 as well as Code Provision A.6.7. as addressed below:

1. Pursuant to the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Reference is made to the announcement of the Company dated 21 September 2012. Dr. Zhaohua Chang ("**Dr. Chang**") has re-assumed the responsibility of the executive director of the Company and at the same time, Dr. Chang is appointed as the chairman of the Company, which is responsible for managing the Board and the Group's business. As the Board considers that Dr. Chang has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently, he has been re-assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the effectiveness of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

2. Paragraph A.6.7 of the New Code Provisions requires that the non-executive Directors of the Company and the independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, non-executive Director Mr. Lei Ding did not attend the Board meeting dated on 30 May 2012 and 27 August 2012 and independent non-executive Directors Dr. Guoen Liu did not attend the Board meeting dated on 27 August due to a business engagement.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the New Code Provisions and Former Code Provisions. The key corporate governance principles and practices of the Company are summarised in this report.

THE BOARD/BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic decisions and performance. The Board has delegated the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all time.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

BOARD COMPOSITION

The Board structure is governed by the Company's articles of association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

As at 31 December 2012, the Board comprises seven members, consisting of one executive Director, three non-executive Directors and three independent non-executive Directors as follows:

CORPORATE GOVERNANCE REPORT

EXECUTIVE DIRECTORS:

Dr. Zhaohua Chang *(Chairman and Chief Executive Officer)*
Ms. Yan Zhang *(President, Resigned on 20 September 2012)*
Mr. Hongbin Sun *(CFO, Resigned on 20 September 2012)*
Mr. Qiyi Luo *(CTO, Resigned on 20 September 2012)*

NON-EXECUTIVE DIRECTORS:

Mr. Norihiro Ashida
Mr. Hiroshi Shirafuji
Mr. Lei Ding

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

The list of all Directors, which also specifies the posts, e.g. of Chairman, and chairman and member of committees, held by each Director is set out under "Corporate Information" on page 3. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

In September 2012, Dr. Zhaohua Chang, the executive director and chairman of the Company, was appointed to act as and has assumed the responsibility of the chief executive officer of the Company. Ms. Yan Zhang, Mr. Hongbin Sun and Mr. Qiyi Luo have resigned as the executive directors of the Company with effect from 20 September 2012 and continue to hold office as senior management in the Company after their resignation.

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. Accordingly, each of the independent non-executive Directors of the Company is engaged on an appointment letter for a term of three year. The appointment may be terminated by 1-month written notice.

In accordance with the Company's Articles of Association, all Directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Throughout the financial year ended 31 December 2012, the Board at all-time met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. Also, the Board met the requirement of the Listing Rules in regard of independent non-executive Directors to constitute one-third of an issuer's board.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election. There are 3 Directors whose service terms will expire at the conclusion of the 2013 AGM. Pursuant to the Company's articles of association, they are all eligible for re-appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment/re-election and succession planning of directors. The summary of the membership and responsibilities of the Nomination Committee is set out in the Nomination Committee on page 56 of this annual report.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his own personal particulars that may affect his independence.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. In order to oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established three Broad Committees, namely the Audit Committee, the Remuneration Committee and Nomination Committee. The Independent non-executive Directors are invited to serve on these three committees.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

During the year of 2012, there were 2 in-house seminars conducted covering the topics of director's duties under Appendix 10 and Appendix 14 of the Listing Rules and new inside information disclosure requirements under the Listing Rules and the Securities and Futures Ordinance. All Directors attended the seminars.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

FUNCTIONS

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. The Board normally has 4 scheduled meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company.

BOARD PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Board secretary and the company secretary are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

DIRECTORS' ATTENDANCE RECORDS

During the financial year ended 31 December 2012, four regular Board meetings were held at approximately quarterly interval for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each Director at the Board meetings during the term of office as a Director, during the year ended 31 December 2012 are set out below:

Name of Director	Attendance/Number of meetings held during the term of office of the Director concerned Board
Executive Directors	
Dr. Zhaohua Chang	4/4
Ms. Yan Zhang *(Resigned on 20 September 2012)*	3/3
Mr. Hongbin Sun *(Resigned on 20 September 2012)*	3/3
Mr. Qiyi Luo *(Resigned on 20 September 2012)*	3/3
Non-Executive Directors	
Mr. Norihiro Ashida	4/4
Mr. Hiroshi Shirafuji	4/4
Mr. Lei Ding	2/4
Independent Non-Executive Directors	
Mr. Zezhao Hua	4/4
Mr. Jonathan H. Chou	4/4
Dr. Guoen Liu	3/4

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

BOARD COMMITTEES

The Board has delegated authority to 4 standing Committees with specific roles and responsibilities. The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advices and services of the company secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Board has delegated a schedule of responsibilities to the President and senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request. Aside from the aforesaid three Board committees, the Company has also established an Executive Committee to oversee the day-to-day operations of the Group.

NOMINATION COMMITTEE

The Company established a nomination committee in March 2010 with written terms of reference in compliance with the New Code Provisions and Former Code Provisions. The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive directors.

During the financial year ended 31 December 2012, the Nomination Committee held one meeting and all the members at that time attended the meeting. The members reviewed the current composition of the Board and to discuss about the Board restructure to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The members also considered suitable candidates to be CEO and Compliance Officer to the Company respectively.

In accordance with the Company's Articles of Association, Dr. Zhaohua Chang, Mr. Norihiro Ashida and Mr. Hiroshi Shirafuji shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

The Nomination Committee comprises three members namely:–

Mr. Zezhao Hua *(Chairman) (Appointed on 19 March 2012)*
Dr. Guoen Liu
Mr. Lei Ding

Majority of the members are independent non-executive Directors.

REMUNERATION COMMITTEE

The Company established a remuneration committee in March 2010 with written terms of reference in compliance with the New Code Provisions and Former Code Provisions. The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the directors and the senior management and determining the remuneration packages of all executive directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee held 1 meeting during the year ended 31 December 2012 and all the members at that time attended the meeting

The Remuneration Committee comprises three members namely:–

Dr. Guoen Liu *(Chairman) (appointed as chairman on 19 March 2012)*
Mr. Jonathan H. Chou
Dr. Zhaohua Chang *(resigned as chairman on 19 March 2012)*

Majority of the members are independent non-executive Directors.

AUDIT COMMITTEE

The Company established an audit committee in March 2010 with written terms of reference in compliance with Rules 3.21 to 3.23 of the Main Board Listing Rules, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements.

The main duties of the Audit Committee included the following:

- Review of the financial information of the Group
- Review of the relationship with and the terms of appointment of the external auditors
- Review of the Company's financial reporting system, internal control system and risk management system.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2012, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

The Audit Committee held 2 meetings during the year ended 31 December 2012 and all the members attended the meetings.

The Audit Committee comprises three members namely:–

Mr. Jonathan H. Chou *(Chairman)*
Mr. Norihiro Ashida
Mr. Zezhao Hua

Two of the members are independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

EXECUTIVE COMMITTEE

The Executive Committee comprises five members namely, Ms. Yan Zhang (chairman of the Committee), Mr. Hongbin Sun, Mr. Qiyi Luo, Mr. Kongrong Karl Pan and Mr. Bo Peng, the majority are heads or vice presidents of operational departments.

The purpose of the Executive Committee is to oversee the management of the Company relating to routine, administrative, operational and managerial matters that occur between regularly schedules meetings of the Board and shall support to and be responsible to the Board. Subject to the provisions set out in the charter of the Executive Committee, the committee basically will have and may exercise all the powers and authority granted by the Board in the management of business and affairs.

During the year under review, the Executive Committee held meetings periodically and frequently to carry out their functions.

COMPANY SECRETARY

Ms. Yee Har Susan Lo. of Tricor Services Limited, external service provider, has been engaged by the Company as the Company Secretary. Its primary contact persons at the Company are Ms. Yan Zhang. President of the Company, and Ms. Xun You, Board Secretary of the Company. The Company Secretary and the Board Secretary are responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management. During 2012, the Company Secretary undertook over 25 hours of professional training to update her skills and knowledge.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. Details of the remuneration committee and other relevant information are set out in the section of "Remuneration Committee" of this annual report.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" above.

MODEL CODE FOR 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 2012.

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.

ACCOUNTABILITY AND AUDIT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2012.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

INTERNAL CONTROLS

1. The Board is responsible for the Company's system of internal controls and is committed to managing business risks and maintaining a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets.

2. The Company's internal control system encompasses its policies, processes, tasks, and other aspects of the Company that taken together:

    a) facilitate its effective and efficient operation by allowing it to respond appropriately to significant business, operational, financial, compliance and other risks with a view of achieving business objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed;

    b) help ensure maintenance of proper accounting records for the provision of reliable financial information for internal or external reporting; and

    c) help ensure compliance with relevant legislation and regulations, and also with internal policies with respect to the conduct of business.

3. The internal control system is designed to provide reasonable, but not absolute, assurance of no material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

4. The Board, through the Audit Committee, has conducted reviews of the effectiveness of the Company's system of internal control covering all material controls, including financial, operational and compliance controls, and risk management functions. The Board, through the review of the Audit Committee, is satisfied that the Company has fully complied with the code provisions on internal controls during the year under review as set forth in the CG Code.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 62 in this annual report.

For the financial year ended 31 December 2012, the fees for audit services and non-audit services rendered by external auditor, KPMG were as follows:

Audit Services

Auditors	Fees (RMB'000)
KPMG	2,543.0

The service performed by KPMG related to the statutory audit of the Group's consolidated financial statements for the financial year ended 31 December 2012.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

To promote effective communication, the Company maintains a website at www.microport.com.cn, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write to the Company at its principal place of business in Hong Kong or China or via the Company's website for any enquiries.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available normally at the annual general meeting and other relevant shareholder meetings to answer questions at shareholder meetings.

Mr. Jonathan H. Chou, Chairman of the Audit Committee, and Dr. Guoen Liu, Chairman of the Remuneration Committee, were unable to attend the 2012 annual general meeting held on 26 June 2012 due to a business engagement. They will use their best endeavours to attend all future shareholders' meetings of the Company.

The 2013 Annual General Meeting ("AGM") will be held on 26 June 2013. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting pursuant to the Listing Rules.

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	501 Newton Road, Zhangjiang Hi-Tech Park, Shanghai 201203, The People's Republic of China (For the attention of the Board of Directors)
Fax:	(86) (21) 50801305
Email:	ir@microport.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2012.

CHANGES AFTER CLOSURE OF FINANCIAL YEAR

This report takes into account the changes that have occurred since the end of the 2012 to the date of approval of this report.

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

Shanghai, China, 25 March 2013

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of MicroPort Scientific Corporation
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of MicroPort Scientific Corporation ("the Company") and its subsidiaries (together "the Group") set out on pages 64 to 152, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012
(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2011 RMB'000
Turnover	3	**930,962**	839,849
Cost of sales		**(153,129)**	(137,268)
Gross profit		**777,833**	702,581
Other revenue	4	**54,744**	53,156
Other net income	4	**13,154**	40,671
Research and development costs		**(145,849)**	(153,035)
Distribution costs		**(172,999)**	(152,112)
Administrative expenses		**(104,600)**	(97,920)
Other operating costs		**(5,250)**	(17,912)
Profit from operations		**417,033**	375,429
Finance costs	5(a)	**(1,675)**	(1,376)
Profit before taxation	5	**415,358**	374,053
Income tax	6(a)	**(61,378)**	(53,198)
Profit for the year		**353,980**	320,855
Earnings per share	10		
Basic (RMB)		**0.25**	0.22
Diluted (RMB)		**0.25**	0.22

The notes on pages 74 to 152 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012
(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2011 RMB'000
Profit for the year		**353,980**	320,855
Other comprehensive income for the year			
Exchange differences of translation of financial statements of entities outside the PRC, net of nil tax		**(9,232)**	(62,322)
Total comprehensive income for the year		**344,748**	258,533

The notes on pages 74 to 152 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012
(Expressed in Renminbi Yuan)

	Note	**2012 RMB'000**	2011 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	*11*	**573,451**	322,113
– Land use rights	*11*	**81,642**	38,269
		655,093	360,382
Intangible assets	*12*	**149,974**	85,632
Prepayments for fixed assets		**65,404**	46,978
Goodwill	*13*	**175,492**	64,466
Deferred tax assets	*22(b)*	**15,949**	11,674
		1,061,912	569,132
Current assets			
Inventories	*15*	**92,654**	73,962
Trade and other receivables	*16*	**433,890**	286,617
Deposits with banks	*17*	**666,275**	319,279
Cash and cash equivalents	*18*	**413,149**	1,095,209
		1,605,968	1,775,067
Current liabilities			
Trade and other payables	*19*	**174,812**	141,284
Interest-bearing borrowings	*20*	**20,491**	2,476
Income tax payable	*22(a)*	**9,011**	10,059
Deferred income	*23*	**257**	114
		204,571	153,933
Net current assets		**1,401,397**	1,621,134
Total assets less current liabilities		**2,463,309**	2,190,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012
(Expressed in Renminbi Yuan)

	Note	**2012** **RMB'000**	2011 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*20*	**2,703**	3,193
Deferred income	*23*	**71,125**	46,628
Other non-current liabilities	*21*	**40,679**	–
Deferred tax liabilities	*22(b)*	**28,923**	25,290
		143,430	75,111
NET ASSETS		**2,319,879**	2,115,155
CAPITAL AND RESERVES			
Share capital	*25(c)*	**108**	109
Reserves		**2,319,771**	2,115,046
TOTAL EQUITY		**2,319,879**	2,115,155

Approved and authorised for issue by the board of directors on 25 March 2013.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 74 to 152 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2012
(Expressed in Renminbi Yuan)

	Note	**2012** **RMB'000**	2011 RMB'000
Non-current assets			
Investments in subsidiaries	*14*	**884,616**	827,561
Current assets			
Trade and other receivables	*16*	**283,925**	5,408
Deposits with banks	*17*	**330,000**	300,000
Cash and cash equivalents	*18*	**239,041**	686,154
		852,966	991,562
Current liabilities			
Trade and other payables	*19*	**27,678**	23,653
		27,678	23,653
Net current assets		**825,288**	967,909
Total assets less current liabilities		**1,709,904**	1,795,470
Non-current liabilities			
Other non-current liabilities	*21*	**40,679**	–
NET ASSETS		**1,669,225**	1,795,470

STATEMENT OF FINANCIAL POSITION

At 31 December 2012
(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2011 RMB'000
CAPITAL AND RESERVES	*25(a)*		
Share capital		**108**	109
Reserves		**1,669,117**	1,795,361
TOTAL EQUITY		**1,669,225**	1,795,470

Approved and authorised for issue by the board of directors on 25 March 2013.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 74 to 152 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 Note 25(c)(i)	Share premium RMB'000 Note 25(d)(i)	Capital redemption reserve RMB'000	Exchange reserve RMB'000 Note 25(d)(ii)	Capital reserve RMB'000 Note 25(d)(iii)	Statutory general reserve RMB'000 Note 25(d)(iv)	Retained profits RMB'000	Total 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	*25(b)(ii)*	–	–	–	–	–	–	(60,042)	(60,042)
Equity-settled share-based transactions	*24(d)*	–	–	–	–	26,695	–	–	26,695
Shares issued under the share option plans	*25(c)(iii)*	–	8,485	–	–	(3,118)	–	–	5,367
Repurchase of own shares	*25(c)(ii)*								
– 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	*24(c)*	–	–	–	–	(14,925)	–	–	(14,925)
Shares granted under share award scheme	*24(c),24(d)*	–	–	–	–	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 STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012
(Expressed in Renminbi Yuan)

	Note	Attributable to equity shareholders of the Company							
		Share capital RMB'000 Note 25(c)(i)	Share premium RMB'000 Note 25(d)(i)	Capital redemption reserve RMB'000	Exchange reserve RMB'000 Note 25(d)(ii)	Capital reserve RMB'000 Note 25(d)(iii)	Statutory general reserve RMB'000 Note 25(d)(iv)	Retained profits RMB'000	Total RMB'000
At 1 January 2012		109	1,540,920	1	(66,433)	48,582	43,935	548,041	2,115,155
Changes in equity for 2012:									
Profit for the year		–	–	–	–	–	–	353,980	353,980
Other comprehensive income		–	–	–	(9,232)	–	–	–	(9,232)
Total comprehensive income		–	–	–	(9,232)	–	–	353,980	344,748
Dividends approved in respect of the previous year	*25(b)(ii)*	–	–	–	–	–	–	(80,969)	(80,969)
Equity-settled share-based transactions	*24(d)*	–	–	–	–	16,873	–	–	16,873
Shares issued under the share option plans	*25(c)(iii)*	–	6,753	–	–	(3,127)	–	–	3,626
Repurchase of own shares	*25(c)(ii)*								
– par value paid		(1)	–	–	–	–	–	–	(1)
– premium paid		–	–	–	–	–	–	(61,393)	(61,393)
– transfer between reserves		–	–	1	–	–	–	(1)	–
Appropriation of statutory general reserve		–	–	–	–	–	35,567	(35,567)	–
Shares purchased under share award scheme	*24(c)*	–	–	–	–	(18,160)	–	–	(18,160)
At 31 December 2012		108	1,547,673	2	(75,665)	44,168	79,502	724,091	2,319,879

The notes on pages 74 to 152 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012
(Expressed in Renminbi Yuan)

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Cash generated from operations	*18(b)*	**352,250**	364,339
Tax paid:			
– PRC income tax paid		**(66,609)**	(63,999)
– Non-PRC income tax paid		**(55)**	(210)
Net cash generated from operating activities		**285,586**	300,130
Investing activities			
Payment for the purchase of fixed assets		**(294,485)**	(155,256)
Proceeds from sale of fixed assets		**219**	11
Government grant received related to fixed assets		**–**	5,307
Payment for intangible assets		**(47,827)**	(31,454)
Placement of deposits with banks with original maturities over three months		**(1,416,336)**	(520,000)
Uplift of deposits with banks with original maturities over three months		**1,068,855**	845,000
Increase in pledged deposits		**(1)**	(6)
Interest received		**21,499**	27,418
Payments for acquisition of subsidiaries		**(139,787)**	(93,274)
Net cash generated (used in)/from investing activities		**(807,863)**	77,746

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012
(Expressed in Renminbi Yuan)

	Note	**2012 RMB'000**	2011 RMB'000
Financing activities			
Repayments of loans		**(2,590)**	(50,590)
Proceeds from shares issued under the share option plans	*25(c)(iii)*	**3,626**	5,367
Interest paid		**(603)**	(779)
Dividends paid to ordinary shareholders		**(81,285)**	(59,410)
Payment for repurchase of shares		**(61,394)**	(86,577)
Payment for repurchase of shares under share award scheme		**(18,160)**	(15,425)
Net cash used in financing activities		**(160,406)**	(207,414)
Net (decrease)/increase in cash and cash equivalents		**(682,683)**	170,462
Cash and cash equivalents at 1 January		**1,095,209**	928,053
Effect of foreign exchange rate changes		**623**	(3,306)
Cash and cash equivalents at 31 December	*18(a)*	**413,149**	1,095,209

The notes on pages 74 to 152 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of MicroPort Scientific Corporation ("the Company") and its subsidiaries (hereafter collectively referred to as "the Group"). Note 1 (c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 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.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs 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:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

  The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(i)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)):

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;

– Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 5 to 10 years from the date of completion, and unexpired terms of the leases; and

– Equipment and machinery	5 to 10 years
– Office equipment, furniture and fixtures	5 to 10 years
– Motor vehicles	4 to 10 years
– Computer software	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(u)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (other than goodwill) (continued)

– Diabetes technology	17 years
– Products licences	12 to 17 years
– Trademark	35 months
– Capitalised development costs	5 years
– Customer contracts and related customer relationship	1.5 to 10 years

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets

(i) Impairment of investments in subsidiaries and trade and other receivables

Investments in subsidiaries and trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been favorable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(i) Impairment of investments in subsidiaries and trade and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– land use rights;

– prepayment for fixed assets;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset that does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(i)(i) and 1(i)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is deducted from equity attributable to the Company's equity holders. Repurchased shares held at the end of reporting period are classified as treasury shares and are presented as a decrease in the capital reserve. When treasury shares are sold or reissued subsequently, the consideration received, net of any directly attributable transaction costs, is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in capital reserve.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial tree model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the vested option expires (when it is released directly to retained profits).

Share-based payment transactions in which the company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the company's balance sheet which is eliminated on consolidation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(r)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(r)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

The Group recognises revenue when the customer takes ownership and assumes risk of loss of the goods. For sales of medical devices through appointed sales distributors, the transfer of ownership occurs at the time when the medical devices are delivered or picked up by the distributors from the Group's premises. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of the entities outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the date of the transaction. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an entity outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 12, 13, 24 and 26 contain information about the assumptions and their risk factors relating to intangible assets impairment, goodwill impairment, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the balance sheet dates to ensure inventory is shown at the lower of cost and net realisable value.

(b) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. Intangible assets are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Fair value of assets acquired and liabilities assumed in business combinations

In connection with acquisitions of subsidiaries through business combinations, the assets acquired and liabilities assumed are adjusted to their estimated fair values on the respective date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed.

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 return are only allowed under certain specific circumstances, which is determined and approved by management and within certain period of time agreed by buyer and seller.

Revenue by major category of products is as follows:

	2012	2011
	RMB'000	RMB'000
Cardiovascular devices		
– Drug eluting stents	**741,693**	729,329
– Others	**37,059**	25,217
Endovascular devices		
– TAA/AAA stent grafts	**55,359**	50,322
– Others	**12,002**	7,654
Neurovascular devices	**20,839**	17,535
Orthopedics devices	**33,142**	1,462
Diabetes and endocrinal devices	**9,746**	2,828
Electrophysiology devices	**9,703**	5,502
Surgical devices	**11,419**	–
	930,962	839,849

For the year ended 31 December 2012, the Group's customer base is diversified and includes one customer (2011: three customers) with whom transactions have exceeded 10% of the Group's revenue. In 2012, revenue from sales of cardiovascular devices, endovascular devices and neurovascular devices to this customer is RMB196,241,000 (2011: RMB353,365,000 to the three customers) and arose from China. Details of concentrations of credit risk are set out in note 26(a).

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 seven reportable segments.

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment Reporting (continued)

- Cardiovascular devices business: sales, manufacture, research and development of cardiovascular devices, such as drug eluting stents.
- Endovascular devices business: sales, manufacture, research and development of endovascular devices.
- Neurovascular devices business: sales, manufacture, research and development of neurovascular devices.
- Orthopedics devices business: sales, manufacture, research and development of orthopedics devices.
- Diabetes care and endocrinal management business: sales, manufacture, research and development of devices related to diabetes mellitus.
- Electrophysiology devices business: sales, manufacture, research and development of electrophysiology devices.
- Surgical management business: sales, manufacture, research and development of surgical devices.

Cardiovascular, endovascular and neurovascular devices business segments belonged to the vascular device business segment in 2011 and have been presented as reportable segments since 2012. Surgical management business segment mainly include the business acquired in 2012 (see note 28).

(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 and PRC dividends withholding tax are excluded from segment net profit/(loss).

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment Reporting (continued)

(i) Segment results, 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, 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.

	2012							
	Cardiovascular devices business RMB'000	Endovascular devices business RMB'000	Neurovascular devices business RMB'000	Orthopedics devices business RMB'000	Diabetes care and endocrinal business RMB'000	Electrophysiology devices business RMB'000	Surgical management business RMB'000	Total RMB'000
Revenue from external customers	778,752	67,361	20,839	33,142	9,746	9,703	11,419	930,962
Segment profit/(loss)	366,148	17,015	3,859	(9,677)	(12,027)	(17,243)	(343)	347,732
Depreciation and amortisation for the year	27,051	1,424	1,287	8,300	1,791	2,081	1,477	43,411
Income tax	57,649	2,835	764	(11)	-	-	141	61,378
Write-down of inventories	3,422	-	-	-	792	-	-	4,214
Impairment losses of non-current assets								
– Property, plant and equipment	883	-	-	-	-	-	-	883
Reportable segment assets	1,299,833	54,120	31,198	398,870	23,633	52,221	261,390	2,121,265
Additions to non-current segment assets	252,673	37,192	21,411	39,304	1,246	13,345	149,823	514,994
Reportable segment liabilities	201,018	83	156	51,810	11,503	1,574	100,131	366,275

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment Reporting (continued)

(i) Segment results, assets and liabilities (continued)

	2011							
	Cardiovascular devices business RMB'000	Endovascular devices business RMB'000	Neurovascular devices business RMB'000	Orthopedics devices business RMB'000	Diabetes care and endocrinal business RMB'000	Electrophysiology devices business RMB'000	Surgical management business RMB'000	Total RMB'000
Revenue from external customers	754,546	57,976	17,535	1,462	2,828	5,502	–	839,849
Segment profit/(loss)	339,379	16,741	6,989	(18,601)	(21,003)	(23,250)	–	300,255
Depreciation and amortisation for the year	24,298	2,578	790	4,397	2,422	2,473	–	36,958
Income tax expense	51,530	2,858	1,193	(89)	(2,294)	–	–	53,198
Write-down of inventories	11,563	–	–	–	509	–	–	12,072
Impairment losses:								
– Property, plant and equipment	1,016	–	–	–	–	–	–	1,016
– Intangible assets	–	–	–	–	8,543	–	–	8,543
– Goodwill	–	–	–	–	2,105	–	–	2,105
Reportable segment assets	1,079,409	7,527	5,072	208,382	28,006	50,217	–	1,378,613
Additions to non-current segment assets	138,444	3,254	4,241	136,158	460	2,805	–	285,362
Reportable segment liabilities	161,793	–	–	73,896	4,565	540	–	240,794

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

	2012 RMB'000	2011 RMB'000
Profit		
Reportable segment net profit	**347,732**	300,255
Equity-settled share-based payment expenses (note 24(d))	**(16,873)**	(42,120)
Unallocated exchange gain	**12,238**	44,088
Unallocated income and expenses	**10,883**	18,632
Consolidated profit for the year	**353,980**	320,855

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment Reporting (continued)

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

	2012 RMB'000	2011 RMB'000
Assets		
Reportable segment assets	**2,121,265**	1,378,613
Elimination of inter-segment receivables	**(34,000)**	(26,000)
	2,087,265	1,352,613
Unallocated corporate assets:		
– Cash and cash equivalents	**239,101**	686,218
– Deposits with banks	**330,000**	300,000
– Others	**11,514**	5,368
	580,615	991,586
Consolidated total assets	**2,667,880**	2,344,199
Liabilities		
Reportable segment liabilities	**366,275**	240,794
Elimination of inter-segment payables	**(34,000)**	(26,000)
	332,275	214,794
Deferred tax liabilities (note 22(b))	**12,865**	12,865
Unallocated corporate liabilities	**2,861**	1,385
Consolidated total liabilities	**348,001**	229,044

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment Reporting (continued)

(iii) Geographical 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 geographical location is not presented.

	2012 RMB'000	2011 RMB'000
The PRC (country of domicile)	**886,634**	781,481
Asia	**23,485**	26,788
South America	**16,785**	22,790
Europe	**3,868**	8,790
Africa	**190**	–
	44,328	58,368
	930,962	839,849

4 OTHER REVENUE AND NET INCOME

	2012 RMB'000	2011 RMB'000
Other revenue		
Government grants (note)	**23,993**	21,031
Interest income on bank deposits	**30,674**	32,117
Others	**77**	8
	54,744	53,156

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

	2012 RMB'000	2011 RMB'000
Other net income		
Net loss on disposal of property, plant and equipment	**(402)**	(118)
Net foreign exchange gain	**13,556**	40,789
	13,154	40,671

5 PROFIT BEFORE TAXATION

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

	2012 RMB'000	2011 RMB'000
(a) Finance costs		
Interest on borrowings	**1,143**	934
Others	**532**	442
	1,675	1,376
(b) Staff costs		
Contributions to defined contribution retirement plan	**36,465**	31,599
Equity-settled share-based payment expenses (note 24(d))	**16,873**	42,088
Salaries, wages and other benefits	**154,791**	148,352
	208,129	222,039

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiaries in the PRC participated in the defined contribution retirement schemes arranged by the governmental organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the employees' salaries. After the payment of the contributions under the retirement plan, the Group does not have any other obligations in this respect. Contributions to the plan vest immediately.

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

5 PROFIT BEFORE TAXATION (CONTINUED)

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

	2012 RMB'000	2011 RMB'000
(c) Other items		
Amortisation		
– land use rights (note 11)	**1,278**	792
– intangible assets (note 12)	**4,429**	1,054
	5,707	1,846
Depreciation (note 11)	**36,348**	34,760
Impairment losses:		
– property, plant and equipment (note 11)	**883**	1,016
– intangible assets (note 12)	**–**	8,543
– goodwill (note 13)	**–**	2,105
– trade and other receivables (note 16(b))	**6,728**	–
	7,611	11,664
Operating lease charges: minimum lease payments		
– hire of property and plant	**7,012**	5,161
Auditors' remuneration:		
– audit services	**2,543**	2,370
– tax services	**–**	53
	2,543	2,423
Research and development costs (other than amortisation costs of intangible assets)*	**145,849**	153,035
Cost of inventories (note 15(b))**	**186,439**	172,063

* The amount included staff costs of the research and development department of RMB69,580,000 (2011: RMB82,639,000) and depreciation of the relevant property, plant and equipment of RMB10,270,000 (2011: RMB9,626,000), which are included in the total staff cost as disclosed in note 5(b) and depreciation as disclosed in note 5(c), respectively.

** Cost of inventories includes RMB69,385,000 (2011: RMB62,414,000) relating to staff costs, depreciation and amortisation expenses, operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000
Current tax – PRC Corporate Income Tax ("CIT")		
Provision for the year	**63,293**	57,280
Under/(over) provision in respect of prior years	**2,272**	(21)
	65,565	57,259
Current tax – Other than the PRC		
Provision for the year	**5**	67
Deferred tax		
Origination and reversal of temporary differences	**(4,192)**	(4,128)
	61,378	53,198

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

MicroPort Medical B.V. ("MP B.V.") is subject to Netherlands corporate income tax which is charged at progressive rates ranging from 20% to 25% for both the year ended 31 December 2011 and 2012.

Medical Products Innovation Incorporation ("MPI") is subject to American corporate income tax which is charged at progressive rates ranging from 15% to 35% for both the year ended 31 December 2011 and 2012. MPI is also subject to the corporation franchise tax rate of 8.84% in addition to the fixed annual payment of USD800.

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at 16.5% (2011: 16.5%) of the estimated assessable profits.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(a) Taxation in the consolidated income statement represents: (continued)

Pursuant to the Corporate Income Tax Law of the People's Republic of China ("PRC"), all of the Company's PRC subsidiaries are liable to PRC corporate income tax ("CIT") at a rate of 25% except for the following entities:

Shanghai MicroPort Medical (Group) Co., Ltd. (formerly named "MicroPort Medical (Shanghai) Co., Ltd.") ("MP Shanghai") and Dongguan Kewei Medical Instrument Co., Ltd.("Dongguan Kewei") obtained the renewed certificate of "advanced and new technology enterprise" dated 17 August 2011 and 13 November 2011 respectively with an effective period of three years. 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%. The provision for PRC corporate income tax for MP Shanghai and Dongguan Kewei is calculated by applying the income tax rate of 15% (2011: 15%).

The CIT law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%. The Group's investments in the PRC subsidiaries do not meet those requirements for a preferential rate of 5%.

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

	2012 RMB'000	2011 RMB'000
Profit before taxation	**415,358**	374,053
PRC statutory income tax rate	**25%**	25%
Computed "expected" income tax expense	**103,840**	93,513
Effect of PRC preferential tax rate	**(39,476)**	(37,023)
Effect of Netherlands and United States' tax rate differential	**(5)**	(17)
Effect of entities not subject to income tax	**(5,682)**	(15,317)
Effect of non-deductible equity-settled share-based payment expenses	**4,218**	6,674
Effect of other non-deductible expenses	**2,169**	2,557
Effect of deemed taxable income (note)	**2,617**	2,457
Effect of super-deduction on research and development expenses	**(14,932)**	(7,751)
Effect of tax losses not recognised	**6,803**	8,126
Under/(over) provision in respect of prior years	**2,272**	(21)
Others	**(446)**	–
Actual income tax expense	**61,378**	53,198

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 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2012					
	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors						
Zhaohua Chang (note)	–	1,854	–	–	4,061	5,915
Yan Zhang (resigned on 20 Septebmer 2012)	–	1,325	–	42	1,204	2,571
Hongbin Sun (resigned on 20 September 2012)	–	934	–	42	1,684	2,660
Qiyi Luo (resigned on 20 September 2012)	–	1,108	–	–	835	1,943
Non-executive directors						
Norithiro Ashida	–	–	–	–	–	–
Hiroshi Shirafuji	–	–	–	–	–	–
Lei Ding	–	–	–	–	–	–
Independent non-executive directors						
Zezhao Hua	150	–	–	–	–	150
Jonathan Chou	180	–	–	–	–	180
Guoen Liu	150	–	–	–	–	150
	480	5,221	–	84	7,784	13,569

Note: RMB1,200,000 out of Zhaohua Chang's remuneration was paid to We'Tron Capital Ltd.

7 DIRECTORS' REMUNERATION (CONTINUED)

	2011					
	Directors' fees RMB'000	Salaries, allowances and benefits-in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors						
Zhaohua Chang	–	639	–	–	7,280	7,919
Yan Zhang	–	1,478	–	51	2,785	4,314
Hongbin Sun	–	1,201	1,789	51	3,604	6,645
Qiyi Luo	–	1,478	1,361	–	1,829	4,668
Non-executive directors						
Norithiro Ashida	–	–	–	–	–	–
Hiroshi Shirafuji	–	–	–	–	–	–
Lei Ding (appointed on 26 August 2011)	–	–	–	–	–	–
Xiaolong Liu (resigned on 26 August 2011)	–	–	–	–	–	–
Independent non-executive directors						
Zezhao Hua	150	–	–	–	–	150
Jonathan Chou	180	–	–	–	–	180
Guoen Liu	150	–	–	–	–	150
	480	4,796	3,150	102	15,498	24,026

During the year ended 31 December 2012, there were no amounts paid or payable by the Company to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration (2011: Nil).

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2011: four) is director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2011: one) individual are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other benefits	**5,601**	1,083
Retirement scheme contributions	**112**	51
Discretionary bonuses	**–**	1,954
Equity-settled share-based payment expenses	**5,835**	1,633
	11,548	4,721

The emoluments of the four (2011: one) individuals with the highest emoluments are within the following bands:

	2012 Number of Individuals	2011 Number of Individuals
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**2**	–
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**–**	–
HK$5,500,001 to HK$6,000,000	**–**	1

During the year ended 31 December 2012, there were no amounts paid or payable by the Company to any of the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office; and there was no arrangement under which the above highest paid individuals waived or agreed to waive any remuneration (2011: Nil).

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB23,192,000 (2011: RMB66,427,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 25(b).

10 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 RMB353,980,000 (2011: RMB320,855,000) and the weighted average of 1,414,872,000 ordinary shares (2011: 1,437,910,000 ordinary shares).

(i) Weighted average number of ordinary shares

	2012 **'000**	2011 '000
Issued ordinary shares at 1 January	**1,420,483**	1,442,023
Effect of share options exercised	**1,803**	1,155
Effect of shares repurchased	**(7,414)**	(5,268)
Weighted average number of ordinary shares at 31 December	**1,414,872**	1,437,910

(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 RMB353,980,000 (2011: RMB320,855,000) and the weighted average number of ordinary shares of 1,435,679,000 shares (2011: 1,464,056,000 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)

	2012 **Number of shares** **'000**	2011 Number of shares '000
Weighted average number of ordinary shares during the year	**1,414,872**	1,437,910
Effect of deemed issue of shares under the Company's option scheme at nil consideration	**20,807**	26,146
Weighted average number of ordinary shares during the year	**1,435,679**	1,464,056

11 FIXED ASSETS

(a) The Group

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Equipment and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Computer software RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Land use rights RMB'000	Total RMB'000
Cost:										
At 1 January 2011	95,532	31,261	117,812	20,721	11,963	11,091	28,785	317,165	38,913	356,078
Exchange adjustments	–	–	–	(14)	–	(21)	–	(35)	–	(35)
Transfer	–	1,878	2,422	25	54	–	(4,379)	–	–	–
Additions	970	4,117	23,937	3,574	2,927	2,341	80,020	117,886	–	117,886
Acquisition of subsidiaries	7,437	–	9,476	85	476	–	–	17,474	2,291	19,765
Disposals	–	–	(850)	(1,365)	–	–	–	(2,215)	–	(2,215)
At 31 December 2011	103,939	37,256	152,797	23,026	15,420	13,411	104,426	450,275	41,204	491,479
At 1 January 2012	**103,939**	**37,256**	**152,797**	**23,026**	**15,420**	**13,411**	**104,426**	**450,275**	**41,204**	**491,479**
Exchange adjustments	**–**	**–**	**–**	**1**	**–**	**5**	**–**	**6**	**–**	**6**
Transfer	**86,116**	**904**	**15,211**	**1,214**	**448**	**–**	**(136,740)**	**(32,847)**	**32,847**	**–**
Additions	**15,659**	**2,758**	**20,678**	**4,950**	**1,225**	**3,793**	**238,267**	**287,330**	**–**	**287,330**
Acquisition of subsidiaries	**8,288**	**1,748**	**5,069**	**341**	**934**	**23**	**19,660**	**36,063**	**11,804**	**47,867**
Disposals	**–**	**–**	**(1,403)**	**(482)**	**(294)**	**–**	**–**	**(2,179)**	**–**	**(2,179)**
At 31 December 2012	**214,002**	**42,666**	**192,352**	**29,050**	**17,733**	**17,232**	**225,613**	**738,648**	**85,855**	**824,503**
Accumulated depreciation and amortisation:										
At 1 January 2011	7,504	9,180	51,133	9,410	7,148	7,006	–	91,381	2,143	93,524
Exchange adjustments	–	–	–	(12)	–	(14)	–	(26)	–	(26)
Charge for the year	2,102	5,231	17,556	3,976	2,106	4,141	–	35,112	792	35,904
Written back on disposals	–	–	(779)	(1,269)	–	–	–	(2,048)	–	(2,048)
At 31 December 2011	9,606	14,411	67,910	12,105	9,254	11,133	–	124,419	2,935	127,354
At 1 January 2012	**9,606**	**14,411**	**67,910**	**12,105**	**9,254**	**11,133**	**–**	**124,419**	**2,935**	**127,354**
Exchange adjustments	**–**	**–**	**–**	**1**	**–**	**5**	**–**	**6**	**–**	**6**
Charge for the year	**3,974**	**6,215**	**19,842**	**3,282**	**1,914**	**2,477**		**37,704**	**1,278**	**38,982**
Written back on disposals	**–**	**–**	**(596)**	**(434)**	**(279)**	**–**	**–**	**(1,309)**	**–**	**(1,309)**
At 31 December 2012	**13,580**	**20,626**	**87,156**	**14,954**	**10,889**	**13,615**	**–**	**160,820**	**4,213**	**165,033**

11 FIXED ASSETS (CONTINUED)

(a) The Group (continued)

For the year ended 31 December 2012, depreciation charge of RMB1,356,000 (2011: RMB352,000) has been included in the capitalised development cost in intangible assets. Amortisation of land use right of RMB1,278,000 (2011: RMB792,000) and depreciation charge of RMB 36,348,000 (2011: RMB34,760,000) has been included in the consolidated income statements for the year ended 31 December 2012.

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Equipment and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Computer software RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Land use rights RMB'000	Total RMB'000
Impairment:										
At 1 January 2011	–	–	2,570	69	126	–	–	2,765	–	2,765
Charge for the year	–	–	1,016	–	–	–	–	1,016	–	1,016
Written back on disposals	–	–	(27)	(11)	–	–	–	(38)	–	(38)
At 31 December 2011	–	–	3,559	58	126	–	–	3,743	–	3,743
At 1 January 2012	**-**	**-**	**3,559**	**58**	**126**	**-**	**-**	**3,743**	**-**	**3,743**
Charge for the year	**-**	**-**	**883**	**-**	**-**	**-**	**-**	**883**	**-**	**883**
Written back on disposals	**-**	**-**	**(245)**	**(4)**	**-**	**-**	**-**	**(249)**	**-**	**(249)**
At 31 December 2012	**-**	**-**	**4,197**	**54**	**126**	**-**	**-**	**4,377**	**-**	**4,377**
Net book value:										
At 31 December 2012	**200,422**	**22,040**	**100,999**	**14,042**	**6,718**	**3,617**	**225,613**	**573,451**	**81,642**	**655,093**
At 31 December 2011	94,333	22,845	81,328	10,863	6,040	2,278	104,426	322,113	38,269	360,382

11 FIXED ASSETS (CONTINUED)

(b) The analysis of net book value of properties is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
In the PRC		
– medium-term leases	**282,064**	132,602
Representing:		
Buildings held for own use, carried at cost	**200,422**	94,333
Land use rights	**81,642**	38,269
	282,064	132,602

(c) As at 31 December 2012, buildings held for own use with net book value of RMB30,752,000 (2011: RMB9,880,000) have been pledged as security for a short term loan (see note 20(a)).

As at 31 December 2012, buildings held for own use with net book value of RMB25,607,000 (2011: RMB26,396,000) have been pledged as security for a long term loan (see note 20(b)).

12 INTANGIBLE ASSETS

The Group

	Diabetes technology RMB'000	Products licences RMB'000	Trademark RMB'000	Capitalised development costs RMB'000	Customer contracts and related customer relationship RMB'000	Total RMB'000
Cost:						
At 1 January 2011	8,128	2,630	300	10,166	–	21,224
Acquisition of subsidiaries	–	34,692	–	–	9,279	43,971
Additions through internal development	–	–	–	31,804	–	31,804
At 31 December 2011	8,128	37,322	300	41,970	9,279	96,999
At 1 January 2012	8,128	37,322	300	41,970	9,279	96,999
Acquisition of subsidiaries	–	19,524	–	–	7,518	27,042
Additions through internal development	–	–	–	41,729	–	41,729
At 31 December 2012	8,128	56,846	300	83,699	16,797	165,770
Accumulated amortisation:						
At 1 January 2011	1,195	387	188	–	–	1,770
Charge for the year	478	396	103	–	77	1,054
At 31 December 2011	1,673	783	291	–	77	2,824
At 1 January 2012	1,673	783	291	–	77	2,824
Charge for the year	–	3,211	9	–	1,209	4,429
At 31 December 2012	1,673	3,994	300	–	1,286	7,253
Impairment:						
At 1 January 2011	–	–	–	–	–	–
Charge for the year	6,455	2,088	–	–	–	8,543
At 31 December 2011	6,455	2,088	–	–	–	8,543
At 1 January 2012	6,455	2,088	–	–	–	8,543
Charge for the year	–	–	–	–	–	–
At 31 December 2012	6,455	2,088	–	–	–	8,543
Net book value:						
At 31 December 2012	–	50,764	–	83,699	15,511	149,974
At 31 December 2011	–	34,451	9	41,970	9,202	85,632

12 INTANGIBLE ASSETS (CONTINUED)

Capitalised development cost primarily related to cardiovascular, electrophysiology and neurovascular devices business segments.

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement. Development costs will commence amortisation when the development stage of the related products is completed and the products are available for sale.

13 GOODWILL

The Group

	RMB'000
Cost:	
At 1 January 2011	2,105
Additions	64,466
At 31 December 2011 and 1 January 2012	66,571
Additions	111,026
At 31 December 2012	177,597
Accumulated impairment losses:	
At 1 January 2011	–
Impairment loss	2,105
At 31 December 2011 and 1 January 2012	2,105
Impairment loss	–
At 31 December 2012	2,105
Carrying amount:	
At 31 December 2012	175,492
At 31 December 2011	64,466

On 29 November 2011, the Group completed an acquisition of 100% equity interest in Suzhou Best Medical Instruments Co., Ltd. ("Suzhou Best"). Goodwill of RMB64,466,000 was recognised at the date of acquisition in prior year's financial statements. Pursuant to an agreement dated 15 January 2012, the Group agreed to make an incremental payment of RMB2,000,000 to a former shareholder of Suzhou Best, which is considered as an additional consideration for the acquisition and has been recognised as an adjustment to the goodwill previously recognised for the acquisition.

13 GOODWILL (CONTINUED)

Impairment tests for cash-generating unit containing goodwill

Except for the goodwill associated with the acquisition completed in 2012 (see note 28), goodwill is allocated to the Group's cash-generation units ("CGU") identified according to place of operations and reportable segment as follows:

	2012 **RMB'000**	2011 RMB'000
Unallocated goodwill	**109,026**	–
Orthopedics devices business	**66,466**	64,466
	175,492	64,466

As at 31 December 2012, the recoverable amount of the CGU of orthopedics devices business is determined based on value-in-use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and growth rate. The Group prepares the cash flow forecasts derived from the 5-year financial budgets. Cash flows beyond the five-year period are extrapolates using an estimated weighted average growth rates in sales of 5% (2011: 4.5%) and a discount rate of 18% (2011: 18%).

As at 31 December 2012, the initial allocation of goodwill of RMB109,026,000 (2011: nil) had not been completed as they are related to business combinations effected during the year ended 31 December 2012 and the fair values of net identifiable assets acquired are only determined provisionally (see note 28).

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 **RMB'000**	2011 RMB'000
Unlisted shares, at cost	**884,616**	827,561

(Expressed in Renminbi Yuan unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

Name of company	Place and date of incorporation/ establishment/ acquisition	Issued, fully paid up and registered capital	Attributable equity interest Direct %	Indirect %	Principal activity
MP Shanghai (上海微創醫療器械(集團)有限公司，原名"微創醫療器械(上海)有限公司")*	The PRC, 15 May 1998	USD50,000,000	85.6	14.4	Manufacturing, distribution, research and development of medical devices
Shanghai MicroPort Lifesciences Co., Ltd. ("MP Lifesciences Shanghai") 上海微創生命科技有限公司)*	The PRC, 28 April 2008	RMB58,000,000	–	100	Manufacturing, distribution, research and development of medical devices
MicroPort Lifesciences (Beijing) Co., Ltd. (微創(北京)生命醫學科技有限公司)*	The PRC, acquired on 2 June 2008	RMB3,000,000	–	100	Manufacturing, distribution, research and development of medical devices
Shanghai MicroPort Orthopedics Co., Ltd. ("MP Orthopedics") (上海微創骨科醫療科技有限公司)*	The PRC, 18 May 2009	RMB195,000,000	–	100	Manufacturing, distribution, research and development of orthopedics devices
Shanghai MicroPort EP MedTech Co., Ltd. (上海微創電生理醫療科技有限公司)*	The PRC, 31 August 2010	RMB45,000,000	–	100	Distribution, research and development of electrophysiology devices
Suzhou Health Medical Appliance Co., Ltd. ("Suzhou Health") (蘇州海歐斯醫療器械有限公司)*	The PRC, acquired on 29 November 2011	RMB30,827,703	–	100	Manufacturing distribution, research and development of orthopedics devices

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place and date of incorporation/ establishment/ acquisition	Issued, fully paid up and registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activity
MicroPort Orthopedics (Suzhou) Co., Ltd. (微創骨科醫療科技(蘇州)有限公司)*	The PRC, 30 March 2012	USD30,500,000	–	100	Distribution, research and development of orthopedics devices
MicroPort Endovascular (Shanghai) Co., Ltd. (微創心脈醫療科技(上海)有限公司)*	The PRC, 17 August 2012	RMB45,000,000	–	100	Distribution, research and development of endovascular devices
Dongguan Kewei (東莞科威醫療器械有限公司)*	The PRC, acquired on 20 September 2012	RMB45,000,000	–	100	Manufacturing, distribution, research and development of surgical devices
D-pulse Medical (Beijing) Co., Ltd. ("D-pulse") (龍脈醫療器械(北京)有限公司)*	The PRC, acquired on 5 November 2012	USD2,000,000	–	100	Manufacturing, distribution, research and development of cardiovascular devices

* The English translation of the entities' names are for reference only. The official names of these entities are in Chinese.

15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group 2012 RMB'000	The Group 2011 RMB'000
Raw materials	**40,101**	31,196
Work in progress	**15,374**	13,587
Finished goods	**37,179**	29,179
	92,654	73,962

15 INVENTORIES (CONTINUED)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Carrying amount of inventories sold	**148,915**	125,196
Write-down of inventories	**4,214**	12,072
Cost of inventories sold	**153,129**	137,268
Cost of inventories directly recognised as research and development costs and distribution costs	**33,310**	34,795
	186,439	172,063

All inventories are expected to be recovered within one year.

16 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors:				
– third party customers	**405,025**	268,189	**–**	–
– related parties (note 29(b))	**5,962**	6,747	**–**	–
	410,987	274,936	**–**	–
Less: Allowance for doubtful debts	**(7,925)**	(2,336)	**–**	–
	403,062	272,600	**–**	–
Other debtors	**20,793**	7,021	**11,500**	5,368
Amounts due from subsidiaries	**–**	–	**272,425**	40
Loans and receivables	**423,855**	279,621	**283,925**	5,408
Deposits and prepayments	**10,035**	6,996	**–**	–
	433,890	286,617	**283,925**	5,408

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

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

(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	
	2012	2011
	RMB'000	RMB'000
Current	**353,313**	255,387
Less than 1 month past due	**6,910**	14,207
1 to 3 months past due	**10,357**	351
More than 3 months past due	**32,482**	2,655
Amounts past due	**49,749**	17,213
	403,062	272,600

Trade receivables are due within 30 to 180 days from the date of billing. Further details of the Group's credit policy are set out in note 26(a).

(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 (see note 1(i)(i)).

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

	The Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**2,336**	2,523
Impairment loss recognised	**6,728**	–
Uncollectible amounts written off	**(1,139)**	(187)
At 31 December	**7,925**	2,336

The Group's trade debtors of RMB7,925,000 (2011: RMB2,336,000) were individually determined to be impaired as at 31 December 2012. 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.

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**353,313**	255,387
Less than 1 month past due	**6,910**	14,207
1 to 3 months past due	**10,357**	351
More than 3 months past due	**32,482**	2,655
	49,749	17,213
	403,062	272,600

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 16(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that 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 been no history of default and the balances are considered recoverable. The Group does not hold any collateral over these balances.

17 DEPOSITS WITH BANKS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with original maturities over three months	**661,995**	315,000	**330,000**	300,000
Pledged deposits	**4,280**	4,279	**–**	–
	666,275	319,279	**330,000**	300,000

Included in pledged deposits at 31 December 2012, RMB652,000 (2011: RMB651,000) was pledged as security for the long term loan from Shanghai Municipal Financial Administration ("SMFA") (note 20(b)). The remaining pledged deposits of RMB3,628,000 (2011: RMB3,628,000) are pledged for other bank facilities in the PRC.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**413,149**	1,095,209	**239,041**	686,154

As at 31 December 2012, cash and cash equivalents of the Group held in banks and financial institutions in the PRC amounted to RMB335,568,000 (2011: RMB466,534,000). The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2012**	2011
		RMB'000	RMB'000
Profit before taxation		**415,358**	374,053
Adjustments for:			
Amortisation of land use rights	*5(c)*	**1,278**	792
Amortisation of intangible assets	*5(c)*	**4,429**	1,054
Depreciation	*5(c)*	**36,348**	34,760
Impairment loss on property, plant and equipment	*5(c)*	**883**	1,016
Impairment loss on intangible assets	*5(c)*	**–**	8,543
Impairment loss on goodwill	*5(c)*	**–**	2,105
Finance costs	*5(a)*	**1,143**	934
Interest income	*4*	**(30,674)**	(32,117)
Loss on sale of property, plant and equipment	*4*	**402**	118
Equity-settled share-based payment expenses		**16,873**	42,620
Changes in working capital:			
(Increase)/decrease in inventories		**(3,124)**	17,203
Increase in trade and other receivables		**(90,773)**	(70,997)
Decrease in trade and other payables		**(4,896)**	(36,365)
Increase in deferred income		**5,003**	20,620
Cash generated from operations		**352,250**	364,339

19 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**58,083**	39,478	**–**	–
Other payables and accrued charges	**113,612**	98,355	**2,316**	524
Amounts due to subsidiaries	**–**	–	**24,817**	22,268
Dividends payable to ordinary shareholders	**545**	861	**545**	861
	172,240	138,694	**27,678**	23,653
Advances received	**2,572**	2,590	**–**	–
	174,812	141,284	**27,678**	23,653

All of the above balances are expected to be settled within one year.

An ageing analysis of the trade and other payables based on invoice date is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Within 1 month	**47,320**	32,009
Over 1 month but within 3 months	**2,846**	6,583
Over 3 months but within 6 months	**1,032**	886
Over 6 months but within 1 year	**6,885**	–
	58,083	39,478

20 INTEREST-BEARING BORROWINGS

As at 31 December 2012, the interest-bearing borrowings were repayable as follows:

	Note	**The Group** 2012 RMB'000	2011 RMB'000
Within 1 year			
– secured bank loans	*(a)*	**20,000**	2,000
– long-term loan (current portion)	*(b)*	**491**	476
		20,491	2,476
After 1 year but within 2 years	*(b)*	**506**	491
After 2 years but within 5 years	*(b)*	**1,615**	1,566
After 5 years	*(b)*	**582**	1,136
		2,703	3,193
		23,194	5,669

20 INTEREST-BEARING BORROWINGS (CONTINUED)

(a) Bank loans

The Group's secured bank loans as at 31 December 2012 are borrowed by Dongguan Kewei, a subsidiary acquired in 2012 (see note 28). The loans carry annual fixed interest rates ranging from 6.31% to 7.11%, are guaranteed by an individual unrelated party and secured by fixed assets with total net book values of RMB30,752,000.

The Group's secured bank loan as at 31 December 2011 was borrowed by Suzhou Health, a subsidiary acquired in 2011. The loan carried annual fixed interest rate of 6.63% and was secured by fixed assets with total net book values of RMB9,880,000.

(b) Loan from SMFA

On 9 September 2003, MP Shanghai entered into a 15 year long-term loan agreement with SMFA (the "SMFA loan"). The SMFA loan bears a variable interest rate which is determined based on the annual deposit rate as quoted by The People's Bank of China on each 29 September plus 0.3 percent. Interest is paid annually. The actual interest paid during the year ended 31 December 2012 amounted to RMB105,570 (2011: RMB117,000).

The loan is guaranteed by China Construction Bank, and is payable in 11 instalments of RMB590,000 on each 30 September commencing from 2008, with a four-year concession period. The last instalment is due on 31 August 2018.

The SMFA loan is secured by (i) the Group's buildings held for own use with net book value of RMB25,607,000 at 31 December 2012 (2011: RMB26,396,000) (see note 11(c)); and (ii) the Group's deposits with banks of RMB652,000 at 31 December 2012 (2011: RMB651,000) (see note 17).

The SMFA loan was initially recorded at fair value with reference to the borrowing rates available for bank loans with similar terms and maturities. The SMFA loan is being accreted to face value over the period of the loan using the effective interest method according to the accounting policy as set out in note 1(l). The difference between the fair value and the face value is regarded as government grant received by the Group, which is initially recognised as deferred income and subsequently recognised in profit or loss over the SMFA loan period, using the effective interest method.

The fair value of the SMFA loan at initial recognition amounted to RMB4,809,000. Besides the actual interest paid, additional interest expense of RMB114,000 (2011: RMB128,000) and related government grant income of RMB114,000 (2011: RMB128,000) were recognised in the consolidated income statement for the year ended 31 December 2012.

21 OTHER NON-CURRENT LIABILITIES

Pursuant to the contractual agreements (the "Agreements") relating to the acquisition of Dongguan Kewei (see note 28), the Group granted 4,000,000 share options (see note 24(b)(i)) to a seller of Dongguan Kewei (the "Seller"). The options vest on the fourth anniversary of the options grant date as defined in the Agreements (the "Grant Date").

Under the Agreements, the Seller is obligated to exercise the share options in its entirety with a total exercise payment of RMB10,595,000 (the "Exercise Payment") and to sell all the shares obtained from the exercise of these share options within 22 trading days commencing from the fourth anniversary of the Grant Date through an agent jointly designated by the Group and the Seller (the "Mandatory Share Sale"). If the proceeds from the Mandatory Share Sale less the Exercise Payment (the "Option Realisable Value") be lower than RMB48,915,600 (the "Specified Amount"), the Group should make an additional payment to the Seller in cash, being the difference between the Option Realisable Value and the Specified Amount and such payment will be no higher than the Specified Amount. If the Option Realisable Value exceed the Specified Amount, the Seller should pay such excess amounts to the Group in cash.

Upon the completion of this acquisition, a non-current liability of RMB 40,182,000, being the present value of the Specified Amount on that date using a discount rate of 5.04%, has been recognised. During the year ended 31 December 2012, an interest of RMB 497,000 has been accreted to the non-current liability with a corresponding amount included in the consolidated income statements.

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Provision for PRC CIT for the year	**65,565**	57,301	**–**	–
Provisional tax paid	**(56,588)**	(47,259)	**–**	–
	8,977	10,042	**–**	–
Tax (recoverable)/payable by the subsidiary outside of the PRC	**(12)**	38	**–**	–
	8,965	10,080	**–**	–
Balance of profits Tax provision relating to prior years	**46**	(21)	**–**	–
	9,011	10,059	**–**	–

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax (assets)/liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowance For doubtful debts RMB'000	Provision for inventories RMB'000	Withholding tax on retained profits of a PRC subsidiary RMB'000	Fair value adjustments in respect of net assets acquired in business combinations RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:						
At 1 January 2011	(384)	(1,180)	12,865	2,294	(8,364)	5,231
Acquisition of subsidiaries	–	–	–	12,513	–	12,513
Credited profit or loss	(34)	(851)	–	(2,382)	(861)	(4,128)
At 31 December 2011	(418)	(2,031)	12,865	12,425	(9,225)	13,616
At 1 January 2012	**(418)**	**(2,031)**	**12,865**	**12,425**	**(9,225)**	**13,616**
Acquisition of subsidiaries	**(758)**	**–**	**–**	**4,592**	**(284)**	**3,550**
Credited profit or loss	**(691)**	**(84)**	**–**	**(959)**	**(2,458)**	**(4,192)**
At 31 December 2012	**(1,867)**	**(2,115)**	**12,865**	**16,058**	**(11,967)**	**12,974**

22 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax (assets)/liabilities recognised: (continued)

Reconciliation to the statement of financial position

	The Group		The Company	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Net deferred tax assets recognised in the statement of financial position	**(15,949)**	(11,674)	**–**	–
Net deferred tax liabilities recognised in the statement of financial position	**28,923**	25,290	**–**	–
	12,974	13,616	**–**	–

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(q), the Group did not recognise deferred tax assets in respect of tax losses attributable to certain subsidiaries of RMB101,893,000 at 31 December 2012 (2011: RMB62,323,000), as the directors consider that it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Majority of the tax losses were incurred by PRC subsidiaries and will expire in five years after they are incurred. At 31 December 2012, tax losses of RMB4,414,000, RMB7,322,000, RMB25,417,000, RMB34,927,000 and RMB 29,813,000 will expire on 31 December 2013, 2014, 2015, 2016 and 2017 respectively.

(d) Deferred tax liabilities not recognised

As at 31 December 2012, no deferred tax liability was recognised in respect of the temporary differences relating to the undistributed profits of a PRC subsidiary amounting to RMB864,687,000 (2011: RMB544,580,000), as the Group controls the dividend policy of this subsidiary and has determined that such profits will not be distributed in the foreseeable future.

23 DEFERRED INCOME

The movements of deferred income are as follows:

The Group

	Government subsidies for research and development projects (Note) RMB'000	**Government grant through low-interest loans** RMB'000	**Total** RMB'000
At 1 January 2011	20,219	597	20,816
Additions during the year	26,815	–	26,815
Government grant recognised as other revenue	(761)	(128)	(889)
At 31 December 2011	46,273	469	46,742
At 1 January 2012	**46,273**	**469**	**46,742**
Additions during the year	**33,503**	**–**	**33,503**
Government grant recognised as other revenue	**(8,749)**	**(114)**	**(8,863)**
At 31 December 2012	**71,027**	**355**	**71,382**

	2012 **RMB'000**	2011 RMB'000
Represented by:		
Current portion	**257**	114
Non-current portion	**71,125**	46,628
	71,382	46,742

Note: Since the time of completion for every project varies with actual circumstances, it is not practicable to determine the current portion of the deferred income derived from these projects reliably. Thus, the entire balance is treated as non-current deferred income.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 3 September 2010, the Company approved a 10-for-1 share split (the "Share Split") of the Company's ordinary shares conditional on the completion of IPO. The 10-for-1 split also applies to the Company's share option plans. Accordingly, the number of share options and exercise price information presented below in respect of the share option plans have been adjusted retrospectively to reflect the 10-for-1 share split effect as if the Share Split had occurred at the beginning of the years presented.

(a) The 2004 share option plan

On 20 February 2004, MicroPort Medical (Cayman) Corporation ("MP Cayman"), the intermediate holding company of MP Shanghai prior to the reorganisation completed on 31 December 2006 (the "Reorganisation"), adopted in a stock option plan (the "2004 Option Plan") pursuant to which MP Cayman may grant up to 102,610,300 share options to the employees, executives and external consultants of MP Shanghai.

During 2004 and 2005, MP Cayman granted a total of 102,610,300 share options to the executives, employees and external consultants at the exercise prices ranging from nil to HK$0.11057 and US$0.038 (equivalent to RMB0.314). An aggregate of 88,692,450 share options were vested and exercised during 2006. The grantees became the shareholders of MP Cayman and later became the shareholders of the Company upon the completion of the Reorganisation when the ordinary shares of MP Cayman were exchanged for the Company's ordinary shares on a one-for-one basis.

On 10 January 2007 (the "modification date"), the Company agreed to assume the obligation of all outstanding and unvested share options of MP Cayman under the 2004 Option Plan. Each of the 13,917,850 outstanding share options of MP Cayman was converted into one share option of the Company with same terms and conditions. The assumption of share options was considered as a modification to the 2004 Option Plan (the "2004 Modified Plan"). As the terms of these share options remained unchanged, the modification did not result in any incremental value in respect of the fair value of the share options.

(Expressed in Renminbi Yuan unless otherwise indicated)

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(a) The 2004 share option plan (continued)

(i) The terms and conditions of the grants of the 2004 Modified Plan are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted to certain executives, external consultants and employees	10,097,600	Vested immediately on grant date	10 years
Options granted to two executives (Note)	3,820,250	Vested one to two years from the modification date	8 years and 9 months
Total share options granted	13,917,850		

Note: These share options were either exercised or forfeited during 2007 and 2008.

(ii) The number and weighted average exercise price of the share options under the 2004 Modified Plan are as follows:

	2012 Weighted average exercise price RMB	**2012** Number of options	2011 Weighted average exercise price RMB	2011 Number of options
Outstanding at the beginning of the year	**0.13**	**9,397,600**	0.13	10,097,600
Exercised during the year	**0.15**	**(2,245,630)**	0.21	(700,000)
Outstanding at the end of the year	**0.10**	**7,151,970**	0.13	9,397,600
Exercisable at the end of the year	**0.10**	**7,151,970**	0.13	9,397,600

All the above share options outstanding are exercisable one year after the consummation of an IPO of the Company.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The 2006 and 2010 share option plans

On 26 August 2006, the Company adopted a share incentive plan (the "2006 Option Plan"), pursuant to which the board of directors may authorise, at their discretion, the issuance of share options to the executives, employees and external consultants of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company.

On 3 September 2010, the Company adopted a share option scheme (the "2010 Option Plan"), pursuant to which the board of directors may authorise, at their discretion, the issuance of share options to the directors, employees or business associates of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(i) The terms, conditions and fair values of the grants are as follows:

	Number of options	Fair value RMB'000	Weighted average fair value per share option RMB	Weighted average exercise price RMB (Note)
Options granted to executives and directors on:				
2 March 2007	36,353,620	41,372	1.14	1.49
2 April 2007	1,450,000	1,180	0.81	2.13
14 June 2007	500,000	234	0.47	2.34
25 June 2008	3,700,000	2,273	0.61	2.09
1 December 2008	4,200,000	4,020	0.96	2.10
21 October 2009	6,000,000	8,238	1.37	2.09
9 July 2010	28,648,730	53,101	1.85	2.08
9 August 2010	5,000,000	10,882	2.18	2.07
7 September 2012	500,000	466	0.93	2.72
22 October 2012	500,000	533	1.07	3.43
	86,852,350	122,299		

The above share options are vested in instalments over an explicit vesting period of four to five years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options granted to executives and directors is 10 years.

Note: The weighted average exercise price for each of the grants on 14 June 2007, 25 June 2008 and 1 December 2008 has been adjusted to reflect the change of exercise price approved on 9 March 2010 (note 24(b)(iii)). The weighted average exercise prices in respect of these grants before the change of exercise price were RMB3.24, RMB2.90 and RMB2.91 respectively.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The 2006 and 2010 share option plans (continued)

(i) The terms, conditions and fair values of the grants are as follows: (continued)

	Number of options	Fair value	Weighted average fair value per share option	Weighted average exercise price
		RMB'000	RMB	RMB
Options granted to employees on:				
23 April 2007	7,500,000	6,115	0.82	2.13
6 February 2009	250,000	232	0.93	2.91
8 July 2010	1,230,940	2,462	2.00	2.08
17 October 2011	500,000	863	1.73	3.92
1 November 2011	750,000	1,171	1.56	3.64
28 August 2012	10,000,000	8,584	0.86	2.74
10 December 2012	13,300,000	14,811	1.11	3.73
	33,530,940	34,238		

The above share options were granted to 591 employees and are vested in instalments over an explicit vesting period of four to seven years. The vesting schedule of each employee is different and is determined based on the date of employment. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options is ranged from 6 to 10 years.

	Number of options	Fair value	Weighted average fair value per share option	Weighted average exercise price
		RMB'000	RMB	RMB (Note)
Options granted to consultants on:				
17 May 2007	1,500,000	747	0.50	2.35
14 June 2007	500,000	255	0.51	2.34
	2,000,000	1,002		

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The 2006 and 2010 share option plans (continued)

(i) The terms, conditions and fair values of the grants are as follows: (continued)

The above share options are vested in instalments over an explicit vesting period of four to five years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of options granted to consultants is 10 years. The options granted on 14 June 2007 are exercisable upon conclusion of an IPO of the Company's shares.

Note: The weighted average exercise price for each of the grants on 17 May 2007 and 14 June 2007 has been adjusted to reflect the change in exercise price approved on 9 March 2010 (note 24(b)(iii)). The weighted average exercise prices in respect of these grants before the change of exercise price were RMB3.26 and RMB3.24 respectively.

	Number of options	Fair value RMB'000	Weighted average fair value per share option RMB	Weighted average exercise price RMB
Options granted under a business combination (see note 28):				
25 June 2012	4,000,000	2,598	0.65	2.64
Total options granted	126,383,290	160,137		

As described in note 21 and note 28, the Group granted 4,000,000 shares options to the former shareholder of Dongguan Kewei on 25 June 2012. The options are vested on the fourth anniversary of the date of acquisition. The contractual life of options granted is 4.08 years.

(Expressed in Renminbi Yuan unless otherwise indicated)

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The 2006 and 2010 share option plans (continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2012 Weighted average exercise price RMB	2012 Number of options	2011 Weighted average exercise price RMB	2011 Number of options
Outstanding at the beginning of the year	**1.95**	**51,480,570**	1.62	56,124,020
Granted during the year	**3.20**	**28,300,000**	3.75	1,250,000
Exercised during the year	**1.89**	**(1,728,630)**	1.91	(2,759,520)
Forfeited during the year	**1.96**	**(2,625,230)**	1.96	(3,133,930)
Outstanding at the end of the year (note)	**2.42**	**75,426,710**	1.95	51,480,570
Exercisable at the end of the year (note)	**1.91**	**27,967,334**	1.88	19,972,670

Note: The weighted average exercise prices for options outstanding and exercisable at 31 December 2012 have been adjusted to reflect the change of exercise price approved on 9 March 2010 (note 24(b)(iii)).

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from March 2013 through December 2022. As at 31 December 2012, the weighted average remaining contractual life for the share options granted under the 2006 and 2010 share option plans was 7.66 years (2011: 7.60 years).

(iii) Modification of the 2006 Option Plan-change of exercise price

On 9 March 2010, the Board approved a modification to the 2006 Option Plan, to reduce the exercise price from USD0.425 to USD0.3062 for the share options granted on 17 May 2007, 14 June 2007, 25 July 2008 and 1 December 2008. The reduction of exercise prices of the above share options resulted in an incremental fair value of RMB2,160,000 at the modification date. The incremental fair value is being recognised as equity-settled share-based payment expenses over the remaining vesting period.

(Expressed in Renminbi Yuan unless otherwise indicated)

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The 2006 and 2010 share option plans (continued)

(iv) Fair value of share options and assumptions

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial tree model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

Fair value of share options and assumptions	2012	2011
Fair value at measurement dates	**HK$1.05 to HK$1.37**	HK$1.59 to HK$2.38
Share price	**HK$3.33 to HK$4.60**	HK$4.47 to HK$4.79
Exercise price	**HK$3.33 to HK$4.60**	HK$4.47 to HK$4.79
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial tree model)	**43.11% to 45.26%**	49.55% to 49.73%
Option life	**10 years**	10 years
Suboptimal exercise factor	**1.5 to 1.8**	1.5
Expected dividend yield	**1.36%**	1.25%
Average risk-free interest rate	**0.34% to 0.95%**	1.39% to 1.43%
Forfeiture rate	**7.64%**	0%

The expected volatility is determined by reference to the average implied volatility of comparable companies that manufacture similar products as the Group.

Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materiality affect the fair value estimate.

In respect of share options granted during 2011 and 2012, no service condition has been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with these share options.

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(c) Share award scheme

In 2011, the Board approved a share award scheme, pursuant to which, the Company may grants shares of the Company to executives at nil consideration. The Company purchased 4,808,000 of its own shares at cash considerations of RMB14,925,000 in 2011 and granted 4,808,000 shares to the Group's executives on 26 December 2011. During the year ended 31 December 2012, the Company purchased 6,299,619 of its own shares at cash consideration of RMB18,160,000 for the purpose of this share award scheme. Included in the number of shares repurchases in 2012 was 451,619 shares repurchased at a consideration of RMB1,405,000 from an executive of the Group who was granted for those shares in 2011. No share was granted under this share award scheme in 2012.

The share purchases under this share award scheme are reflected as a decrease in the capital reserve of the Company. When shares are granted to the Group's executives, fair values of the executive services received in exchange for the grant of shares are measured based on the grant date share price of the Company and are recognised as staff costs in the consolidated income statement with a corresponding increase in capital reserve.

(d) Equity-settled share-based payment expenses (net of the impact of reversals resulting from the forfeiture of unvested options) recognised in the consolidated income statement during the current and prior years:

	2012 **RMB'000**	2011 RMB'000
Research and development costs	**8,009**	17,665
Distribution costs	**4,974**	9,019
Administrative expenses	**3,890**	12,309
Cost of sales	**–**	1,678
Other operating expenses	**–**	1,449
	16,873	42,120
Represented by:		
Staff costs (note 5(b))	**16,873**	42,088
Cost of employing consultants	**–**	32
	16,873	42,120

Except for the 4,000,000 shares granted in respect of a business combination (see not 28) under the 2010 Option Plan, the other share options granted under the 2004 Modified Plan, the 2006 Option Plan, the 2010 Option Plan and the share award scheme were all granted to executives, employees and external consultants of the Group. Accordingly, the compensation expense was reflected as equity-settled share-based payment expenses with a corresponding increase in the capital reserve of the Company.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000 Note 25(c)(i)	Share premium RMB'000 Note 25(d)(i)	Capital redemption reserve RMB'000	Exchange reserve RMB'000 Note 25(d)(ii)	Capital reserve RMB'000 Note 25(d)(iii)	Retained profits RMB'000	Total RMB'000
At 1 January 2011		110	1,532,435	–	(6,305)	24,505	353,588	1,904,333
Changes in equity for 2011:								
Profit for the year		–	–	–	–	–	66,427	66,427
Other comprehensive income		–	–	–	(61,233)	–	–	(61,233)
Total comprehensive income		–	–	–	(61,233)	–	66,427	5,194
Dividends approved in respect of the previous year	*25(b)(ii)*	–	–	–	–	–	(60,042)	(60,042)
Equity-settled share-based transactions	*24(d)*	–	–	–	–	26,695	–	26,695
Shares issued under the share option plans	*25(c)(iii)*	–	8,485	–	–	(3,118)	–	5,367
Purchase of own shares	*25(c)(ii)*							
– par value paid		(1)	–	–	–	–	–	(1)
– premium paid		–	–	–	–	–	(86,576)	(86,576)
– transfer between reserves		–	–	1	–	–	(1)	–
Shares purchased under share award scheme	*24(c)*	–	–	–	–	(14,925)	–	(14,925)
Shares granted under share award scheme	*24(c)*	–	–	–	–	15,425	–	15,425
At 31 December 2011		109	1,540,920	1	(67,538)	48,582	273,396	1,795,470

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

	Note	Share capital RMB'000 Note 25(c)(i)	Share premium RMB'000 Note 25(d)(i)	Capital redemption reserve RMB'000	Exchange reserve RMB'000 Note 25(d)(ii)	Capital reserve RMB'000 Note 25(d)(iii)	Retained profits RMB'000	Total RMB'000
At 1 January 2012		**109**	**1,540,920**	**1**	**(67,538)**	**48,582**	**273,396**	**1,795,470**
Changes in equity for 2012:								
Profit for the year		–	–	–	–	–	23,192	23,192
Other comprehensive income		–	–	–	(9,413)	–	–	(9,413)
Total comprehensive income		–	–	–	(9,413)	–	23,192	13,779
Dividends approved in respect of the previous year	*25(b)(ii)*	–	–	–	–	–	(80,969)	(80,969)
Equity-settled share-based transactions	*24(d)*	–	–	–	–	16,873	–	16,873
Shares issued under the share option plans	*25(c)(iii)*	–	6,753	–	–	(3,127)	–	3,626
Purchase of own shares	*25(c)(ii)*							
– par value paid		(1)	–	–	–	–	–	(1)
– premium paid		–	–	–	–	–	(61,393)	(61,393)
– transfer between reserves		–	–	1	–	–	(1)	–
Shares purchased under share award scheme	*24(c)*	–	–	–	–	(18,160)	–	(18,160)
At 31 December 2012		**108**	**1,547,673**	**2**	**(76,951)**	**44,168**	**154,225**	**1,669,225**

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2012 **RMB'000**	2011 RMB'000
Final dividend proposed after the end of the reporting period HK$8 cents (equivalent to RMB6 cents) per ordinary share (2011: HK$7 cents (equivalent to RMB6 cents) per ordinary share)	**91,246**	80,969

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

	2012 **RMB'000**	2011 RMB'000
Dividends in respect of the previous financial year, approved during the year, of HK$7 cents (equivalent to RMB6 cents) per share (2011: HK$5 cents (equivalent to RMB4 cents) per share)	**80,969**	60,042

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

(i) Ordinary shares

	2012		2011	
	No. of shares '000	**Amounts RMB'000**	No. of shares '000	Amounts RMB'000
Authorised:				
Ordinary shares of USD0.00001 each	**4,987,702**	**397**	4,987,702	397
Ordinary shares, issued and fully paid:				
At 1 January	**1,420,483**	**109**	1,442,023	110
Shares issued under share option schemes (note 25(c)(iii))	**3,974**	**–**	3,460	–
Repurchase of shares (note 25(c)(ii))	**(17,727)**	**(1)**	(25,000)	(1)
At 31 December	**1,406,730**	**108**	1,420,483	109

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(ii) Purchase of own shares

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong as follows:

Month/year	No. of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Aggregate considerations paid RMB'000
September 2012#	1,772,000	3.15	2.74	5,376
October 2012#	4,502,000	3.48	3.16	15,084
November 2012#	9,543,000	3.73	3.30	33,670
December 2012#	1,910,000	3.77	3.72	7,264
				61,394
March 2012 (see note 24(c))	713,000	2.87	2.84	2,040
April 2012 (see note 24(c))	4,130,000	2.92	2.84	11,803
May 2012 (see note 24(c))	1,005,000	2.90	2.84	2,912
July 2012 (see note 24(c))	451,619	3.11	3.11	1,405
				18,160
				79,554

These repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of RMB1,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB61,393,000 was charged to retained profits.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iii) Shares issued under the share option plans

Shares issued under the share option schemes during the year are summarised as follows:

	No. of share options exercised	Consideration RMB'000	Credited to/(transferred from) Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000
Options exercised in:					
March 2011	17,500	31	–	45	(14)
April 2011	298,950	538	–	782	(244)
May 2011	164,530	294	–	428	(134)
June 2011	66,610	119	–	173	(54)
July 2011	209,840	398	–	699	(301)
August 2011	373,490	726	–	1,303	(577)
September 2011	1,467,440	2,328	–	3,457	(1,129)
October 2011	155,000	34	–	52	(18)
November 2011	692,760	876	–	1,512	(636)
December 2011	13,400	23	–	34	(11)
For the year ended 31 December 2011	3,459,520	5,367	–	8,485	(3,118)
January 2012	**375,690**	**531**	**–**	**1,026**	**(495)**
February 2012	**431,830**	**117**	**–**	**188**	**(71)**
March 2012	**100,000**	**16**	**–**	**26**	**(10)**
May 2012	**60,270**	**108**	**–**	**177**	**(69)**
June 2012	**67,850**	**118**	**–**	**173**	**(55)**
July 2012	**989,490**	**1,559**	**–**	**3,001**	**(1,442)**
August 2012	**226,100**	**45**	**–**	**72**	**(27)**
September 2012	**806,660**	**218**	**–**	**338**	**(120)**
October 2012	**22,650**	**36**	**–**	**71**	**(35)**
November 2012	**841,170**	**782**	**–**	**1,546**	**(764)**
December 2012	**52,550**	**96**	**–**	**135**	**(39)**
For the year ended 31 December 2012	**3,974,260**	**3,626**	**–**	**6,753**	**(3,127)**

(Expressed in Renminbi Yuan unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(iv) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price RMB	2012 Number of options	2011 Number of options
24 September 2011 to 19 February 2014	0.06 to 0.19	**7,151,970**	9,397,600
26 April 2007 to 24 January 2017	0.98 to 2.13	**2,605,610**	3,268,340
23 September 2008 to 22 September 2017	2.34	**500,000**	500,000
25 July 2009 to 24 July 2018	2.09	**1,900,000**	1,925,000
23 June 2009 to 31 December 2018	2.10	**1,700,000**	1,700,000
9 October 2010 to 20 October 2019	2.09	**6,000,000**	6,000,000
9 July 2011 to 8 July 2020	2.08	**23,648,730**	26,523,730
9 August 2011 to 8 August 2020	2.07	**4,790,000**	5,000,000
23 April 2007 to 1 March 2013	2.13	**2,206,370**	2,549,000
6 February 2010 to 5 February 2015	2.91	**250,000**	250,000
8 July 2011 to 7 July 2020	2.08	**976,000**	1,014,500
16 May 2008 to 30 June 2017	2.35	**1,000,000**	1,000,000
24 September 2011 to 23 September 2020	2.34	**500,000**	500,000
17 October 2012 to 16 October 2021	3.92	**500,000**	500,000
1 November 2012 to 31 October 2021	3.64	**750,000**	750,000
28 August 2019 to 27 August 2022	2.74	**10,000,000**	–
6 September 2013 to 6 September 2022	2.72	**500,000**	–
25 June 2016 to 26 July 2016	2.64	**4,000,000**	–
22 October 2013 to 21 October 2022	3.43	**500,000**	–
10 December 2019 to 9 October 2022	3.73	**13,100,000**	–
		82,578,680	60,878,170

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 24 to the financial statements.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

(iii) Capital reserve

Capital reserve represents the fair value of the actual or estimated number of unexercised share options granted to executives, employees and external consultants of the Group in accordance with the accounting policy adopted for share-based payments in note 1(p)(ii).

In addition, the capital reserve also includes the consideration paid for the purchase of the Company's shares net of the fair value of shares granted to the Group's executives under the share award scheme (see note 24(c)).

(iv) Statutory general reserve

In accordance with the relevant PRC accounting rules and regulations, the PRC subsidiaries of the Company are required to make appropriation of its retained profits to statutory general reserve at the rate of 10% of its net profit each year, until the reserve balance reaches 50% of its paid up capital. The transfer to this reserve must be made before distribution of dividend to equity owners. The statutory reserve fund can be utilised to offset prior year's losses or converted into paid up capital.

(e) Distributability of reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company, was RMB1,701,898,000 (2011: RMB1,814,316,000). After the end of the reporting period the directors proposed a final dividend of HK$8 cents per ordinary share (2011: HK$7 cents per share), amounting to RMB91,246,000 (2011: RMB80,969,000) (note 25(b)). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

25 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

The Group defines "capital" as including all components of equity and long-term loans (including the current portion), less unaccrued proposed dividends. On this basis, the amount of capital employed at 31 December 2012 was RMB2,231,827,000 (2011: RMB2,037,855,000).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group requires certain customers to pay 50% deposits upfront and the remaining trade receivables are mainly due within 30-180 days from the date of billing. Debtors with balances past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 26% (2011: 28%) and 54% (2011: 62%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure each subsidiary maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

(i) The Group

	2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Loans	**21,045**	**650**	**1,861**	**600**	**24,156**	**23,194**
Trade and other payables	**174,812**	**–**	**–**	**–**	**174,812**	**174,812**
Other non-current liabilities	**–**	**–**	**48,916**	**–**	**48,916**	**40,679**
	195,857	**650**	**50,777**	**600**	**247,884**	**238,685**

	2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Loans	2,645	590	1,770	1,190	6,195	5,669
Trade and other payables	141,284	–	–	–	141,284	141,284
	143,929	590	1,770	1,190	147,479	146,953

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

(ii) The Company

	2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables	**27,678**	**–**	**–**	**–**	**27,678**	**27,678**
Other non-current liabilities	**–**	**–**	**48,916**	**–**	**48,916**	**40,679**
	27,678	**–**	**48,916**	**–**	**76,594**	**68,357**

	2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables	23,653	–	–	–	23,653	23,653

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash at banks, deposits with banks and loans. Loans at variable rates and cash at banks expose the Group to cash flow interest rate risk. Deposits with banks and loans issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's total loans and deposits at the end of the reporting period:

	2012		2011	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Net fixed rate instruments:				
Deposits with banks	**3.31%**	**675,995**	3.05%	315,000
Bank loans	**6.66%**	**(20,000)**	6.63%	(2,000)
		655,995		313,000
Net variable rate instruments:				
Cash at banks	**0.35%**	**399,149**	0.50%	1,095,194
Deposits with banks	**0.35%**	**4,280**	0.50%	4,279
SMFA loan (see note 20)	**6.62%**	**(3,193)**	6.57%	(3,669)
		400,236		1,095,804
Net fixed rate instruments as a percentage of total net instruments		**62.1%**		22.2%

(ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year and retained profits by approximately RMB1,919,000 (2011: RMB10,479,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2011.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily from (i) sales and purchases which give rise to receivables, payables that are denominated in a foreign currency (mainly United States dollars ("US$") and; (ii) IPO proceeds received by the Company were in Hong Kong dollars and were mostly exchanged into RMB or US$. The Company has adopted US$ as its functional currency, thus the fluctuation of exchange rates between RMB and US$ exposes the Company to currency risk.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of entities outside the PRC into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in RMB)			
	2012		2011	
	US$	**RMB**	US$	RMB
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**10,560**	**11,888**	13,737	5,133
Cash and cash equivalents	**6,677**	**218,707**	218,846	670,928
Deposits with banks	**153,995**	**330,000**	–	300,000
Trade and other payables	**(4,285)**	**(1,200)**	(1,302)	(35)
Amounts due from/(to) group companies	**–**	**(18,046)**	–	(18,046)
Amounts due from related parties	**5,962**	**–**	6,747	–
Other non-current liabilities	**–**	**(40,679)**	–	–
Net exposure arising from recognised assets and liabilities	**172,909**	**500,670**	238,028	957,980

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(i) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies	
	2012	2011
	RMB'000	RMB'000
Trade and other receivables	**11,888**	5,133
Cash and cash equivalents	**218,674**	670,928
Deposits with banks	**330,000**	300,000
Trade and other payables	**(1,200)**	(35)
Amounts due from/(to) group companies	**50,059**	(18,046)
Other non-current liabilities	**(40,679)**	–
Net exposure arising from recognised assets and liabilities	**568,742**	957,980

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
US$ (against RMB)	**3%**	**5,120**	3%	6,070
	(3)%	**(5,120)**	(3)%	(6,070)
RMB (against US$)	**3%**	**15,020**	3%	28,739
	(3)%	**(15,020)**	(3)%	(28,739)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of entities outside the PRC into the Group's presentation currency. The analysis has been performed on the same basis for 2011.

(e) Fair values

The three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures* are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

All financial instruments which carried at cost or amortised cost are at amounts not materially different from their fair values at 31 December 2012 and 2011.

27 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2012 not provided for in the financial statements are as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Contracted for	**162,467**	90,160
Authorised but not contracted for	**314,591**	–
	477,058	90,160

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Within 1 year	**5,572**	3,735
After 1 year but within 5 years	**7,529**	3,417
	13,101	7,152

The Group leases a number of properties and plants under operating leases. The leases typically run for an initial period of one to five years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals as at 31 December 2012 and 2011.

28 ACQUISITION OF SUBSIDIARIES

On 20 September 2012, the Group acquired 100% equity interest in Dongguan Kewei at a total consideration of RMB148,182,000. The total consideration consists of RMB108,000,000 in cash and fair value of RMB40,182,000 for a written options granted to the seller of Dongguan Kewei (see note 21), which is payable by a number of instalments. Dongguan Kewei is principally engaged in research and development, manufacturing and sales of cardiac surgery device oxygenators in extra-corporal circulation and occluders for minimally invasive intervention devices for structural heart diseases.

On 5 November 2012, the Group acquired 100% equity interest in Winning Forward Ltd. and its subsidiary (collectively, "Winning Forward") at a total cash consideration of RMB33,650,000. Winning Forward is principally engaged in manufacturing and sales of cardiovascular accessory devices.

Taking control of the above acquired business will enable the Group to get into the production process of the surgical devices and cardiovascular accessory devices and selling those products through the existing sales network of the Group. The above acquisitions will facilitate the Group expanding into the surgical devices and cardiovascular accessory devices business sectors, and achieve synergies by leveraging the Group's existing sales network.

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Details of the provisional fair value of net identified assets acquired are as follows:

	Provisional fair value of net identifiable assets acquired as at the acquisition date		
	Dongguan Kewei RMB'000	**Winning Forward RMB'000**	**Total RMB'000**
Property, plant and equipment	**32,955**	**3,108**	**36,063**
Intangible assets	**24,936**	**2,106**	**27,042**
Cash and cash equivalents	**7,545**	**318**	**7,863**
Trade and other receivables	**43,160**	**403**	**43,563**
Inventories	**12,965**	**2,603**	**15,568**
Land use rights	**11,804**	**–**	**11,804**
Deferred tax assets	**1,042**	**–**	**1,042**
Short-term loan	**(20,000)**	**–**	**(20,000)**
Trade and other payables	**(19,905)**	**(5,845)**	**(25,750)**
Income tax payables	**(46)**	**–**	**(46)**
Deferred income	**(19,751)**	**–**	**(19,751)**
Deferred tax liability	**(4,065)**	**(527)**	**(4,592)**
Net identifiable assets and liabilities	**70,640**	**2,166**	**72,806**
Goodwill	**77,542**	**31,484**	**109,026**
Fair value of considerations	**148,182**	**33,650**	**181,832**
Cash considerations made in 2012	**96,000**	**33,650**	**129,650**
Cash considerations to be made in 2013	**12,000**	**–**	**12,000**
Present value of the considerations payable in 2016 (see note 21)	**40,182**	**–**	**40,182**
	148,182	**33,650**	**181,832**
Net cash outflow arising from the acquisitions in 2012	**(88,455)**	**(33,332)**	**(121,787)**

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

The fair values are determined provisionally based on information available up to the date of this report. The directors are in the process of finalising the valuation of the net identifiable assets acquired. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

For the period from 20 September 2012 to 31 December 2012, Dongguan Kewei contributed revenue of RMB11,419,000 and profit of RMB195,000 to the Group's results. For the period from 5 November 2012 to 31 December 2012, Winning Forward contributed revenue of RMB399,000 and loss of RMB514,000 to the Group's results. Had the acquisitions of Dongguan Kewei and Winning Forward occurred on 1 January 2012, management estimates that consolidated revenue would have been RMB974,578,000 and consolidated profit for the year would have been RMB351,401,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries and other benefits	**9,219**	8,760
Discretionary bonuses	**–**	6,237
Retirement scheme contributions	**169**	152
Equity-settled share-based payment expenses	**10,769**	21,027
	20,157	36,176

Total remuneration was included in staff costs (note 5(b)).

29 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Sales to related parties

For the year ended 31 December 2012 and 2011, the Group has entered into sales transactions with the following related parties:

Name of party	**Relationship**
JIMRO Co., Ltd ("JIMRO")	Subsidiary of Otsuka Pharmaceutical, a shareholder of the Company
Thai Otsuka Pharmaceutical Co., Ltd ("Thai Otsuka")	Subsidiary of Otsuka Pharmaceutical
Otsuka (Philippines) Pharmaceutical, Inc ("Otsuka Philippines")	Subsidiary of Otsuka Pharmaceutical
P.T. Otsuka Indonesia ("Otsuka Indonesia")	Subsidiary of Otsuka Pharmaceutical
Otsuka Pakistan Ltd ("Otsuka Pakistan")	Subsidiary of Otsuka Pharmaceutical

Particulars of the Group's sales transactions with these parties are as follows:

	2012 **RMB'000**	2011 RMB'000
Sales to:		
JIMRO	**2,363**	3,032
Thai Otsuka	**6,261**	9,281
Otsuka Philippines	**6,492**	5,148
Otsuka Indonesia	**5,030**	5,006
Otsuka Pakistan	**3,182**	4,194
	23,328	26,661

29 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Sales to related parties (continued)

The selling prices of the above transactions are determined with reference to amounts charged by the Group to third parties.

	The Group	
	2012	2011
	RMB'000	RMB'000
Trade receivables from:		
JIMRO	**750**	1,375
Thai Otsuka	**1,275**	1,575
Otsuka Philippines	**964**	1,182
Otsuka Indonesia	**1,870**	1,337
Otsuka Pakistan	**1,103**	1,278
	5,962	6,747

Amounts due from related parties are unsecured, interest free and expected to be recovered within one year.

(c) Acquisition of properties from related parties

During the year ended 31 December 2012, the Group entered into agreements to acquire three properties from companies related to Shanghai Zhangjiang (Group) Co., Ltd., a substantial shareholder of the Group, at a total cash consideration of RMB56,602,000. The consideration had been fully paid by the Group as at 31 December 2012. The transfer of the legal title for one of these acquired properties was still incomplete as at 31 December 2012. Accordingly, the payment of RMB14,994,000 made by the Group relating to that property was recorded as prepayment in the Group's consolidated statement of financial position as at 31 December 2012.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Reports of the directors.

(Expressed in Renminbi Yuan unless otherwise indicated)

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2012, the directors consider the immediate parent and ultimate controlling party of the Group to be Otsuka Pharmaceutical and Otsuka Holdings Co., Ltd., which are both incorporated in Japan. Otsuka Holdings Co., Ltd. produces financial statements available for public use and Otsuka Pharmaceutical does not.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of HKFRS 10 is not expected to change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the group's existing policies or vice versa.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013 financial statements.

MicroPort

MicroPort Scientific Corporation