INTERIM REPORT 2015

MicroPort Scientific Corporation
微創醫療科學有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code：00853)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

Mr. Norihiro Ashida
Mr. Hiroshi Shirafuji
Ms. Weiwei Chen

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Yee Har Susan Lo

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)*
Ms. Weiwei Chen
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")

1601 Zhangdong Road
Zhangjiang Hi-Tech Park
Shanghai 201203
The PRC

PLACE OF BUSINESS IN HONG KONG

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

KPMG, *Certified Public Accountants*

COMPLIANCE ADVISOR

TC Capital Asia Limited

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.microport.com.cn

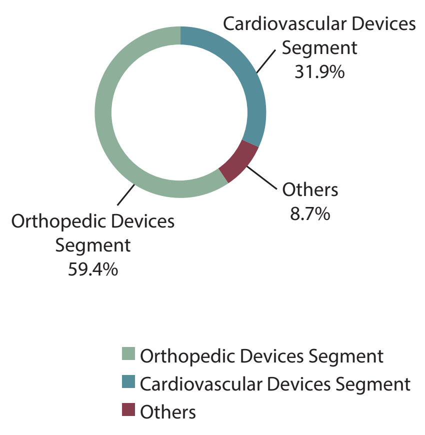
PRINCIPAL BANKERS

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

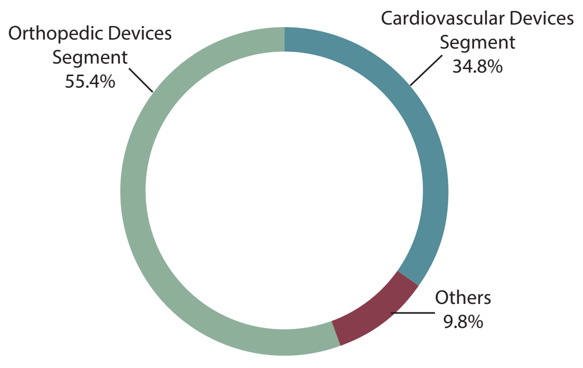
FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015 US$'000 (unaudited)	2014 US$'000 (unaudited)	Change %
Revenue	191,245	183,795	4.1%
Gross Profit	128,341	128,597	(0.2%)
Loss for the period	(2,587)	(9,943)	(74.0%)
Loss per share –			
Basic (in cents)	(0.21)	(0.71)	(70.4%)
Diluted (in cents)	(0.21)	(0.75)	(72.0%)

Revenue by Business Segment
For The Six Months Ended 30 June 2014



Revenue by Business Segment
For The Six Months Ended 30 June 2015



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

OVERVIEW

MicroPort Scientific Corporation (stock code: 00853) ("the Company", "MicroPort", together with its subsidiaries, the "Group") is a leading medical technology company focusing on innovation, manufacturing and marketing high-end medical devices globally. With a diversified product portfolio now being used in thousands of major hospitals in over 60 countries, the Company maintains world-wide operations in a broad range of business segments including orthopedics, cardiovascular, endovascular, neurovascular, electrophysiology ("EP"), surgical, diabetes care and endocrinal management. The Company is dedicated to becoming a patient-oriented global enterprise that improves and reshapes patients lives through the application of innovative science and technology.

During the six months ended 30 June 2015 ("the reporting period"), the Company, faced with increasing competition in the global medical devices market, continued to commit to improving on operating efficiencies, integrating resources, advancing research and development ("R&D") projects, optimizing sales channels and capturing opportunities in new markets. We realized a remarkable increase of revenue in most of our business segments, especially in the cardiovascular devices, endovascular devices, neurovascular devices, EP devices and orthopedics devices segments in China.

For the six months ended 30 June 2015, the Group achieved revenue of approximately US$191.2 million, representing a growth rate of 4.1% as compared to the corresponding period in 2014. It is recorded that our revenue in local currency terms increased by 7.4% which was offset by the exchange difference impact of 3.3% resulted from the translation of local currency revenues into US$, the Group's reporting currency. Such local currency revenue increase was primarily attributable to the increase of revenue in business segments including cardiovascular devices business, endovascular devices business, neurovascular devices business, EP devices business and orthopedics devices business in China. The loss for the reporting period decreased from approximately US$9.9 million for the six months ended 30 June 2014 to US$2.6 million, representing a 74.0% decrease as compared with the corresponding period in 2014. The improvement on the net loss was mainly attributed to our continuing focus on growing revenue, controlling manufacturing and operating costs to be in line with the revenue and improving operating efficiencies especially for our global orthopedics business.

ORTHOPEDICS BUSINESS

1. Focused on Increasing Operating Efficiencies

During the second year post-acquisition of the OrthoRecon business from Wright Medical Group Inc. (NASDAQ:WMGI) ("Wright Medical"), we continued to focus on growing revenue of MicroPort Orthopedics Inc. ("MicroPort Orthopedics") and controlling manufacturing and operating costs to be in line with revenue. In the six months ended 30 June 2015, our manufacturing team continued to achieve improvements in cost of sales. These improvements were driven primarily from scrap reduction and labor savings. In conjunction with significant improvements in overtime and manufacturing efficiency, these combined initiatives have yielded US$3.7 million of savings as compared to the corresponding period of 2014.

Our production efficiency has improved significantly in the first half of 2015 and many operational improvement initiatives have begun to impact the manufacturing costs positively. As a result of these initiatives, we expect our gross profit margin will start to improve in early 2016.

Improvements in manufacturing forecasting, the optimization of field inventory and the reduction of "slow-moving" inventory has resulted in a gross inventory reduction of US$0.6 million (US$109.9 million as at 31 December 2014 versus US$109.3 million as at 30 June 2015). The inventory reductions did not affect our service levels with no missed surgeries in the first half of 2015.

The focus for the first half of 2015 included cost control on all discretionary spending, as well as fixed expenses such as headcount. The downsizing impacted all areas of the business, including sales, general and administrative, manufacturing and executive management. Operating expenses have decreased 9% as compared to the first half of 2014.

We will continue to look for opportunities to increase operating efficiencies for the rest of 2015 as we move closer to a profitable business.

2. Establishment of Global Instrument Souring Center ("GISC")

In January 2015, the Company launched the GISC initiative to manage surgical instrumentation used in the implantation of our products. The GISC undertook the task of centralized purchasing of surgical instrumentation for the business divisions of joints, spine and trauma, as well as logistics and de-consolidation of the instrumentation. The GISC includes six functional departments covering global purchase, collaborative planning, customer orders delivery, projects engineering, quality control and laws and regulations, and logistics and warehousing. As of 30 June 2015, the six major functions of GISC have been launched and have had close cooperation with the corresponding departments of MicroPort Orthopedics. GISC has begun to build strategic cooperative relations with numerous Asia-based orthopedics instrumentation suppliers. Some orthopedics instrumentation and consumptive materials have already been put into mass production for supply of our orthopedics branches in America and Europe. For the six months ended 30 June 2015, GISC has already saved over US$1 million for instrumentation purchase.

The GISC strategy is designed to tightly connect the sales and marketing department, external suppliers, internal production bases and distributors of our orthopedics business into an integrated supply chain. Through the collaborative operation and overall arrangement of information flow, capital flow, work flow and logistics, GISC aims to provide high-end, high performance surgical instrumentations to our surgeons and customers at low cost, so as to realize a win-win situation for the Company and our business partners.

MAINTAINED OUR LEADING POSITION IN THE CHINA CARDIOVASCULAR DEVICES MARKET

During the six months ended 30 June 2015, we successfully maintained our leading position in the China interventional cardiology market. Although emerging manufacturers have made the competition in the China market extremely fierce, the Company has been able to demonstrate its leadership in this market with our high quality products and over 16 years of experience in the cardiovascular devices market. In total during the reporting period, we had sold approximately 123,500 coronary stents and 11,000 balloon catheters, representing 21% and 34% growth, respectively, as compared to the corresponding period in 2014. Our high-quality product offering, mainly attributed by our Firebird2™ Rapamycin-Eluting CoCr Coronary Stent ("Firebird2"), has enabled us to maintain the leading market position in the China cardiovascular devices market. During the six months ended 30 June 2015, there were in total 119,000 sets of Firebird2 delivered, representing a 19% growth comparing with that of the same period in 2014. Our third generation internally developed drug eluting stent ("DES") product – Firehawk Rapamycin Target Eluting Stent ("Firehawk") also showed good market performance. As of 30 June 2015, about 4,500 sets of Firehawk were sold in over 110 hospitals in 20 provinces in China, representing 122% growth as compared with that in the corresponding period in 2014. On 23 January 2015, Firehawk received the CE mark approval, which provides the preconditions for the Company to penetrate the European DES market with the sale of Firehawk in the European Economic Area. We believe that this milestone will further propel the Group towards becoming a global medical devices provider.

LAUNCH OF CHINA'S FIRST DOMESTIC PACEMAKER PRODUCTION LINE

On 29 June 2015, our joint venture with Sorin Group, MicroPort Sorin CRM (Shanghai) Co. ("MSC") launched China's first domestic cardiac pacemaker production line with international advanced standards. This milestone is significant because it means that China can now manufacture pacemaker devices on par with international standards and marks the day that the China cardiac pacemaker market will no longer be solely reliant on multi-national device manufacturers. By introducing a world-class pacemaker production line and advanced technologies, MSC aims to develop and produce pacemaker technologies and products with independent intellectual property rights, in order to revolutionize China's pacemaker industry from "Made-in-China" to "Innovated-in-China" with domestic cardiovascular experts and research institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

PROMOTED PRODUCTS THROUGH MEDICAL EDUCATION

Medical education plays a key role in the promotion of our products.

For MicroPort Orthopedics, the strategy of stabilizing and growing the US market includes promoting our key product strategies related to our Fast Forward Hip Solutions (SuperPath®) and Patient Preference knee platform built around our Medial Pivot knee offering (Evolution®). We educate and train our surgeon customers on our products through three primary venues: didactic events, cadaver labs, and surgeon-to-surgeon observations. During the first half of 2015, we trained 35 surgeons on SuperPath® and 14 surgeons on Evolution® in the United States.

In China, we train orthopedic surgeons on our orthopedics products by holding exclusive meetings and attending important seminars in the field at the provincial and national level. As of 30 June 2015, we held eight exclusive meetings and attended eight seminars at the provincial or national level in China which in total covered over 2,000 surgeons. Through these events, we detailed the features and advantages of our Advance® and Evolution® medial pivot knee system and SuperPath® Micro-Posterior approach, which helped to promote the above products in the China orthopedic market and improved MicroPort Orthopedics' brand image as well.

For our endovascular business, we also enhanced the training experience of our Aegis™ all-in-one bifurcated stent graft system and its delivering system by increasing the number of our professional sales representatives. In addition, increasingly more cardiac surgeons are proficient with CRONUS™ Stent Graft System in Surgical Operation ("CRONUS™") after training, which ensured the 100% market share of CRONUS™ in thoracic surgery for aortic dissection in China.

For our international interventional cardiology business, we also continued our strong presence in international industry conferences. We participated in CIT, EuroPCR and SOLACI during the reporting period where the Company hosted several scientific symposium presentations with world renowned interventional cardiologists as our keynote speakers for our Firehawk program. For endovascular business, we attended the CICE conference in Sao Paulo, Brazil. For EP business, we participated in the EHRA-EuroPace congress in Milan, Italy and EP LIVE Latinoamerica in Bogota, Colombia. We will continue to participate in the world's leading clinical education conferences for medical devices to promote and commercialize our products.

PROGRESS OF NEW PRODUCTS

As an R&D-driven enterprise, the Group has always attached great importance on having a steady R&D pipeline of new products to drive revenue growth. During this reporting period, we have achieved great progress in launching several new products for our businesses.

MicroPort Orthopedics successfully launched the EVOLUTION® Revision Adaptive CS Stemmed Femur in June 2015 and the PRESERVE Classic Hip Stem in July 2015. Additionally, the EVOLUTION® Revision Tibia project reached a milestone with the completion of the validation lab by the global design team in June 2015. New projects initiated during the first half of 2015 include a new global acetabular cup system and an anterior approach based total hip instrument system slated for the first quarter of 2016 launch. For the international markets, the PROPHECY Gap Balancing system is expected for Europe in September 2015, while the Japan G26 bipolar hip cup is tentatively planned for the first quarter of 2016.

For our endovascular business, our Castor Branched Aortic Stent Graft System ("Castor") is in-house developed and the world's first branched stent graft system designed for an entirely endovascular treatment of thoracic dissection encroaching the left subclavian artery or the original tear located within 15mm distal to the left subclavian artery. As of 30 June 2015, we have finished the pre-market clinical implantation and collected the 12-month follow-up data representing 11 domestic medical centers in China. The clinical data demonstrated safety and efficacy of Castor for the treatment of thoracic dissections. We plan to submit the application materials to China Food and Drug Administration (the "CFDA") in order to receive registration certificate for product approval.

We also completed the enrollment of a pre-market clinical trial for our first-generation Reewarm18 Peripheral Balloon Dilation Catheter ("Reewarm18") to prove its safety and efficacy for the China market. Reewarm18 is designed to treat peripheral vascular stenoses and occlusions in certain arteries (femoral artery, superficial femoral artery, popliteal artery, infrapopliteal artery). The market launch of Reewarm18 is expected to further enrich our peripheral vascular product line.

For our surgical management business, on 15 May 2015, our VSD occluder was awarded certification by the CFDA. So far, all of the three categories of occluder products (ASD/PDA/VSD) has been approved to be launched in China market, which provided more opportunities for developing market of our occluder products.

PROGRESS IN RESEARCH AND DEVELOPMENT PROJECTS

In the first half of 2015, we were able to advance and achieve critical milestones in some of our key R&D projects in the Company.

For our interventional cardiology business, we completed animal studies for our biodegradable DES. The formal report on a six-month animal experiment of biodegradable DES testified the high security of the product, and showed that the degradation of the biodegradable DES in animal experiment was consistent with the degradation profile in vitro experiment. Based on the success of the animal experiments, we have submitted the application to the CFDA to initiate a clinical trial for the product and expect to start the First in Man clinical trial in the second half of 2015. In addition, our application of innovative medical devices for the biodegradable DES was accepted by the CFDA.

As of 30 June 2015, we have completed eight cases in feasibility clinical trials for our Transcatheter Aortic Valve Implantation ("TAVI") device, with good clinical outcomes as evidenced by good clinical follow-up results.

Lastly, we also had several great breakthroughs in some key technologies for our surgical robot project.

DEVELOPMENT OF INTERNATIONAL INTERVENTIONAL BUSINESS

For the six months ended 30 June 2015, we achieved a growth rate of 8% in international interventional revenue as compared to the corresponding period in the prior year. The primary reason for this growth was led by the growth in the international interventional cardiology business which grew 14% over the corresponding period in 2014. This was primarily due to the launch of the Firehawk DES in several international countries in South America and Asia Pacific countries. International endovascular revenue also grew 8% over the corresponding period in 2014 driven primarily by an increase in Hercules™ T stent graft sales.

In January 2015, Firehawk received CE Mark approval from the European Notified Body. To support the commercial activities in Europe after receiving the CE Mark, we have begun activities during this six months ended 30 June 2015 to conduct and execute our TARGET All-Comers European post-market approval clinical study for Firehawk. This randomized post-market approval clinical trial will consist of approximately 1,600 patients, including approximately 20 investigator sites in 10 to 12 European countries. We expect to enroll the first patient for this European TARGET AC trial by the end of 2015.

As of 30 June 2015, the five international countries that commenced Firehawk sales include Chile, Peru, Dominican Republic, Thailand and the Philippines. In addition, we have obtained local country registration approval for Firehawk DES in three additional international countries (Indonesia, Singapore and Malaysia) during this six months period and will begin to recognize Firehawk sales in these territories imminently.

In total, the Company received 11 new product approvals in various countries including the following: two product approvals in the Philippines (Firehawk, Foxtrot NC); two in Indonesia (Firehawk, D-Pulse); one in Singapore (Firehawk); two in Argentina (Waltz, HD); and four in Peru (Tango, Hercules B, Cronus, Hercules T).

The Company's international business has increased its geographic reach. During the first half of 2015, we continued to leverage our European infrastructure that was acquired with the acquisition of Wright Medical's OrthoRecon business in January 2014. As of 30 June 2015, we has obtained the necessary local registrations and approvals to commercialize the full MicroPort interventional cardiology and EP product portfolios directly in the European market. As of 30 June 2015, MicroPort International currently has 12 distributors actively selling in 14 countries and has entered into agreements with an additional 6 distributors in the following countries or regions: Australia, Russia, Spain, Turkey, Malaysia, and Taiwan.

MANAGEMENT DISCUSSION AND ANALYSIS

CERTIFICATION AND BRANDING

During the six months ended 30 June 2015, we have filed 77 trademark applications, including 57 applications in the PRC and 20 applications overseas, such as the European Union (the "EU"), the United States, Argentina, India, and Colombia.

FINANCIAL REVIEW

OVERVIEW

Faced with increasing competition in the global medical devices market, we have successfully achieved revenue growth of 4.1% for the six months ended 30 June 2015. We continued to provide a diversified product offering with the result of non-cardiovascular sales contributing 65% of the total revenue, and continued our globalization strategy with the result of non-China sales contributing 55% of the total revenue for the six months ended 30 June 2015. Furthermore, we aim to continuously bring our innovations, technologies and services to millions of global patients and become a patient oriented global enterprise capable of leading minimally invasive and other emerging market technologies.

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

REVENUE

USD'000	Six months ended		Percent Change	
	30 June 2015	30 June 2014	**in US$**	**in local currency**
Cardiovascular devices business	**66,584**	58,602	13.6%	13.3%
Orthopedics devices business	**105,885**	109,204	(3.0%)	2.8%
– United States	**42,890**	40,504	5.9%	5.9%
– Europe	**32,444**	35,202	(7.8%)	2.5%
– Japan	**14,633**	19,688	(25.7%)	(13.2%)
– China	**5,435**	3,313	64.1%	63.8%
– Others	**10,483**	10,497	(0.1%)	2.3%
Endovascular devices business	**7,947**	6,512	22.0%	21.7%
Electrophysiology devices business	**2,615**	2,247	16.4%	16.1%
Neurovascular devices business	**3,644**	3,060	19.1%	18.8%
Surgical devices business	**3,636**	3,150	15.4%	15.1%
Diabetes devices business	**934**	1,020	(8.4%)	(8.7%)
Total	**191,245**	183,795	4.1%	7.4%

The following discussion is based on our seven major business segments. For the six months ended 30 June 2015, we have revenue of approximately US$191.2 million, and a 4.1% increase compared to the revenue of approximately US$183.8 million for the six months ended 30 June 2014, representing growth in local currency terms of 7.4% offset by exchange differences of 3.3% resulted from translation of local currency revenues into US$ which is the Group's reporting currency.

- **Cardiovascular Devices Segment**

  Our cardiovascular devices segment achieved revenue of US$66.6 million for the six months ended 30 June 2015, representing a growth of 13.3% in local currency or a growth of 13.6% in US$ compared to the six months ended 30 June 2014. Such revenue increase was mainly attributable to (i) the increased sales of Firebird2 mainly due to expand current market coverage by recruiting experienced distributors, and (ii) Firehawk entered more hospitals across more Chinese provinces and more overseas countries, with the result of the global revenue achieved 154% growth compared with the six months ended 30 June 2014.

- **Orthopedics Devices Segment**

  Our orthopedic devices segment achieved revenue of US$105.9 million for the six months ended 30 June 2015, representing a growth of 2.8% in local currency or a decrease of 3.0% in US$ compared to the six months ended 30 June 2014. Such operational increase in local currency was mainly attributed to (i) revenue in the United States market successfully turned around and achieved 5.9% growth in local currency compared with the six months ended 30 June 2014. We successfully executed the strategy of stabilizing and growing the US market since the Group acquired the OrthoRecon business in January 2014, including more effective product promotion, medical education and recruitment of experienced competitive sales representatives, etc., (ii) revenue in China market achieved a significant growth of 63.8% in local currency compared with the six months ended 30 June 2014 by fast launching of orthopedics products to more hospitals across provinces, attracting more distributors and gaining greater market recognition from Chinese surgeons, (iii) revenue in European market recorded a modest growth of 2.5% in local currency compared with the six months ended 30 June 2014, and (iv) partially offset by the fact that revenue in Japan operationally declined 13.2% in local currency due to reduced reimbursement rates at Japanese hospitals, which lead to a drop in unit sales. Significant focus and efforts are being made to help to turn around the Japan business.

- **Endovascular Devices Segment**

  Our endovascular devices segment achieved revenue of US$7.9 million for the six months ended 30 June 2015, representing a growth of 21.7% in local currency or a growth of 22.0% in US$ compared to the six months ended 30 June 2014. Such growth was mainly attributed to the organic growth of Thoracic Aortic Aneurysm ("TAA")/Abdominal Aortic Aneurysm ("AAA") Stent Graft Systems and Surgical Stent Graft System with continuously high market recognition.

- **EP Devices Segment**

  Our EP devices segment achieved revenue of US$2.6 million for the six months ended 30 June 2015, representing a growth of 16.1% in local currency or a growth of 16.4% in US$ compared to the six months ended 30 June 2014. Such increase was mainly attributable to (i) EP devices being continuously launched to more international markets this year, and (ii) obtaining further affirmation among physicians in China.

- **Neurovascular Devices Segment**

  Our neurovascular devices segment achieved revenue of US$3.6 million for the six months ended 30 June 2015, representing a growth of 18.8% in local currency or a growth of 19.1% in US$ compared to the six months ended 30 June 2014. Such growth was mainly attributable to the organic growth of APOLLO Intracranial Stent System, and WILLIS® Intracranial Stent Graft System obtaining greater market recognition and generating more sales since launch in 2013.

- **Surgical Management Segment**

  Our surgical management segment achieved revenue of US$3.6 million for the six months ended 30 June 2015, representing a growth of 15.1% in local currency or a growth of 15.4% in US$ compared to the six months ended 30 June 2014. The increase was mainly attributed to more sufficient sales promotion activities.

- **Diabetes Care And Endocrinal Management Segment**

  Our diabetes care and endocrinal management segment achieved revenue of US$0.9 million for the six months ended 30 June 2015, representing a decrease of 8.7% in local currency or a decrease of 8.4% in US$ compared to the six months ended 30 June 2014. The decrease was mainly due to the further decreased sales of La Fenice® insulin pump in the market.

COST OF SALES

For the six months ended 30 June 2015, our cost of sales was US$62.9 million, representing a 14% increase as compared to US$55.2 million for the six months ended 30 June 2014. Such increase was primarily attributable to the increased sales volume.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, gross profit kept flat from US$128.6 million for the six months ended 30 June 2014 to US$128.3 million for the six months ended 30 June 2015. Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin decreased to 67.1% for the six months ended 30 June 2015 as compared to 70.0% for the six months ended 30 June 2014. During the six months period ended 30 June 2015, our gross margin was negatively impacted by an intentional decline in production hours in our Arlington, TN manufacturing facility in the fourth quarter of 2014 and first quarter of 2015. This decline in production hours was the result of an intense focus on inventory control and an improved forecasting process which indicated our existing production forecast needed to be reduced.

OTHER REVENUE AND OTHER NET (LOSS)/GAIN

We had other revenue of US$2.0 million and other net loss of US$1.0 million for the six months ended 30 June 2015, while other revenue and other net gain were US$3.8 million and US$2.5 million, respectively, for the six months ended 30 June 2014. The decrease in other revenue was caused by the decrease in government grant and interest income, while the decrease of other net gains was primarily attributable to the change in fair value of the embedded financial derivative in relation to the Otsuka Loans.

RESEARCH AND DEVELOPMENT COSTS

Our R&D costs increased by 8.3% from US$22.8 million for the six months ended 30 June 2014 to US$24.7 million for the six months ended 30 June 2015. The increase was primarily due to the increased investment in the on-going R&D projects and the newly kicked off R&D projects.

DISTRIBUTION COSTS

Distribution costs decreased by 7.8% from US$64.2 million for the six months ended 30 June 2014 to US$59.1 million for the six months ended 30 June 2015. The decrease was mainly attributed to (i) the reduced rebranding costs of the new MicroPort Orthopedics business in the six months ended 30 June 2015 from the first year after the acquisition in 2014, and (ii) the reduced labor cost of the orthopedics business.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 3.3% from US$32.1 million for the six months ended 30 June 2014 to US$31.0 million for the six months ended 30 June 2015. The decrease was mainly attributable to (i) the decreased administrative expenses of the orthopedics business, including reduced IT expenses and travel expenses, etc., partially offset by (ii) the increased depreciation, office expenses and utility expenses due to use of the new headquarter building starting from the second half of 2014.

OTHER OPERATING COSTS

Other operating costs decreased from US$15.2 million for the six months ended 30 June 2014 to US$1.8 million for the six months ended 30 June 2015. The decrease was primarily due to the absence of acquisition transition related expenses of US$8.2 million and goodwill impairment of US$5.0 million in the six months ended 30 June 2015.

FINANCE COSTS

Finance costs increased from US$5.1 million for the six months ended 30 June 2014 to US$7.9 million for the six months ended 30 June 2015. The increase was mainly driven by the interest expense of interest-bearing borrowings and the convertible bonds, primarily for the acquisition of the OrthoRecon business.

INCOME TAX

Income tax was kept almost flat from US$5.6 million for the six months ended 30 June 2014 to US$5.5 million for the six months ended 30 June 2015. This is primarily due to profit before tax of the PRC subsidiaries remaining at a similar level. Income tax was primarily recognized from the profitable subsidiaries and no deferred tax assets were recognized for loss-making subsidiaries as of 30 June 2015.

NET LOSS

For the six months ended 30 June 2015, the Group recorded a net loss of US$2.6 million, as compared with a net loss of US$9.9 million for the six months ended 30 June 2014. Such decrease was primarily due to the financial performance of both the cardiovascular business and orthopedics business improving for the six months ended 30 June 2015 compared with the six months ended 30 June 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2015, we had US$69.3 million of cash and cash equivalent on hand, as compared to US$215.6 million as of 31 December 2014. The Board's approach to manage liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities to avoid any unacceptable losses or damage to the Group's reputation.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as of 30 June 2015 was US$305.6 million, with a decrease of US$134.7 million as compared to US$440.3 million as of 31 December 2014. As of 30 June 2015, the gearing ratio (calculated by dividing total loans, bank borrowings and bonds by total equity) of the Group decreased to 90%, as compared to 128% as of 31 December 2014. Such change is primarily due to the partial repayment of the Otsuka loans of US$160 million for the six months ended 30 June 2015.

The maturity profile of our interest-bearing borrowings as of 30 June 2015 are set out in note 15 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

WORKING CAPITAL

Our working capital (net current assets) as of 30 June 2015 was US$165.5 million, as compared to US$180.1 million as of 31 December 2014.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's cash balances are in RMB and US dollar ("US$"), and most of the Group's borrowings are denominated in US$.

The Group is exposed to currency risk primarily from sales and purchases which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and JPY). The Company has adopted US$ as its functional currency, thus the fluctuation of exchange rates between RMB, Euro, JPY and US$ exposes the Group to currency risk. For the six months ended 30 June 2015, the Group recorded a net exchange loss of US$0.8 million, as compared to exchange gain US$1.4 million for the six months ended 30 June 2014. The Group does not employ any financial instruments for hedging purposes. The management team will continuously assesses the foreign currency exposure.

CAPITAL EXPENDITURE

For the six months ended 30 June 2015, the Group's total capital expenditure was amounted to approximately US$21.1 million, which was used in the (i) construction of building; (ii) purchase of equipment; and (iii) capitalisation of R&D projects expenses.

CAPITAL COMMITMENTS

As of 30 June 2015, the Group's capital commitments outstanding and not provided for in the interim financial report amounted to US$81.3 million (31 December 2014: US$76.4 million). These commitments were mainly in respect of the construction development of the Jiaxing and Suzhou plant which are to be financed by borrowing and the working capital of the Group.

CHARGE ON ASSETS

As of 30 June 2015, the group had pledged (i) the assets of MicroPort Orthopedics Holdings Inc., MicroPort Orthopedics Inc., MicroPort Direct LLC; (ii) the real property owned by MicroPort Orthopedics Inc.; (iii) the equity interests in MicroPort Scientific Cooperatief U.A., MicroPort Orthopedics Holdings Inc., MicroPort Orthopedics Inc., MicroPort Direct LLC, MicroPort Shanghai, Wright Japan, MicroPort Orthopedics SAS, MicroPort Orthopedics SRL, MicroPort Orthopedics NV, MicroPort Orthopedics Limited and MicroPort Orthopedics GmbH; and (iv) all rights, titles and interests in certain assets held by Wright Japan, with a total net book value of US$672.1 million for the purpose of securing the Otsuka Loan with a carrying value of US$37.3 million. The Group had pledged its manufactory building held for own use with a net book value of US$3.6 million and deposits with banks of US$0.1 million for the purpose of securing a long term loan with a carrying value of US$0.4 million. The Group had pledged its headquarter building held for own use and land use right with a net book value of US$75.9 million and US$4.8 million respectively for the purpose of securing a banking facility with a carrying value of US$17.7 million. The Group had pledged its time deposits of US$45.0 million for the purpose of securing a banking facility with a carrying value of US$40.0 million.

CONTINGENT LIABILITIES

As of 30 June 2015, the Group had no material contingent liabilities or any significant outstanding contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

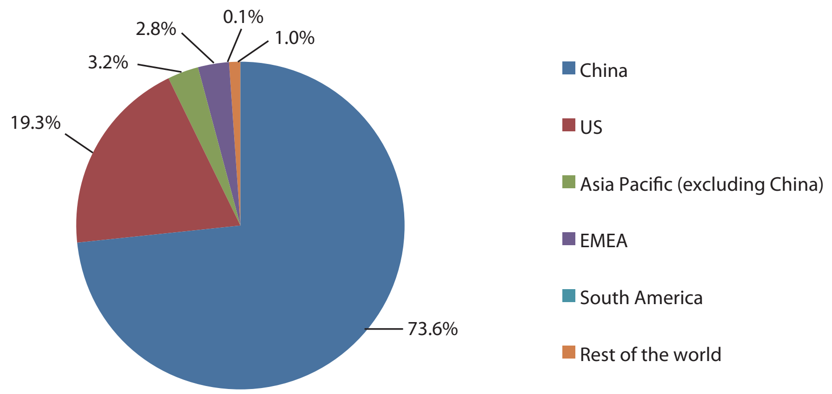
HUMAN RESOURCES

DEMOGRAPHIC – GLOBAL WORKFORCE REPRESENTATIONS

As the Company continues to evolve from our acquisition of the OrthoRecon business in 2014, we currently have a diversified workforce representation throughout the world. This globally diverse workforce enables us to foster a winning platform for talent exchange and leveraging cross-border resources as well as global knowledge sharing. The Company is proud to be one of the pioneers in marching towards the globalization journey for the China medical device industry.

Our management and workforce footprint is well positioned in the key markets which includes U.S. EMEA, China, South America and Asia Pacific (excluding China). Global outreach has become one of the Company's competitive advantages with organisation and local human resources around the globe.

Workforce Distribution by Region



Total Workforce: 2,892, as of 30 June 2015

ORGANIZATION TRANSFORMATION & OPTIMIZATION – BEING THE BEST, NOW

In order to optimize the organisation efficiency and resources alignment for MicroPort Orthopedics business, we conducted and implemented two waves of work force adjustments and streamlining of the organisation in the first quarter of 2015 to focus on and produce a leaner, more effective organisation.

While we focused on streamlining the organisation structure during the reporting period, we are still committed to ensuring we have leading capabilities in R&D, medical education, and sales & marketing to drive revenue and generate the necessary cash for the business turnaround in the U.S. and international operations.

CULTURE – INTEGRATIONS, COLLABORATIONS AND APPRECIATIONS

While culture sharing will always play a critical role of any post-merger organisation integration, our story is both compelling and rewarding. Business initiatives are driving the culture of integration, collaboration and appreciation. The GISC initiative is one of the excellent examples to bridging the business and connecting the dots to drive better business performance, with accelerated response times, while demonstrating elements of global collaboration and leverage.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES (THE "SHARES") AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2015, 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 of Hong Kong Limited (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:

INTERESTS AND SHORT POSITIONS IN THE UNDERLYING 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	16,000,000	1	Beneficial owner	Long position	1.12%

Notes:

(1) 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 Schemes".

Save as disclosed above, as at 30 June 2015, 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 30 June 2015, 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 or which would be required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO:

INTERESTS AND SHORT POSITIONS IN THE SHARES

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
Otsuka Holdings Co. Ltd	468,994,120	1	Interest of controlled corporation	Long position	32.93
Otsuka Medical Devices Co., Ltd.	468,994,120	1	Beneficial owner	Long position	32.93
Shanghai Zhangjiang (Group) Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.57
Shanghai Zhangjiang Science and Technology Investment Co.	221,748,050	2	Interest of controlled corporation	Long position	15.57
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.57
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.57
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.57
Shanghai ZJ Hi-Tech Investment Corporation	221,748,050	2	Interest of controlled corporation/ Beneficial Owner	Long position	15.57
Shanghai ZJ Holdings Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.57
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	2	Beneficial Owner	Long position	15.07
Maxwell Maxcare Science Foundation Limited	217,110,000	3	Interest of controlled corporation	Long position	15.24
We'Tron Capital Ltd.	217,110,000	3	Beneficial owner	Long position	15.24
Shanghai We'Tron Capital Corp.	217,110,000	3	Interest of controlled corporation	Long position	15.24

OTHER INFORMATION

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
GIC Private Limited	123,356,590	4, 5	Interest of controlled corporation/ investment manager	Long position	8.66
GIC Special Investments Pte. Ltd.	113,669,590	4	Interest of controlled corporation	Interest of controlled corporation	7.98
GIC (Ventures) Pte Ltd.	113,669,590	4	Interest of controlled corporation	Long position	7.98
Owap Investment Pte Ltd.	113,669,590	4	Person having a security interest in shares	Long position	7.98
Gao Yang Investment Corp.	75,233,720	6	Interest of controlled corporation/ Beneficial owner	Long position	5.28
Shen Yao Fang	75,233,720	6	Interest of controlled corporation	Long position	5.28

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 221,748,050 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	Approximate percentage of total number of Shares in issue (%)
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	15.07
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.49
Total	221,748,050	15.57

(3) Maxwell Maxcare Science Foundation Limited holds 79% of Shanghai We'Tron Capital Corp. which in turn is interested in 94.19% of We'Tron Capital Limited. Therefore, Maxwell Maxcare Science Foundation Limited, Shanghai We'Tron Capital Corp. and We'Tron Capital Limited are interested in the same 217,110,000 Shares held by We'Tron Capital Limited.

(4) GIC Private Limited holds the 100% interest of GIC Special Investments Pte Ltd., which in turn holds 100% interest of GIC (Ventures) Pte. Ltd., which in turns holds 100% interest of Owap Investment Pte Ltd., therefore, shares held by GIC Private Limited, GIC Special Investments Pte Ltd. and GIC (Ventures) Pte Ltd. are deemed as security interests in the same 113,669,590 Shares held by Owap Investments Pte Ltd.

(5) 9,687,000 Shares held by GIC Private Limited are interests held as investment manager.

(6) Shen Yao Fang holds the entire issued share capital of Gao Yang Investment Corp., which in turns holds 52,750,000 Shares. Gao Yang Investment Corp. is also interested in the entire issued share capital of Q1 Capital Corporation, which in turns holds 22,483,720 Shares. Shen Yao Fang and Gao Yang Investment Corp. is therefore deemed to be interests in the same 75,233,720 Shares held by Gao Yang Investment Corp. and Q1 Capital Corporation.

Save as disclosed above, and as at 30 June 2015, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Pursuant to a share award scheme approved by the Board on 26 August 2011 ("Share Award Scheme"), the Company purchased, through the trustee ("Trustee") of the Share Award Scheme, a total of 4,567,000 Shares of the Company at cash consideration of US$2,426,000 on the Stock Exchange for the six months ended 30 June 2015.

Save and except for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2015.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2015, 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 directly or indirectly with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they have complied with the requirements as set out in the Model Code throughout the period of six months ended 30 June 2015.

OTHER INFORMATION

SHARE AWARD SCHEME

The Board approved and adopted the Share Award Scheme as a means of recognizing the contributions of selected employees of the Group.

Pursuant to the Share Award Scheme, the Board may, from time to time and at its absolute discretion, award selected employees of the Group by granting share of the Company ("Awarded Shares") during the duration of the Share Award Scheme. The Board shall cause to be paid the purchase price for the Awarded Shares and the related expenses to the Trustee of the Share Award Scheme, who will purchase the Awarded Shares on the Stock Exchange at the prevailing market price. The Awarded Shares are held on trust by the Trustee until the Awarded Shares are vested in accordance with the provisions of the Share Award Scheme. The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Share awarded by the Board under the Share Award Scheme exceeding 10% of issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected employee of the Group shall not exceed 1% of the issued share capital of the Company from time to time. For further details of the Share Award Scheme, please refer to the announcement of the Company dated 15 September 2011.

Pursuant to a Share Award Scheme, the Trustee of the Share Award Scheme purchased a total of 4,567,000 Shares at cash consideration of US$2,426,000 on the Stock Exchange during the six months ended 30 June 2015.

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 are 102,610,300 and 65,091,570 for the 2004 Option Plan and the 2006 Incentive Plan, respectively. As at 30 June 2015, the total aggregate share options that may be granted under the Pre-IPO Share Option Scheme is 167,701,870, which represent 11.77% 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 27,187,240.

The administrator of the Pre-IPO Share Option Scheme may at its discretion select the employees, directors and consultants to whom options 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 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 grant including, but not limited to, the vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, shares, or other consideration) upon settlement of the options, payment contingencies, and satisfaction of any performance criteria.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was approved and adopted pursuant to a written resolution of all the Shareholders 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 may, at their discretion, invite any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and officers of any members of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any members of our Group who the 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 was 140,411,234 Shares. 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. At the Company's 2015 annual general meeting, the Shareholders approved the proposal of refreshment of the 10% scheme mandate limit, and listing application for the Shares which may be issued on exercise of the new options under the Share Option Scheme was approved by the Stock Exchange, according to which the total number of Shares which may be issued under the Share Options Scheme and any other share option schemes must not exceed 142,389,949.

As at 30 June 2015, 56,808,500 options granted under the Share Option Scheme remain outstanding and allows the grantees to subscribe for 56,808,500 Shares, representing approximately 3.98% of the issued share capital of the Company.

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 Stock Exchange for the 5 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.

OTHER INFORMATION

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

The status of the share options granted up to 30 June 2015 is as follows:

Category of participants	As at 1 January 2015	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2015	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	2,500,000	–	–	–	2,500,000	9 July, 2010	9 July, 2011– 8 July, 2014	9 July, 2011 – 8 July, 2020	USD0.3062	NA
	–	13,500,000	–	–	13,500,000	20 January, 2015	20 January, 2016 – 19 January, 2021	20 January, 2016 – 19 January, 2025	HKD3.210	HKD3.170
In aggregate	**2,500,000**	**13,500,000**	**–**	**–**	**16,000,000**					
Consultants										
	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 June, 2007	24 September, 2010 – 23 September, 2014	24 September, 2011 – 23 September, 2020	USD0.3062	NA
In aggregate	**1,500,000**	**–**	**–**	**–**	**1,500,000**					
Employees										
	2,505,610	–	–	–	2,505,610	2 March,2007	2 March, 2007 – 14 February, 2011	15 February, 2008 – 24 January, 2017	USD0.275	NA
	1,326,810	–	91,340	41,070	1,194,400	23 April,2007	23 April, 2007 – 1 March, 2013	23 April, 2007 – 22 April, 2017	USD0.275	NA
	500,000	–	–	–	500,000	14 June,2007	23 September, 2007 – 22 September, 2012	23 September, 2008 – 22 September, 2017	USD0.3062	NA
	1,000,000	–	1,000,000	–	–	25 July, 2008	25 July, 2008 – 27 April, 2010	25 July, 2008 – 24 July, 2018	USD0.3062	NA

Category of participants	As at 1 January 2015	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2015	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										
	500,000	–	–	–	500,000	25 July, 2008	25 July, 2008 – 24 July, 2012	25 July, 2009 – 24 July, 2018	USD0.3062	NA
	200,000	–	–	–	200,000	1 December, 2008	24 June, 2008 – 23 June, 2012	24 June, 2009 – 26 June, 2018	USD0.3062	NA
	100,000	–	–	–	100,000	6 February, 2009	6 February, 2009 – 5 February, 2014	6 February, 2010 – 5 February, 2019	USD0.425	NA
	4,000,000	–	–	–	4,000,000	21 October, 2009	9 October, 2009 – 8 October, 2014	9 October, 2010 – 20 October, 2019	USD0.3062	NA
	1,200,000	–	–	1,200,000	–	21 October, 2009	15 October, 2009 – 14 October, 2014	15 October, 2010 – 20 October, 2019	USD0.3062	NA
	468,000	–	50,000	–	418,000	21 October, 2009	1 January, 2010 – 31 December, 2014	1 January, 2011 – 20 October, 2019	USD0.3062	NA
	700,000	–	–	–	700,000	8 July, 2010	1 August, 2010 – 31 July, 2014	1 August, 2011 – 7 July, 2020	USD0.3062	NA
	226,500	–	46,000	–	180,500	8 July, 2010	8 July, 2010 – 7 July, 2014	8 July, 2011 – 7 July, 2020	USD0.3062	NA
	10,100,730	–	302,000	500,000	9,298,730	9 July, 2010	9 July, 2010 – 8 July, 2014	9 July, 2011 – 8 July, 2020	USD0.3062	NA
	250,000	–	250,000	–	–	9 August, 2010	9 August, 2010 – 8 August, 2014	28 April, 2011 – 8 August, 2020	USD0.3062	NA
	3,590,000	–	–	–	3,590,000	9 August, 2010	9 August, 2010 – 8 August, 2014	1 September, 2011 – 8 August, 2020	USD0.3062	NA
	500,000	–	–	–	500,000	17 October, 2011	17 October, 2012 – 17 December, 2018	17 October, 2012 – 16 October, 2021	HKD4.790	HKD4.790
	562,500	–	–	–	562,500	1 November, 2011	17 November, 2012 – 1 November, 2017	1 November, 2012 – 31 October, 2021	HKD4.470	HKD4.470
	9,400,000	–	–	400,000	9,000,000	28 August, 2012	28 August, 2019	28 August, 2019– 27 August, 2022	HKD3.350	HKD3.350
	500,000	–	–	–	500,000	7 September, 2012	6 September, 2013 – 6 September, 2017	6 September, 2013 – 6 September, 2022	HKD3.330	HKD3.330
	446,000	–	–	–	446,000	22 October, 2012	22 October, 2013 – 22 October, 2017	22 October, 2013 – 12 October, 2022	HKD4.210	HKD4.210

Category of participants	As at 1 January 2015	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2015	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										
	10,400,000	–	–	600,000	9,800,000	10 December, 2012	10 December, 2019	10 December, 2019 – 9 December, 2022	HKD4.600	HKD4.600
	500,000	–	–	–	500,000	2 January, 2013	2 January, 2014 – 2 January, 2018	2 January, 2014 – 1 January, 2023	HKD4.230	HKD4.220
	250,000	–	–	–	250,000	28 August, 2013	28 August, 2014 – 28 August, 2018	28 August, 2014 – 27 August, 2023	HKD4.970	HKD4.970
	400,000		–	–	400,000	9 December, 2013	9 December, 2014 – 9 December, 2017	9 December, 2014 – 8 December, 2023	HKD5.590	HKD5.400
	650,000	–	–	–	650,000	21 January, 2014	21 January, 2015 – 20 January, 2019	20 January, 2015 – 20 January, 2024	HKD5.352	HKD5.210
	500,000	–	–	–	500,000	28 August, 2014	28 August, 2015 – 28 August, 2019	28 August, 2015 – 27 August, 2024	HKD4.718	HKD4.520
	–	2,600,000	–	–	2,600,000	20 January, 2015	20 January, 2016 – 19 January, 2019	20 January, 2016 – 19 January, 2025	HKD3.210	HKD3.170
	–	7,060,000	–	–	7,060,000	20 January, 2015	20 January, 2016 – 19 January, 2020	20 January, 2016 – 19 January, 2025	HKD3.210	HKD3.170
	–	6,240,000	–	–	6,240,000	20 January, 2015	20 January, 2016 – 19 January, 2021	20 January, 2016 – 19 January, 2025	HKD3.210	HKD3.170
	–	300,000	–	–	300,000	30 June, 2015	30 June, 2016– 29 June, 2018	30 June, 2016 – 29 June, 2025	HKD3.910	HKD3.820
In aggregate	**50,776,150**	**16,200,000**	**1,739,340**	**2,741,070**	**62,495,740**					
Seller of Dongguan Kewei	4,000,000	–	–	–	4,000,000	25 June, 2012	25 June, 2016	25 June, 2016 – 26 June, 2016	HKD3.240	HKD3.190
In aggregate	**4,000,000**	**–**	**–**	**–**	**4,000,000**					
Total	**58,776,150**	**29,700,000**	**1,739,340**	**2,741,070**	**83,995,740**					

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2015, except for the provision as addressed below, the Company has complied with all the applicable code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

Pursuant to the Code Provision A.2.1, the roles of chairman and chief executive officer should be separated 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. At the Company's 2015 annual general meeting held on 29 June 2015, Dr. Zhaohua Chang ("Dr. Chang") retired and was re-elected as Director and chairman of the Company. Accordingly, Dr. Chang has re-assumed the responsibility of the executive Director and the chairman of the Company, who 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 also 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee (the "Audit Committee") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Mr. Norihiro Ashida, Mr. Jonathan H. Chou (chairman) and Mr. Zezhao Hua, respectively.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The principal duties of the Audit Committee include review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2015 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The purposes of the Nomination Committee are to identify and nominate suitable candidates for the appointment of the Directors and making recommendations to the Board on succession planning for the Directors.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The purposes of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management.

OTHER INFORMATION

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the six months ended 30 June 2015 and up to the date of this interim report, there were no changes to the information required to be disclosed by the Directors pursuant to Rule 13.51B of the Listing Rules where applicable.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2015 containing all the relevant information required by the Listing Rules has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.microport.com.cn).

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

Shanghai, The PRC
31 August 2015

INDEPENDENT AUDITOR'S REPORT

Review report to the board of directors of MicroPort Scientific Corporation
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 52 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the "Company") as of 30 June 2015 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants

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

31 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2015	2014
		US$'000	US$'000
Revenue	*3*	**191,245**	183,795
Cost of sales		**(62,904)**	(55,198)
Gross profit		**128,341**	128,597
Other revenue	*4*	**2,041**	3,826
Other net (loss)/gain	*4*	**(1,014)**	2,540
Research and development costs		**(24,712)**	(22,819)
Distribution costs		**(59,122)**	(64,151)
Administrative expenses		**(31,019)**	(32,087)
Other operating costs		**(1,843)**	(15,225)
Profit from operations		**12,672**	681
Finance costs	*5(a)*	**(7,855)**	(5,071)
Share of losses of a joint venture		**(1,913)**	(1)
Profit/(loss) before taxation	*5*	**2,904**	(4,391)
Income tax	*6*	**(5,491)**	(5,552)
Loss for the period		**(2,587)**	(9,943)
Attributable to:			
Equity shareholders of the Company		**(2,961)**	(9,943)
Non-controlling interests		**374**	–
Loss for the period		**(2,587)**	(9,943)
Loss per share	*7*		
– Basic (in cents)		**(0.21)**	(0.71)
– Diluted (in cents)		**(0.21)**	(0.75)

The notes on pages 33 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Loss for the period	**(2,587)**	(9,943)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,820)**	(5,210)
Other comprehensive income for the period	**(1,820)**	(5,210)
Total comprehensive income for the period	**(4,407)**	(15,153)
Attributable to:		
Equity shareholders of the Company	**(4,783)**	(15,153)
Non-controlling interests	**376**	–
Total comprehensive income for the period	**(4,407)**	(15,153)

The notes on pages 33 to 52 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2015 US$'000	At 30 June 2015 US$'000	At 31 December 2014 US$'000	At 31 December 2014 US$'000
Non-current assets					
Property, plant and equipment	*8*		**264,728**		267,780
Land use rights			**18,694**		18,886
			283,422		286,666
Intangible assets			**62,282**		60,506
Prepayments for non-current assets			**3,217**		1,678
Goodwill			**56,529**		56,529
Interest in a joint venture			**3,555**		3,866
Deferred tax assets			**2,936**		4,124
Time deposits	*12*		**11,450**		11,440
Other non-current assets	*9*		**7,448**		6,813
			430,839		431,622
Current assets					
Inventories	*10*	**109,299**		109,901	
Trade and other receivables	*11*	**128,822**		121,930	
Time deposits	*12*	**50,599**		60,679	
Cash and cash equivalents	*13*	**69,288**		215,602	
		358,008		508,112	
Current liabilities					
Trade and other payables	*14*	**92,980**		108,649	
Interest-bearing borrowings	*15*	**94,111**		215,897	
Income tax payable		**2,782**		1,016	
Deferred income	*16*	**8**		10	
Derivative financial liabilities	*15(b)*	**446**		592	
Obligations under finance leases		**2,228**		1,868	
		192,555		328,032	
Net current assets			**165,453**		180,080
Total assets less current liabilities			**596,292**		611,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2015 US$'000	At 30 June 2015 US$'000	At 31 December 2014 US$'000	At 31 December 2014 US$'000
Non-current liabilities					
Interest-bearing borrowings	*15*	**117,562**		132,817	
Convertible bonds	*17*	**93,915**		91,573	
Obligations under finance leases		**374**		1,894	
Deferred income	*16*	**30,353**		28,989	
Other payables	*14*	**2,545**		1,793	
Other non-current liabilities		**7,524**		7,335	
Deferred tax liabilities		**3,485**		3,558	
			255,758		267,959
Net assets			**340,534**		343,743
Capital and reserves	*18*				
Share capital			**14**		14
Reserves			**338,654**		342,239
Total equity attributable to equity shareholders of the Company			**338,668**		342,253
Non-controlling interests			**1,866**		1,490
Total equity			**340,534**		343,743

Approved and authorised for issue by the board of directors on 31 August 2015.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 33 to 52 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015 (unaudited)
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company									
	Note	Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2014		14	232,697	–	32,958	6,468	17,213	101,083	390,433	–	390,433
Changes in equity for the six months ended 30 June 2014:											
Loss for the period		–	–	–	–	–	–	(9,943)	(9,943)	–	(9,943)
Other comprehensive income		–	–	–	(5,210)	–	–	–	(5,210)	–	(5,210)
Total comprehensive income		–	–	–	(5,210)	–	–	(9,943)	(15,153)	–	(15,153)
Equity-settled share-based transactions		–	–	–	–	661	–	–	661	–	661
Equity component of convertible bonds	*17*	–	–	–	–	10,574	–	–	10,574	–	10,574
Shares issued under share option scheme	*18(b)*	–	1,827	–	–	(748)	–	–	1,079	–	1,079
Shares purchased under share award scheme	*18(c)*	–	–	–	–	(3,252)	–	–	(3,252)	–	(3,252)
Shares granted under share award scheme		–	–	–	–	2,197	–	–	2,197	–	2,197
Balance at 30 June 2014 and 1 July 2014		14	234,524	–	27,748	15,900	17,213	91,140	386,539	–	386,539
Changes in equity for the six months ended 31 December 2014:											
Loss for the period		–	–	–	–	–	–	(49,518)	(49,518)	(110)	(49,628)
Other comprehensive income		–	–	–	(959)	–	–	–	(959)	4	(955)
Total comprehensive income		–	–	–	(959)	–	–	(49,518)	(50,477)	(106)	(50,583)
Capital contribution from non-controlling interests		–	–	–	–	3,209	–	–	3,209	1,596	4,805
Equity-settled share-based transactions		–	–	–	–	478	–	–	478	–	478
Shares issued under share option scheme		–	4,909	–	–	(2,405)	–	–	2,504	–	2,504
Appropriation of statutory general reserve		–	–	–	–	–	3,257	(3,257)	–	–	–
Balance at 31 December 2014		14	239,433	–	26,789	17,182	20,470	38,365	342,253	1,490	343,743

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015 (unaudited)
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company									
		Share capital US$'000	Share premium US$'000	Capital redemption reserve US$'000	Exchange reserve US$'000	Capital reserve US$'000	Statutory general reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2015		**14**	**239,433**	**–**	**26,789**	**17,182**	**20,470**	**38,365**	**342,253**	**1,490**	**343,743**
Changes in equity for the six months ended 30 June 2015:											
Loss for the period		–	–	–	–	–	–	(2,961)	(2,961)	374	(2,587)
Other comprehensive income		–	–	–	(1,822)	–	–	–	(1,822)	2	(1,820)
Total comprehensive income		–	–	–	(1,822)	–	–	(2,961)	(4,783)	376	(4,407)
Equity-settled share-based transactions		–	–	–	–	889	–	–	889	–	889
Shares issued under share option scheme	*18(b)*	–	850	–	–	(319)	–	–	531	–	531
Shares purchased under share award scheme	*18(c)*	–	–	–	–	(2,426)	–	–	(2,426)	–	(2,426)
Shares granted under share award scheme		–	–	–	–	2,204	–	–	2,204	–	2,204
Balance at 30 June 2015		**14**	**240,283**	**–**	**24,967**	**17,530**	**20,470**	**35,404**	**338,668**	**1,866**	**340,534**

The notes on pages 33 to 52 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2015 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2015	2014
		US$'000	US$'000
Operating activities			
Cash generated from operations		**14,476**	6,252
Income tax paid		**(2,221)**	(4,313)
Net cash generated from operating activities		**12,255**	1,939
Investing activities			
Payment for purchase of property, plant and equipment		**(16,420)**	(29,338)
Payment for acquisition of a subsidiary		**–**	(279,233)
Other cash flows arising from investing activities		**5,005**	(118,160)
Net cash used in investing activities		**(11,415)**	(426,731)
Financing activities			
Proceeds from the Otsuka Loans, net of transaction costs		**–**	199,175
Repayments of the Otsuka Loans	*15(b)*	**(160,000)**	–
Proceeds from the convertible bonds		**–**	100,000
Other cash flows arising from financing activities		**13,728**	52,208
Net cash (used in)/generated from financing activities		**(146,272)**	351,383
Net decrease in cash and cash equivalents		**(145,432)**	(73,409)
Cash and cash equivalents at 1 January	*13*	**215,602**	159,903
Effect of foreign exchange rate changes		**(882)**	(159)
Cash and cash equivalents at 30 June	*13*	**69,288**	86,335

The notes on pages 33 to 52 form part of this interim financial report.

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of MicroPort Scientific Corporation (the "Company") and its subsidiaries (together, the "Group") since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 31 August 2015. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 25.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2015.

2. CHANGES IN ACCOUNTING POLICIES

(a) Change in cost formula of inventories

During the six months ended 30 June 2015, the Group changed its accounting policy for the cost formula of inventories, from weighted average cost formula to first-in, first-out cost formula ("FIFO") as we believe the FIFO method better reflects the current value of inventories as a result of the Group's continuous effort to optimise the procurement and product process in connection with its integration of the OrthoRecon business and the characteristics of the frequent upgrade of the orthopedics products. The adoption of the new policy does not have material impact on the financial information for both current and prior periods. Therefore, the new accounting policy is applied prospectively from 1 January 2015 and comparatives have not been restated.

(b) Application of new and revised HKFRSs

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both lines of business 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 identified seven reportable segments. No operating segments have been aggregated to form the following reportable segments.

3. SEGMENT REPORTING (CONTINUED)

(a) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 30 June 2015							
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Endovascular devices business US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Revenue from external customers	66,584	105,885	7,947	2,615	3,644	3,636	934	191,245
Reportable segment net profit/(loss)	23,721	(15,878)	2,618	(947)	1,479	(1,542)	(722)	8,729

	At 30 June 2015							
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Endovascular devices business US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Reportable segment assets	426,709	385,831	22,684	12,911	11,086	29,483	5,657	894,361
Reportable segment liabilities	118,584	139,139	8,546	8,484	5,606	9,649	6,549	296,557

3. SEGMENT REPORTING (CONTINUED)

(a) Information about profit or loss, assets and liabilities (continued)

	Six months ended 30 June 2014							
	Cardiovascular devices business US$'000	Orthopedic devices business US$'000	Endovascular devices business US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Revenue from external customers	58,602	109,204	6,512	2,247	3,060	3,150	1,020	183,795
Reportable segment net profit/(loss)	19,939	(27,360)	2,171	(493)	1,174	(329)	(488)	(5,386)

	At 31 December 2014							
	Cardiovascular devices business US$'000	Orthopedics devices business US$'000	Endovascular devices business US$'000	Electrophysiology devices business US$'000	Neurovascular devices business US$'000	Surgical management business US$'000	Diabetes care and endocrinal business US$'000	Total US$'000
Reportable segment assets	417,341	398,739	13,992	12,625	7,537	27,467	5,873	883,574
Reportable segment liabilities	139,996	135,895	3,157	7,187	2,418	9,770	6,052	304,475

The measure used for reporting segment profit/(loss) is "reportable segment net profit/(loss)", which represents the profit/(loss) for the year/period attributable to each of the reportable segments. 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 the People's Republic of China (the "PRC") dividend withholding tax are excluded from reportable segment net profit/(loss).

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2015 **US$'000**	2014 US$'000
Reportable segment net profit/(loss)	**8,729**	(5,386)
Equity-settled share-based payment expenses	**(3,093)**	(2,858)
Unallocated exchange (loss)/gain	**(1,244)**	1,540
Unallocated expenses, net	**(6,979)**	(3,239)
Consolidated loss for the period	**(2,587)**	(9,943)

4. OTHER REVENUE AND NET (LOSS)/GAIN

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Other revenue		
Government grants	**841**	1,574
Interest income on bank deposits	**1,200**	1,782
Others	**–**	470
	2,041	3,826
Other net (loss)/gain		
Net foreign exchange (loss)/gain	**(839)**	1,396
Changes in fair value of embedded financial derivatives (note 15(b))	**146**	1,900
Others	**(321)**	(756)
	(1,014)	2,540

5. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
(a) Finance costs		
Interest on the Otsuka Loans (note 15(b))	**1,175**	2,297
Interest on the convertible bonds (note 17)	**2,342**	576
Interest on other borrowings	**3,140**	2,173
Others	**1,198**	570
Total interest expense on financial liabilities not at fair value through profit or loss	**7,855**	5,616
Less: interest expense capitalised into property, plant and equipment*	**–**	(545)
	7,855	5,071

* During the six months ended 30 June 2014, the borrowing costs have been capitalised at a rate of 6.4% per annum.

5. PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

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

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
(b) Other items		
Amortisation of intangible assets	**2,474**	2,426
Depreciation	**16,374**	16,082
Research and development costs (note)	**24,712**	22,819
Provision of inventories write-down (note 10)	**278**	193
Impairment loss of goodwill	**–**	5,125

Note: The Research and development costs includes amortisation of intangible assets of US$84,000 (six months ended 30 June 2014: US$67,000) and depreciation of property, plant and equipment of US$1,869,000 (six months ended 30 June 2014: US$1,139,000), which are included in the total amortisation and depreciation charges as disclosed above.

6. INCOME TAX

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Current tax – PRC corporate income tax ("CIT")	**3,817**	3,940
Current tax – other jurisdictions	**599**	628
	4,416	4,568
Deferred taxation	**1,075**	984
	5,491	5,552

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for the following entities:

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%. Shanghai MicroPort Medical (Group) Co., Ltd. ("MP Shanghai"), Dongguan Kewei Medical Instrument Co., Ltd. ("Dongguan Kewei") and Suzhou MicroPort Spine & Trauma Co., Ltd. ("Suzhou MicroPort", formerly known as "Suzhou Health Medical Appliance Co., Ltd.") obtained the certificate of "advanced and new technology enterprise" dated 4 September 2014, 10 October 2014 and 3 December 2013, respectively with an effective period of three years. The provision for PRC CIT for MP Shanghai, Dongguan Kewei and Suzhou MicroPort is calculated by applying the income tax rate of 15% for the six months ended 30 June 2015 (six months ended 30 June 2014: 15%).

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

As at 30 June 2015, based on management's assessment of probability on the future taxable profit subsequent to the date of the reporting period, no deferred tax assets had been recognised for tax losses and deductible temporary differences of certain loss-making entities.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of US$2,961,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: US$9,943,000) and the weighted average of 1,413,510,000 ordinary shares in issue during the six months ended 30 June 2015 (six months ended 30 June 2014: 1,404,630,000 ordinary shares).

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2015 Number of shares '000	2014 Number of shares '000
Issued ordinary shares at 1 January	**1,422,160**	1,408,995
Effect of shares issued under the share options scheme	**340**	3,462
Effect of shares under share award scheme	**(8,990)**	(7,827)
Weighted average number of ordinary shares at 30 June	**1,413,510**	1,404,630

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company of US$2,961,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: US$10,863,000) and the weighted average shares of 1,413,510,000 shares for the six months ended 30 June 2015 (six months ended 30 June 2014: 1,450,084,000 ordinary shares, after adjusting for the effects of all dilutive potential ordinary shares), calculated as follows:

(i) Loss attributable to equity shareholders of the Company (diluted)

	Six months ended 30 June	
	2015 US$'000	2014 US$'000
Loss attributable to equity shareholders of the Company (basic)	**(2,961)**	(9,943)
Effect of effective interest on the Term B Loan	**–**	980
Effect of changes in fair value recognised as gains for the derivative component of the Otsuka Loans	**–**	(1,900)
Loss attributable to equity shareholders of the Company (diluted)	**(2,961)**	(10,863)

7. LOSS PER SHARE (CONTINUED)

(b) Diluted loss per share (continued)

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

	Six months ended 30 June	
	2015 Number of shares '000	2014 Number of shares '000
Weighted average number of ordinary shares at 30 June (basic)	**1,413,510**	1,404,630
Effect of the potential conversion of the Term B Loan	**–**	45,454
Weighted average number of ordinary shares at 30 June (diluted)	**1,413,510**	1,450,084

The calculation of diluted loss per share amount for the six months ended 30 June 2015 has not included the potential effect of (1) the deemed issuance of shares under the Company's share option scheme during the period; and (2) the deemed conversion of the convertible bonds and the Term B Loan into ordinary shares during the period, as they both have an anti-dilutive effect on the basic loss per share amount for the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property and equipment with a cost of US$7,376,000 (six months ended 30 June 2014: US$141,719,000), and incurred construction costs for buildings of US$7,513,000 (six months ended 30 June 2014: US$5,954,000).

9. OTHER NON-CURRENT ASSETS

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Prepaid royalties	**4,611**	6,033
Prepaid arrangement fees	**1,790**	–
Deposits	**551**	560
Others	**496**	220
	7,448	6,813

The prepaid royalty represents upfront payments made to buy out certain royalty agreements with health care professionals such as surgeons who help in designing orthopedics products. The prepaid royalty will be amortised over the remaining agreement period based on actual sales. The prepaid royalty expected to be amortised within one year is classified as "current" and included in trade and other receivables in note 11.

9. OTHER NON-CURRENT ASSETS (CONTINUED)

Pursuant to a long-term syndicated bank borrowing agreement dated 29 June 2015 (the "Loan Agreement"), the Company could draw down bank borrowings up to a total amount of US$60,000,000. Under the Loan Agreement, the Group is also required to pay a total amount of US$4,196,000 syndicated fees and as at 30 June 2015, the Company had prepaid US$1,790,000 pursuant to the payment schedule as specified in the Loan Agreement. The Company drew down US$52,000,000 bank loans under the Loan Agreement on 2 July 2015, which will be due by six instalments during the period from 1 July 2017 to 30 December 2019. The prepaid syndicated fees at 30 June 2015 are deferred and treated as an adjustment to the effective interest rates of the bank loans drawn down under the Loan Agreement and recognised as an expense from the borrowing date through maturity date of the bank loans that are to be drawn down under the Loan Agreement.

10. INVENTORIES

During the six months ended 30 June 2015, a provision of US$278,000 (six months ended 30 June 2014: US$193,000) to write down certain inventories items to their estimated net realisable value has been recognised as an expense in profit or loss.

11. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Less than 1 month	**37,575**	30,602
1 to 3 months	**43,673**	39,745
3 to 12 months	**15,991**	22,456
More than 12 months	**5,988**	5,071
Trade receivables net of allowance for doubtful debts	**103,227**	97,874
Other debtors	**10,123**	11,018
Income tax recoverable	**–**	315
Deposit and prepayments	**15,472**	12,723
	128,822	121,930

Trade receivables are due within 30 to 360 days from the date of billing.

12. TIME DEPOSITS

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Non-current		
Pledged deposits with original maturities after one year	**11,450**	11,440
Current		
Deposits with original maturities over three months	**16,308**	26,502
Pledged deposits with original maturities within one year	**34,291**	34,177
	50,599	60,679

Included in pledged deposits at 30 June 2015 were US$106,000 (31 December 2014: US$106,000) and US$44,982,000 (31 December 2014: US$44,942,000) which were pledged as security for a long-term loan from Shanghai Municipal Financial Administration ("SMFA") and a banking facility, respectively.

13. CASH AND CASH EQUIVALENTS

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Cash at bank and on hand	**68,474**	215,602
Deposits with original maturities within three months	**814**	–
	69,288	215,602

14. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Current		
Within 1 month	**13,694**	17,681
1 to 3 months	**7,248**	11,137
Over 3 months but within 6 months	**752**	275
Over 6 months but within 1 year	**1,859**	26,133
Over 1 year	**25,020**	–
Trade payables	**48,573**	55,226
Advances received	**1,665**	915
Dividends payables to ordinary shareholders	**89**	89
Other payables and accrued charges	**42,653**	52,419
	92,980	108,649
Non-current		
Other payables and accrued charges	**2,545**	1,793

All current trade and other payables are expected to be settled within one year.

15. INTEREST-BEARING BORROWINGS

As of the end of the reporting period, the interest-bearing borrowings were repayable as follows:

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Within 1 year or on demand	**94,111**	215,897
After 1 year but within 2 years	**77,371**	43,173
After 2 years but within 5 years	**40,191**	89,644
	117,562	132,817
	211,673	348,714

As of the end of the reporting period, the interest-bearing borrowings comprise:

	Note	**At 30 June 2015 US$'000**	At 31 December 2014 US$'000
Bank loans			
– secured	*(a)*	**57,665**	57,813
– unsecured		**116,357**	92,977
		174,022	150,790
Secured Otsuka Loans	*(b)*	**37,280**	197,463
Secured loan from SMFA		**371**	461
		211,673	348,714

15. INTEREST-BEARING BORROWINGS (CONTINUED)

(a) Bank loans

At 30 June 2015, a banking facility of the Company of US$40,000,000 (31 December 2014: US$40,000,000) is secured by mortgages over deposits with banks of US$44,982,000 of MP Shanghai (31 December 2014: US$44,942,000).

At 30 June 2015, the bank loan of MP Shanghai of US$17,665,000 (31 December 2014: US$17,813,000) are secured by mortgages over certain land use rights and property, plant and equipment with an aggregate carrying value of US$4,811,000 and US$75,867,000 respectively (31 December 2014: US$4,862,000 and US$76,713,000, respectively).

(b) Otsuka Loans

The Company entered into a credit agreement (the "Credit Agreement") with Otsuka Medical Devices Co., Ltd. ("Otsuka Medical Devices"), a subsidiary of Otsuka Holdings Co., Ltd.. Pursuant to the Credit Agreement dated 15 December 2013, Otsuka Medical Devices agreed to provide to the Company certain credit facilities of up to US$200,000,000, consisting of three tranches of loans, namely, the Term A Loan, Term B Loan and Term C Loan (collectively, the "Otsuka Loans"). The Otsuka Loans bear interests on the outstanding principal amount thereof for the respective interest periods at a rate equal to LIBOR plus 1% per annum.

In January 2014, the Company fully drew down the Otsuka Loans.

In January 2015, the Company fully repaid the Term A Loan and the Term C Loan in the aggregate principal amount of US$160,000,000 and related interests to Otsuka Medical Devices when they were due for repayment.

The remaining balance of the Otsuka loans at 30 June 2015 represent the Term B Loan, which is of a principal amount of US$40,000,000 and will become mature three years after drawdown. Its holder could convert the outstanding amount and certain unpaid interest amounts of the Term B Loan into certain number of the Company's ordinary shares at any time prior to its maturity at an initial conversion price of HK$6.84 per share, subject to adjustments under certain terms and conditions of the Term B Loan.

15. INTEREST-BEARING BORROWINGS (CONTINUED)

(b) Otsuka Loans (continued)

The movement of the liability component and the derivative component of the Otsuka Loans is set out below:

	Liability component US$'000	Derivative component US$'000	Total US$'000
As at 1 January 2015	**197,463**	**592**	**198,055**
Changes in fair value recognised in profit or loss during the period (note 4)	**–**	**(146)**	**(146)**
Repayment during the period	**(160,000)**	**–**	**(160,000)**
Interest paid during the period	**(1,358)**	**–**	**(1,358)**
Interest charged during the period (note 5(a))	**1,175**	**–**	**1,175**
As at 30 June 2015	**37,280**	**446**	**37,726**

16. DEFERRED INCOME

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

17. CONVERTIBLE BONDS

In May 2014, the Company issued convertible bonds in the aggregate principal amount of US$100,000,000 to GIC Special Investments Pte Ltd., with a maturity date of 11 May 2019 (the "GIC Convertible Bonds"). The GIC Convertible Bonds bear interest at LIBOR plus 1% on the outstanding balances and its holders could convert part of or the entire outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HK$6.84 per share, subject to adjustments under certain terms and conditions of the GIC Convertible Bonds.

The movement of the liability component and the equity component of the GIC Convertible Bonds is set out below:

	Liability component US$'000	Equity component US$'000	Total US$'000
As at 1 January 2015	**91,573**	**10,574**	**102,147**
Interest charged during the period (note 5(a))	**2,342**	**–**	**2,342**
As at 30 June 2015	**93,915**	**10,574**	**104,489**

No conversion of the GIC Convertible Bonds had been occurred up to 30 June 2015.

18. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) No interim dividend attributable to the interim period has been declared.

(ii) No final dividend was proposed in respect of the years ended 31 December 2014 and 2013.

(b) Equity-settled share-based transactions

During the six months ended 30 June 2015, 29,700,000 share options were granted to senior management and employees of the Group under the Company's employee share option scheme (650,000 share options were granted during the six months ended 30 June 2014). Each option entitles the holder to subscribe for one ordinary share in the Company. These share options will vest in instalment during the period from 20 January 2015 to 19 January 2021. The exercise price ranges from HK$3.21 to HK$3.91, being the average closing price of the shares for the five trading days immediately preceding the date of grant.

18. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Equity-settled share-based transactions (continued)

During the six months ended 30 June 2015, 1,739,340 share options were exercised (six months ended 30 June 2014: 5,094,870) with a weighted average exercise price of US$0.31 (six months ended 30 June 2014: US$0.21) and the total number of ordinary shares increased by 1,739,340 for the six months ended 30 June 2015 (six months ended 30 June 2014: 5,094,870 ordinary shares).

(c) Share award scheme

Pursuant to a share award scheme approved by the Board in 2011, the Company may purchase its own shares and grant such shares to certain employees of the Group at nil consideration. For the six months ended 30 June 2015, the Company granted 4,553,886 shares (six months ended 30 June 2014: 3,247,585) to the Group's executives and purchased 4,567,000 shares (six months ended 30 June 2014: 4,711,000) at cash consideration of US$2,426,000 (six months ended 30 June 2014: US$3,252,000).

The consideration paid for the purchase of the Company's shares is reflected as a decrease in the capital reserve of the Company. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in capital reserve, which is measured based on the grant date share price of the Company.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value hierarchy (continued)

The Group has engaged an external valuer to perform valuations for the financial instruments, including the conversion option embedded in convertible notes. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each interim and annual reporting date, and is reviewed and approved by the Group's management.

	Fair value at 30 June 2015 US$'000	Fair value measurements as at 30 June 2015 categorised into Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial liabilities:				
– Conversion Option of the Otsuka Loans	446	–	–	446

The carrying amounts of the Group's financial statements carried at cost or amortised cost are at amounts not materially different from their fair values as at 30 June 2015 and 31 December 2014.

During the six months ended 30 June 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Volatility ratio
Conversion Option of the Otsuka Loans	Binomial lattice model	Expected volatility	33.36%

The fair value of the Conversion Option of the Otsuka Loans is determined using binomial lattice model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have increased/decreased the Group's loss by US$303,000/US$230,000 (six months ended 30 June 2014: US$886,000/US$869,000).

The movement during the period in the balance of Level 3 fair value measurements is disclosed in note 15(b).

The gain arising from the remeasurement of the Conversion Option of the Otsuka Loan is presented in "Other net (loss)/gain" in the consolidated statement of profit or loss.

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

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Contracted for	**30,498**	18,505
Authorised but not contracted for	**50,771**	57,941
	81,269	76,446

21. 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 and certain of the highest paid individuals, is as follows:

	Six months ended 30 June	
	2015 US$'000	2014 US$'000
Salaries and other benefits	**1,540**	1,262
Discretionary bonuses	**1,534**	1,638
Retirement scheme contributions	**25**	37
Equity-settled share-based payment expenses	**355**	248
Cash-settled share-based payment expenses	**589**	–
	4,043	3,185

(b) Financing arrangement

As mentioned in note 15(b), the Company fully repaid the Term A Loan and the Term C Loan in January 2015.

As at 30 June 2015, the outstanding balance due to Otsuka Medical Devices was US$37,280,000 (31 December 2014: US$197,463,000). Interest expenses and fair value change on the derivative component relating to the Otsuka Loans recognised in the consolidated statement of profit or loss during the six months ended 30 June 2015 amounted to US$1,175,000 and US$146,000, respectively (six months ended 30 June 2014: US$2,297,000 and US$1,900,000, respectively).

21. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other transactions with related parties

For the six months ended 30 June 2015 and 2014 the Group has entered into transactions with the following related parties:

Name of party	Relationship
JIMRO Co., Ltd. ("JIMRO")	Subsidiary of Otsuka Holdings Co., Ltd. ("Otsuka Holdings"), the ultimate controlling party of the Company
We'Tron Capital Limited ("We'Tron Capital")	Substantial shareholder of the Company
Maxwell Maxcare Science Foundation Limited ("Maxwell Maxcare")	Controlling party of We'Tron Capital
Thai Otsuka Pharmaceutical Co., Ltd. ("Thai Otsuka")	Subsidiary of Otsuka Holdings
Otsuka (Philippines) Pharmaceutical, Inc. ("Otsuka Philippines")	Subsidiary of Otsuka Holdings
P.T. Otsuka Indonesia ("Otsuka Indonesia")	Subsidiary of Otsuka Holdings
Otsuka Pakistan Ltd. ("Otsuka Pakistan")	Subsidiary of Otsuka Holdings
MicroPort Sorin CRM (Shanghai) Co., Ltd. ("MicroPort Sorin")	Joint venture of the Group

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

	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Sales of goods to:		
JIMRO	**49**	208
Thai Otsuka	**591**	566
Otsuka Philippines	**1,173**	726
Otsuka Indonesia	**421**	220
Otsuka Pakistan	**382**	420
MicroPort Sorin	**–**	701
	2,616	2,841
Sales of non-current assets to:		
MicroPort Sorin	**–**	1,027

21. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other transactions with related parties (continued)

	At 30 June 2015 US$'000	At 31 December 2014 US$'000
Trade receivables from:		
JIMRO	**–**	122
Thai Otsuka	**421**	203
Otsuka Philippines	**587**	167
Otsuka Indonesia	**208**	427
Otsuka Pakistan	**311**	400
MicroPort Sorin	**–**	188
	1,527	1,507

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

Particulars of the Group's other transactions with related parties are as follows:

	Six months ended 30 June	
	2015 US$'000	2014 US$'000
Purchase of goods from MicroPort Sorin	**507**	–
Donation made to Maxwell Maxcare	**402**	–
Management services fee reimbursed to We'Tron Capital	**98**	–