INTERIM REPORT 2016

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

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

MicroPort
The Patient Always Comes First

COMPANY PROFILE

MicroPort Scientific Corporation (the "Company" or "MicroPort") 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 over 5,000 hospitals of 71 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. Our products are now being used worldwide at an average rate of one for every 15 seconds. The Company is dedicated to becoming a patient-oriented global enterprise that advances the forefront of technology innovation to develop the best and most affordable medical therapies to save and reshape patients' lives as well as to improve the quality of life of the patient.

The Company is committed to improving human life through the practical application of innovative science. And we continually develop leading technologies and products for physicians, with affordable life-saving solutions and treatments for patients. We are a young company with an ambition to establish MicroPort as a globally recognised brand. Yet as the business grows, we strive to retain our unique entrepreneurial spirit, and we continue to demonstrate entrepreneurial achievement and innovation coupled with our commitment to improving the social wellbeing.

We have a large and growing intellectual property portfolio and a strong research and development ("R&D") team. We work in close cooperation with recognized international physicians and scientists worldwide, to develop a range of products that meet the highest quality and clinical standards. The applied expertise of our R&D team ensures our latest products are always innovative, as we strive to provide state of the art medical technologies and deliver the next generation medical devices and treatments for chronic ailments.

With a large global footprint of R&D and manufacturing facilities in Shanghai, Jiangsu, Zhejiang, Beijing and Shenzhen in China, and Memphis, TN in the United States, a strong focus on technology innovation with over 1,700 issued patents, and a global workforce of over 2,600 employees, MicroPort is committed to its vision.

Our products touch the lives of many people every day and we take this important responsibility very seriously. We are proud that MicroPort products will always achieve the highest standards of quality and ensure improved health for the patients. We know our products offer hope and relief to many people around the world, and every one of our employees takes personal responsibility to achieve our vision.

And it is our commercial achievements that enable us to give something back to the society, which makes our success possible. Our commitment to social engagement and responsibility is an important aspect of our company culture and philosophy. MicroPort works diligently to build strong relationships with all our international partners and all our stakeholders, because as a corporation, we think our community is an essential part of our business, and we strive to help in the best ways we can.

OUR VISION

Dedicated People Striving to Make a Patient Oriented Global Enterprise Capable of Leading Minimally Invasive and Other Emerging Medical Technologies.

OUR MISSION

We Continuously Innovate and Subsequently Commercialize the Best and Yet Affordable Therapeutic Solutions to Save and Reshape Lives.

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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
Ms. Janine Junyuan Feng (appointed on 28 March 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jonathan H. Chou
Dr. Guoen Liu

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Dr. Zhaohua Chang
Ms. Yee Har Susan Lo

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITORS

KPMG, *Certified Public Accountants*

LEGAL CONSULTANT

Freshfields Bruckhaus Deringer

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

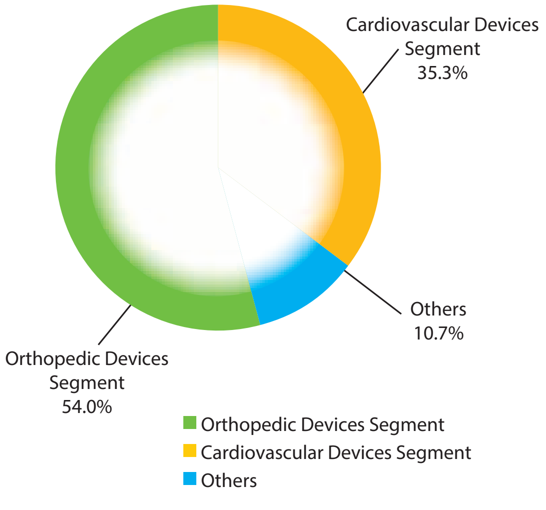
PRINCIPAL BANKERS

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

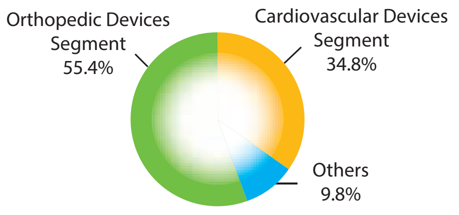
FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016 US$'000 (unaudited)	2015 US$'000 (unaudited)	Change %
Revenue	198,556	191,245	3.8%
Gross Profit	136,961	128,341	6.7%
Profit/(loss) for the period	5,535	(2,587)	n/a
Profit/(loss) attributable to equity shareholders	4,689	(2,961)	n/a
Earnings/(loss) per share –			
Basic (in cents)	0.33	(0.21)	n/a
Diluted (in cents)	0.33	(0.21)	n/a

Revenue by Business Segment
For The Period Ended 30 June 2016



Revenue by Business Segment
For The Period Ended 30 June 2015



CEO STATEMENT

In face of the challenges of more fierce world-wide competition in the rapidly growing medical device industry at home and abroad, the Company was able to achieve profit turnaround in the first half of 2016, with our outstanding product portfolio, diversification and globalization strategies, as well as hard work of our people. The Company recorded a net profit of USD5.54 million for the six months ended 30 June 2016 as compared with a net loss of USD2.59 million recorded for the six months ended 30 June 2015, with gross profit increased by USD$8.62 million, up by 6.7% year-on-year. Such increase was primarily attributable to our orthopedics business' steady operation in the international markets and rapid growth in the PRC market, and a significant revenue growth in the cardiovascular and endovascular segments in the PRC market, particularly the third-generation coronary stent product Firehawk™ Rapamycin Target Eluting Coronary Stent ("Firehawk™"). Meanwhile, we firmly pushed forward our R&D programs with remarkable achievements. In 2016, we continued to take solid steps on the path towards becoming a global leading medical device company.

CEO STATEMENT

In 2016, our orthopedics business continued to make steady progress on schedule. In the first half of 2016, our international orthopedics business delivered solid financial performance with losses continuing to decrease. In particular, our orthopedics business in Japan saw a significant deceleration of past years' revenue drop and realized growth in June, and we are confident that the trend will continue. In the PRC market, our joint business, spine and trauma business, as well as the Global Supply Center of the orthopedic business together achieved 14% year-on-year increase in sales revenue (excluding the foreign exchange impact) from 1 January 2016 to 30 June 2016 (the "Reporting Period"). In the first half of 2016, our joint products entered in 70 new hospitals in the PRC, and 120 procedures using the world's unique SuperPath™ Micro Posterior Approach Total Hip Reconstruction Technique ("SuperPath™") were performed monthly on average in the PRC market. Meanwhile, Evolution™ Medial-Pivot Knee System ("Evolution™"), with world' s leading technology, is speeding up its market promotion. With its Medial-Pivot design and minimally invasive implantation concept, Evolution™ has achieved the best-ever stability of knee implants and patient satisfaction, which will further strengthen the leading position of our "Fast Recovery" joint products in the market.

Due to higher market recognition of our brand and the new-generation products, the sales of our cardiovascular stents continued to experience steady growth in the PRC market. The sales volume and sales revenue of the combination of Firebird2™ Rapamycin – Eluting CoCr Coronary Stent ("Firebird2™") and Firehawk™ increased 25% and 16% (excluding the foreign exchange impact) year-on-year respectively as of the end of June 2016. The Company's high-end product Firehawk™ demonstrated excellent market performance in the first half of 2016, which contributed more greatly to the sales revenue of our stent products. Up to date, Firehawk™ has been sold or used in 24 countries in three regions including Asia-Pacific, Europe and Latin America. In 2016, Firehawk™ was granted market approval in Brazil, India and Argentina, which lays a great foundation for us to further exploit the overseas markets, especially the Latin American markets.

Meanwhile, some of our major R&D programs obtained support and approval from the government. In the first half of 2016, our in-house developed Columbus™ 3D EP Navigation System ("Columbus™") and FireMagic™ Irrigated Ablation Catheter ("FireMagic™") gained approval for market launch from the China Food and Drug Administration ("CFDA"). With both of them officially launched, MicroPort EP is able to provide physicians with a comprehensive solution for the diagnosis and treatment of complex arrhythmias. Besides, the Castor™ Thoracic Branch Stent-Graft System ("Castor™") Tubridge™ Vascular Reconstruction Device ("Tubridge™") and Firesorb™ Bioresorbable Rapamycin Target Eluting Coronary Scaffold System ("Firesorb™") were granted by the CFDA the Green Path status, a special fast-track procedure for innovative medical devices to gain CFDA approval.

Several R&D projects have been carried out as planned. Transcatheter Aortic Valve and its Delivery System ("TAVI") are currently at the stage of large-scale clinical trials, and are expected to complete the patient enrollment for all the clinical trials by the end of 2016, and gain the CFDA approval by the end of 2018. The project of surgical robot focused on systematical tests and performance improvement as scheduled. The network service platform "Life Line Live" (www.1o2o.com) was officially launched, aiming to provide medical service tailored to the individual patient and deliver patient care outside of the hospital or doctor's office.

In the near future, we expect to realize cash flow break-even for orthopedics business by the end of 2016 through our continuous strategic commercial efforts in gross margin improvement and control in operating expenses and inventory. For cardiovascular business, with the ramp-up of Firehawk™ sales in domestic and overseas markets, we will see further increase of revenue. Our innovative products Castor™ and Tubridge™ were granted Green-Path status and expected to receive CFDA approval in late 2016 and 2017 respectively, which is deemed to be a new growth engine for our Endovascular business and Neurovascular business. In addition, as mentioned above, the CFDA approvals of Columbus™ and FireMagic™ will inject strong growth momentum for our EP business.

Looking forward, the Management team will focus on further diversifying our product pipeline, smoothing integration of the Company, enhancing operational efficiency and delivering greater fiscal prudence. Looking forward, we are striving to deliver high-quality and affordable medical devices to more patients and build our MicroPort brand, so that it becomes synonymous for quality, innovation and above all integrity worldwide. There is no doubt that there are many challenges ahead of us, but as a strong team of dedicated people, I believe MicroPort can achieve all of our goals, and take MicroPort into a new era of growth and success.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

OVERVIEW

During the first half of 2016, Chinese government has continuously introduced various policies and initiatives that are directly aimed at the healthy and fast improvement of medical devices industry, which provides the Company with many opportunities for development. The 13th "Five-year" plan for Economics and Social Development of the PRC has further elevated the importance of medical device industry in the PRC and positioned the high-end medical device industry as the key national project among its development. One of the most prominent policies is to encourage the substitution of imported products with domestic-innovated ones. In addition, government agencies such as CFDA provide fast track review channel to accelerate the review and approval process of innovative products with the intention to streamline the procedure and improve the efficiency, which will benefit the innovative products of innovative enterprises. Meanwhile, the ever-increasing stringent oversight on the medical industry improved the effectiveness and safety of the products which eventually leads to better regulated industry and health growth of sizeable and high-quality oriented corporations. However, the ever-competitive market landscape and change of relevant governmental bidding policies and model will continue to bring huge challenges to the industry.

During the Reporting Period, the Company managed to capture the upside potentials brought by the government policy and mechanism reform, and achieved a remarkable success with revenue increase in most business segments through optimizing sales channels, capturing opportunities in new markets, as well as advancing R&D projects, integrating resources, and improving operating efficiencies. As a result, the Company successfully turned around to a net profit of US$5.5 million for the six months ended 30 June 2016 (profit attributable to equity shareholders: US$4.7 million) after two years' net loss since acquisition of OrthoRecon business in early 2014.

SEGMENT REVIEW

– **Solid Financial Performance of Orthopedics Business**

During the Reporting Period, our Orthopedics business continued to deliver solid financial performance with a 1.2% revenue growth excluding the foreign exchange impact as compared with the corresponding period of 2015. Through the combination of a revamped focus on our strategic commercial efforts, improvements in gross margin and operating expenses, and a tighter control over inventory and capital investments, our Orthopedics business realized global revenue growth and continuing improvement from historical loss.

In the Reporting Period, we continued to build our corporate brand around the concept of Full Function, Faster™, based on our existing technology pillars of the SuperPath™ and Advance™ and Evolution™. Meanwhile, we have ongoing additional initiatives to meet the growing needs of patients, surgeons and payors regarding a faster episode of care with better outcomes, less rehabilitation requirements, and reduced post-operative restrictions.

1.2%

The sales increased 1.2% (excluding the foreign exchange impact) as compared to the corresponding period of 2015.

34%

The sales of joint products in China increased 34% (excluding the foreign exchange impact) as compared to the corresponding period of 2015.

From a geographical standpoint, our US Core business conducted a restructuring of R&D and marketing activities that will allow for more efficient R&D project execution and stronger marketing capabilities leading to stronger sales execution in the second half of 2016 and especially in 2017. The Europe market continued to provide a valuable contribution despite challenges in macroeconomic factors such as foreign exchange volatility. For Japan, the business saw a dramatic improvement from its past revenue decline which narrowed from 13.2% in the first half of 2015 to 2.9% (excluding the foreign exchange impact) in the Reporting Period, which was primarily attributable to continuous focus on training, medical education, territory coverage and introduction of new product. The non-China orthopedics business is expected to realize self-funding of cash flow by the end of 2016 as planned.

For China business, we accelerated promoting the awareness of the "Full Function, Faster" concept among Chinese surgeons and patients, and focused on product R&D and further improvement of medical solutions. The strategic objective is to become the best producer and service provider of joint "Fast Recovery" treatment for the China market. The combined sales revenue of our joint business, spine and trauma and the Global Supply Center ("GSC") recorded 78% growth before consolidation (excluding the foreign exchange impact) as compared to the corresponding period of 2015. Specifically, the sales of our joint products achieved growth of 34% (excluding the foreign exchange impact), much higher than market average growth rate. Our joint products entered into 70 new hospitals in China. As of August, SuperPath™ has been promoted to 159 hospitals in 23 provinces, and 1,665 surgery cases have been completed. Meanwhile, Evolution™ Medial-Pivot Knee System, with world leading technology, is speeding up its market promotion which will further strengthen the leading position of our "Fast Recovery" joint products in the market. Our spine and trauma products started to get market approval and build distribution channel in many markets in Latin America, South Africa and Europe. GSC is responsible for purchase, supply and logistics of surgical instruments and consumable materials for joint, spine and trauma businesses. After six-month trial operation, the business of GSC is running smoothly and has achieved initial success in the integration of the global supply chain for orthopedic instruments for our orthopedic business. During the reporting period, GSC realized gross sales of US$5.8 million (excluding the foreign exchange impact), more than tripled compared to the corresponding period of 2015.

As a company strongly focused on innovation, we formulated and executed an ambitious plan for Orthopedics Business to better align all functions involved in the development and delivery of new technologies to the market, with the end goal of accelerating our development capabilities from idea generation to product introduction. In the Reporting Period, a series of innovative products were launched, R&D progress of joint prosthesis in PRC market was at the stage of clinical trial, and Evolution Revision Tibial System was submitted to Food and Drug Administration of U.S. for approval in July 2016, which should result in an acceleration of our progress to market product pipeline in the following years.

– **Robust Growth of Cardiovascular Devices Business**

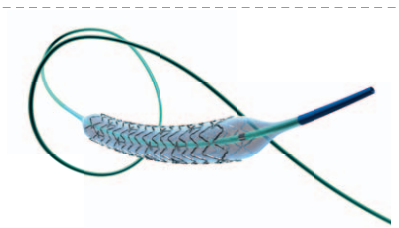
During the Reporting Period, our cardiovascular business achieved robust growth with a sales growth of 12.4% (excluding the foreign exchange impact), which was mainly attributable to the solid market performance of Firebird2™ and fast ramp-up of Firehawk™. During the Reporting Period, domestic sales of Firebird2™ continued its organic growth of 6% (excluding the foreign exchange impact) and domestic sales of Firehawk™ realized a growth of 133% (excluding the foreign exchange impact) as compared to the corresponding period in 2015. The international sales of our drug eluting stent products also achieved 10% (excluding the foreign exchange impact) growth, of which sales growth of Firehawk™ was 84% (excluding the foreign exchange impact). So far, our cardiovascular products have covered over 1,300 hospitals in 30 provinces of PRC, of which Firehawk™ covered 264 hospitals in 26 provinces. Firehawk™ also covered 24 overseas countries. The Firehawk™ TARGET All Comers European clinical trial is progressing ahead of plan with over 70% of the patients enrolled in 21 hospitals. We expect to complete the clinical trial enrollment by the end of 2016. The launch and ramp-up of Firehawk™ further consolidated our leading position in domestic cardiovascular devices market, and enhanced our competitiveness in international market.

12.4%

The sales increased 12.4% (excluding the foreign exchange impact) as compared to the corresponding period of 2015.

126%

The global sales of Firehawk™ increased 126% (excluding the foreign exchange impact) as compared to the corresponding period of 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

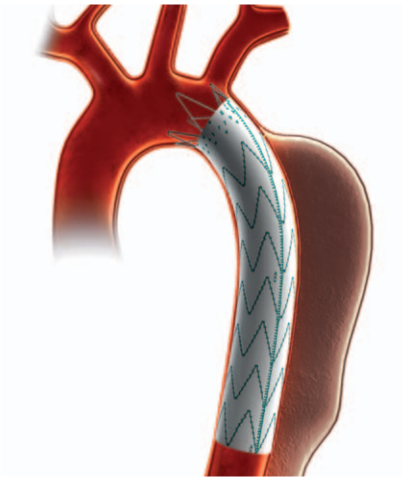
– Rapid Development of Endovascular Business

During the Reporting Period, the Endovascular business achieved a sales growth of 40.2% (excluding the foreign exchange impact) as compared to the corresponding period of 2015, which was mainly driven by the organic growth momentum of domestic aortic endovascular treatment market, the rapid increase of market recognition of our products, as well as the in-advance market layout of our endovascular products in China market. In response to government guideline, our endovascular business began to execute the marketing strategy of actively cultivating grass roots markets 3 years ago, which began to demonstrate effects in 2016. In addition to the full coverage of hospitals in first-tier cities, our major endovascular products have also entered into most domestic second-and third-tier cities and even some county-level hospitals equipped with necessary facilities for aortic interventional procedures, with 47 hospitals newly explored in the reporting period. Furthermore, the launch of our Hercules™-T Low Profile AAA Stent-Graft and delivering system further enhanced the competitiveness of our endovascular business, and enlarged our domestic market share in this field.

The major R&D projects also achieved great milestones. As at 30 June 2016, the Castor™ and Reewarm™ PTX Drug Coated Balloon Dilation Catheter ("Reewarm™ PTX") were granted Green Channel Status for CFDA approval. The Minos™ Ultra Low Profile abdominal aortic stent-graft system, which is our next generation (AAA) abdominal aortic stent graft and delivery system, has successfully completed enrollment for pre-marketing clinical trials.With a contribution of over $10 million in revenue in the Reporting Period, the endovascular devices business will continue to contribute value for MicroPort as it maintains its leading position in the field with an extensive product pipeline and its innovative capabilities.

40.2%

The sales revenue increased 40.2% (excluding the foreign exchange impact) as compared to the corresponding period of 2015.



– Significant Milestones Achieved in Other Businesses

During the Reporting Period, other business segments also made great achievements. Neurovascular business and EP business realized revenue growth of 26.8% and 9.2% (excluding the foreign exchange impact) respectively as compared with the corresponding period of 2015. The APOLLO™ intracranial stent system, which has been in the market for more than 10 years, still maintained strong growth momentum in the Reporting Period with its sales growth rate reaching 31% excluding the foreign exchange impact. Our WILLIS™ Intracranial Stent Graft System continued to obtain increasing market recognition and achieved organic growth in both sales volume and revenue. It's inclusion in Shanghai's Drug Reimbursement List is expected to further propel its popularization in Shanghai and even national markets. The Neurovascular device business segment will launch a series of products with steady cadence including a vertebral artery stent, a coil embolization device, and a clot retrieval device to provide a full range of solutions for the neurointerventional field.

With the superiority of China only magnet location full curve visualization and only 3D EP Navigation System entered into European Union market, both our Columbus™ and FireMagic™ received CFDA approval during the Reporting Period. With these products, the EP business is equipped with full product portfolio and platform to provide a holistic solution for the treatment of atrial fibrillation and complex arrhythmias. In addition, the EP business has received approval from the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Board to seek a separate quotation on the National Equities Exchange and Quotations, which shall provide the EP business with a good financing platform to facilitate its development.

In addition, our joint venture with Sorin Group also achieved great milestones in development path, as it completed first implantation in FIM Clinical Trial of "Made-in-China" BonaFire™ Pacing Lead, and is promoting R&D of independently developed pacemaker and related products to accelerate the process of import substitution and benefit more patients with higher quality and more affordable products.

– Medical Education and Marketing Activities

The Company has been investing in strengthening its medical education programs and marketing activities to promote its products.

For the orthopedic business, the strategy of stabilizing and expanding the overseas markets includes promoting our key product strategies related to SuperPath™ and Patient Preference knee platform built around Evolution™. We educated and trained our surgeons on our products through three primary venues: didactic events, cadaver labs, and surgeon-to-surgeon observations. In May, MicroPort Orthopedics hosted "The Forgotten Joint Replacement" Didactic Congress in Vienna, Austria, one of the biggest events of MicroPort Orthopedics in 2016 globally, with over 300 delegates from around the world in attendance. In the PRC market, we promoted our orthopedic techniques and products to many surgeons through self-organized training courses and attending various important didactic seminars in the field at provincial and national level. As of June 30 of 2016, we launched three training centers: one related to our Medial Pivot knee products (Evolution™) in Shanghai and two focused on our SurperPath™ techniques in Shanghai and Xi'an respectively – and hosted four training courses to train surgeons on our hip and knee products. During the same period, we attended several seminars in the PRC, with in-depth demonstrations of the features and advantages of our hip and knee products, which helped to promote the products in the PRC market as well as enhance the brand image of our orthopedics business.

For other businesses, we continued our strong presence in premier international and domestic industry conferences to promote our products, such as SOLACI 2016 in Brazil, OCC 2016 in Shanghai, EuroPCR 2016 in Paris, SCC 2016 in Guangzhou, CIT 2016 in Beijing and AsiaPCR 2016 in Singapore, in which the Company hosted several academic symposiums with world renowned interventional cardiologists as our keynote speakers for demonstrating the efficacy of our cardiovascular stents. In addition, the Company attended the Second China Valve (Hangzhou) in March with a live broadcasting of a successful TAVR therapy using our in-house developed Self-expanding Transcatheter Aortic Valve, TAVI and Valve Balloon Dilatation Catheter.

– Progress in Research and Development Projects

As an R&D-driven enterprise, the Company has always attached great importance on having a steady R&D pipeline of new products to drive revenue growth. 4 products received CFDA registration certificates and 4 projects were granted by CFDA the Green-Path Status by the end of August 2016. There was also several projects achieved milestone achievements.

Our Firesorb™ Bioresorbable Rapamycin Target Eluting Coronary Scaffold System, the in-house developed second-generation fully bioresorbable scaffold was granted with CFDA the Green-Path status, which will significantly shorten the approval time. In April, Firesorb™ completed the patient enrollment for its First-in-man (the "FIM") Clinical Trial. Our TAVI which was also granted the Green-Path Status, is at the stage of large-scale clinical trials and is estimated to complete all of its clinical trials by the end of 2016.

The R&D progress of our surgical robot also achieved breakthroughs for some key technologies on schedule.

In addition, the Company also launched the network service platform "Life Line Live" (www.1o2o.com), aiming to connect doctors and patients in different locations, provide medical service tailored to the individual patient and deliver patient care outside of the hospital or doctor's office utilizing the latest concepts and technologies of the Connected Health. The platform fully leverages MicroPort's strength by combining its professional medical service with advanced IT technologies related to the Internet, the Internet of Things, and Big Data Processing Analytics to deliver better quality care to patients. After launching of the platform. We established a healthcare cooperation project with Yizheng Municipal Government to utilize the tele-medicine service provided by "Life Line Live" network service platform to offer doctors with tele-consultation, real-time intraoperative guidance and online training service, allowing doctors and patients in less-developed areas to enjoy high-quality medical resources applied to these two centers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OVERVIEW

Faced with a challenging economic environment with intense competition in the domestic and overseas markets, we have successfully achieved a revenue growth of 3.8% for the six months ended 30 June 2016 and maintained our leading position in China. We continued to provide a diversified product offering with non-cardiovascular sales contributing 65% to total revenue, and continued our globalization strategy with non-China sales contributing 53% of the total revenue for the six months ended 30 June 2016. 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

US$'000	Six months ended		Percent Change	
	30 June 2016	30 June 2015	in US$	excluding the foreign exchange impact
Orthopedics devices business	**107,171**	105,885	1.2%	1.2%
– United States	**44,251**	42,890	3.2%	3.2%
– Europe	**31,350**	32,444	(3.4%)	(2.8%)
– Japan	**15,234**	14,633	4.1%	(2.9%)
– China	**5,623**	5,435	3.5%	14.0%
– Others	**10,713**	10,483	2.2%	4.1%
Cardiovascular devices business	**70,114**	66,584	5.3%	12.4%
Endovascular devices business	**10,450**	7,947	31.5%	40.2%
Electrophysiology devices business	**2,679**	2,615	2.4%	9.2%
Neurovascular devices business	**4,336**	3,644	19.0%	26.8%
Surgical devices business	**2,921**	3,636	(19.7%)	(14.3%)
Diabetes devices business	**885**	934	(5.2%)	0.9%
Total	**198,556**	191,245	3.8%	6.9%

Our revenue for the six months ended 30 June 2016 was US$198.6 million, increasing by 3.8% compared to US$191.2 million for the six months ended 30 June 2015. Our reported revenue was adversely impacted by translation from Renminbi ("RMB"), the functional currency of the Group's PRC subsidiaries to US$ the presentation currency of the Group due to the strengthening of US$ against RMB. Excluding the foreign exchange impact, our revenue growth rate was 6.9%. Such an increase was primarily driven by strong sales performance of the cardiovascular business. The following discussion is based on our seven major business segments.

– **Orthopedics Devices Segment**

Our orthopedic devices segment achieved a revenue of US$107.2 million for the six months ended 30 June 2016, representing a growth of 1.2% excluding the foreign exchange impact and in US$ compared to the six months ended 30 June 2015. Such operational increase was mainly because (i) revenue in the United States market successfully turned around and achieved 3.2% growth excluding the foreign exchange impact compared with the six months ended 30 June 2015. 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 growth of 14% excluding the foreign exchange impact compared with the six months ended 30 June 2015. In particular, Orthorecon revenue grew 34% excluding the foreign exchange impact through continued launch to more hospitals across provinces, attracting more distributors and gaining greater market recognition from Chinese surgeons, which is partially offset by the decrease in Spine and Trauma sales due to internal restructuring (iii) a revenue decline of 2.8% excluding the foreign exchange impact in European market compared with the six months ended 30 June 2015 due to some stocking distributors undergoing internal re-organization which resulted in reduced orders; and (iv) revenue in Japan operationally declined by 2.9% excluding the foreign exchange impact as a result of continued adverse impact of reduced reimbursement rates at Japanese hospitals, however, the decline rate has significantly decreased benefitting from growth of new product sales.

– **Cardiovascular Devices Segment**

Our cardiovascular devices segment achieved a revenue of US$70.1 million for the six months ended 30 June 2016, representing a growth of 12.4% excluding the foreign exchange impact or a growth of 5.3% in US$ compared to the six months ended 30 June 2015. Such revenue increase was mainly attributable to (i) Firehawk™ penetrating into a large member of hospitals across more Chinese provinces and more overseas countries, with its global revenue achieving 126% growth excluding the foreign exchange impact compared with the six months ended 30 June 2015; (ii) Firebird2™ sales maintaining an organic growth of 6% excluding the foreign exchange impact by selling through advanced distribution channels.

– **Endovascular Devices Segment**

Our endovascular devices segment achieved a revenue of US$10.5 million for the six months ended 30 June 2016, representing a growth of 40.2% excluding the foreign exchange impact or a growth of 31.5% in US$ compared to the six months ended 30 June 2015. Such growth was mainly attributable to the following factors: (i) rapidly expanding endovascular market in China in 2016; (ii) positive market recognition and enhanced competitiveness of MicroPort endovascular products in thoracic aortic aneurysm and endovascular treatment market as a result of market launch of Hercules™ Low Profile product; (iii) in response to government guideline, cultivating markets in second- and third-tier cities through effective promotion mechanism.

– **EP Devices Segment**

Our EP devices segment achieved a revenue of US$2.7 million for the six months ended 30 June 2016, representing a growth of 9.2% excluding the foreign exchange impact or a growth of 2.4% in US$ compared to the six months ended 30 June 2015. Such increase was mainly attributable to our EP devices obtaining further affirmation among physicians in the PRC.

– **Neurovascular Devices Segment**

Our neurovascular devices segment achieved a revenue of US$4.3 million for the six months ended 30 June 2016, representing a growth of 26.8% excluding the foreign exchange impact or a growth of 19% in US$ compared to the six months ended 30 June 2015. Such growth was mainly attributable to the organic growth of 31% excluding the foreign exchange impact in APOLLO™ Intracranial Stent System, and the growth of 19% excluding the foreign exchange impact in WILLIS™ Intracranial Stent Graft System driven by its greater market recognition since launch.

– **Surgical Management Segment**

Our surgical management segment achieved a revenue of US$2.9 million for the six months ended 30 June 2016, representing a decline of 14.3% excluding the foreign exchange impact or a decline of 19.7% in US$ compared to the six months ended 30 June 2015. The decrease was primarily due to the reduced competitiveness of our existing membrane oxygenation system, while the next generation of the membrane oxygenation system is still under development.

– **Diabetes Care and Endocrinal Management Segment**

Our diabetes care and endocrinal management segment achieved a revenue of US$0.9 million for the six months ended 30 June 2016, relatively stable with a growth of 0.9% excluding the foreign exchange impact or a decrease of 5.2% in US$ compared to the six months ended 30 June 2015.

COST OF SALES

For the six months ended 30 June 2016, our cost of sales was US$61.6 million, representing a 2.1% decrease as compared to US$62.9 million for the six months ended 30 June 2015. Such decrease was primarily attributable to lower manufacturing unit cost.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing factors, gross profit increased by 6.7% from US$128.3 million for the six months ended 30 June 2015 to US$137.0 million for the six months ended 30 June 2016. Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin increased to 69.0% for the six months ended 30 June 2016 as compared to 67.1% for the six months ended 30 June 2015, primarily as a result of lower manufacturing cost of Firehawk™ and Firebird2™.

OTHER REVENUE AND OTHER NET GAIN/(LOSS)

We had other revenue of US$2.9 million and other net income of US$2.1 million for the six months ended 30 June 2016, while other revenue and other net loss were US$2.0 million and US$1.0 million, respectively, for the six months ended 30 June 2015. The increase in other revenue was attributed to the increase in government grant, and the increase of other net gain was primarily attributable to the foreign exchange gain for the six months ended 30 June 2016 compared with a foreign exchange loss for the six months ended 30 June 2015.

RESEARCH AND DEVELOPMENT COSTS

Our R&D costs remained stable, with a decrease of 2.2% from US$24.7 million for the six months ended 30 June 2015 to US$24.2 million for the six months ended 30 June 2016.

DISTRIBUTION COSTS

Distribution costs increased by 4.9% from US$59.1 million for the six months ended 30 June 2015 to US$62.0 million for the six months ended 30 June 2016. Such increase was mainly attributable to (i) increase in bonus paid to the sales representatives for promotion of the orthopedics business; (ii) increase in post-market clinical trials costs in order to promote Firehawk™ in the domestic market.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 2.1% from US$31.0 million for the six months ended 30 June 2015 to US$31.7 million for the six months ended 30 June 2016. The increase was mainly attributable to more expenses incurred to support the expansion of the orthopedics business.

OTHER OPERATING COSTS

Other operating costs remained stable, with a decrease from US$1.8 million for the six months ended 30 June 2015 to US$1.7 million for the six months ended 30 June 2016.

FINANCE COSTS

Finance costs increased from US$7.9 million for the six months ended 30 June 2015 to US$8.3 million for the six months ended 30 June 2016. The increase was mainly driven by the newly issued convertible bonds.

INCOME TAX

Income tax increased from US$5.5 million for the six months ended 30 June 2015 to US$6.9 million for the six months ended 30 June 2016. This is primarily due to the increase in profit before tax of the PRC subsidiaries. No deferred tax assets were recognized for loss-making subsidiaries as of 30 June 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2016, we had US$129.1 million of cash and cash equivalents on hand, as compared to US$99.5 million as of 31 December 2015. 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 2016 was US$301.0 million, with a increase of US$21.7 million as compared to US$279.3 million as of 31 December 2015. As of 30 June 2016, the gearing ratio (calculated by dividing total loans, bank borrowings and bonds by total equity) of the Group remained constant at 88%, as compared to that as of 31 December 2015.

NET CURRENT ASSETS

Our net current assets as of 30 June 2016 was US$176.3 million, as compared to US$166.6 million as of 31 December 2015.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to currency risk primarily from sales, purchases, borrowing and lending which give rises to receivables and payables that are denominated in a foreign currency (mainly RMB, Euro and Japanese yen). For the six months ended 30 June 2016, the Group recorded a net exchange gain of US$0.9 million, as compared to an exchange loss of US$0.8 million for the six months ended 30 June 2015. The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring its foreign exchange risk.

CAPITAL EXPENDITURE

For the six months ended 30 June 2016, the Group's total capital expenditure amounted to approximately US$29.5 million, which was used in the (i) construction of buildings; (ii) purchase of equipment; and (iii) capitalized R&D projects.

CHARGE ON ASSETS

As of 30 June 2016, for the purpose of securing Otsuka loan with a carrying value of US$39.3 million, the group had pledged (i) the assets of MicroPort Orthopedics Holdings Inc., MicroPort Orthopedics Inc., and 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, MicroPort Orthopedics Japan K.K., MicroPort Scientific SAS, MicroPort Scientific SRL, MicroPort Orthopedics NV, MicroPort Scientific Ltd. and MicroPort Scientific GmbH; and (iv) all right, title and interest in certain assets held by MicroPort Orthopedics Japan K.K.. The Group had also pledged its manufactory building, headquarter building and land use right held for own use for the purpose of securing a long term loan from Shanghai Municipal Financial Administration with a carrying value of US$0.3 million and a banking facility of US$60 million.

CONTINGENT LIABILITIES

As of 30 June 2016, the Group had no material contingent liabilities or any significant outstanding contingent liabilities.

HUMAN RESOURCES AND TRAINING

As at 30 June 2016, the Group had 2,621 employees working in PRC, US, EMEA, South America and Asia Pacific. We devoted over 20 percentage of the total human capital in the R&D areas which includes 465 postgraduate scientists and technicians. The Company has a comprehensive remuneration system and a systematic welfare plan as well as an effective performance appraisal system in place to ensure that the remuneration policy of the Company effectively provides incentives to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the Reporting Period, the Company commenced building of a team of internal trainer to deliver training curriculums. We also initiated Internal Trainer Club, established an internal trainer capacity model, and issued cultivation scheme for internal trainers to enhance their capability in developing curriculums and delivering courses. During the Reporting Period, the Company held about 250 training courses, with a total of more than 5,400 enrolments and over 1,700 training hours according to its annual training plan, covering various topics such as regulatory information, market information, advanced technology introduction, leadership enhancement, work experience communication, occupational hygiene knowledge, etc.

OUTLOOK

China's medtech market is expected to emerge as the second largest in the world by 2020. That growth is being fueled by two powerful forces. The first is rising demand for health care products and services. As the Chinese population ages, and as a sedentary lifestyle becomes more prevalent, chronic and serious diseases are increasingly common. Along with an expanding middle class that can afford to pay more for care, this is stoking demand.

In addition, the Chinese government is increasing its spending on health care, including significant investments in public hospitals in order to increase the capacity of the overall system. And thanks to health care reform, all citizens now have access to basic health care through public insurance.

We will continue to improving existing products, diversifying new products through innovation, and exploring new markets to further enhance our leading position in China, and deepen internationalization of our business.

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 2016, 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 of the Company ("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:

Name of Director/Chief Executive	No. of Shares	Notes	Capacity	Nature of interest	Approximate percentage of interest in the Company
Zhaohua Chang	30,100,000	1	Beneficial owner	Long position	2.10%
	25,800,000	2	Interest of controlled corporation	Long position	1.80%

Notes:

(1) Zhaohua Chang 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".

(2) Zhaohua Chang holds 30% interest in Erudite Investment Limited.

Save as disclosed above, as at 30 June 2016, 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 2016, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

INTERESTS AND SHORT 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	382,994,120	1	Interest of controlled corporation	Long position	26.72
Otsuka Medical Devices Co., Ltd.	382,994,120	1	Beneficial owner	Long position	26.72
Shanghai Zhangjiang (Group) Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.47
Shanghai Zhangjiang Science and Technology Investment Co.	221,748,050	2	Interest of controlled corporation	Long position	15.47
Shanghai Zhangjiang Haocheng Venture Capital Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.47
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.47
Shanghai Zhangjiang Science and Technology Investment (Hong Kong) Co., Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.47
Shanghai ZJ Hi-Tech Investment Corporation	221,748,050	2	Interest of controlled corporation/ Beneficial Owner	Long position	15.47
Shanghai ZJ Holdings Ltd.	221,748,050	2	Interest of controlled corporation	Long position	15.47
Shanghai Zhangjiang Health Solution Holdings Limited	214,705,470	2	Beneficial Owner	Long position	14.98
Maxwell Maxcare Science Foundation Limited	217,110,000	3	Interest of controlled corporation	Long position	15.15
We'Tron Capital Ltd.	217,110,000	3	Beneficial owner	Long position	15.15
Shanghai We'Tron Capital Corp.	217,110,000	3	Interest of controlled corporation	Long position	15.15
CAP IV L.L.C.	207,181,818	4	Interest of controlled corporation	Long position	14.46
	42,140,000	4	Interest of controlled corporation	Short position	2.94
CAP IV General Partner, L.P.	207,181,818	4	Interest of controlled corporation	Long position	14.46
	42,140,000	4	Interest of controlled corporation	Short position	2.94
Carlyle Asia Partners IV, L.P.	207,181,818	4	Interest of controlled corporation	Long position	14.46
	42,140,000	4	Interest of controlled corporation	Short position	2.94
CAP IV Coinvestment, L.P.	207,181,818	4	Interest of controlled corporation	Long position	14.46
	42,140,000	4	Interest of controlled corporation	Short position	2.94
Erudite Holdings Limited	207,181,818	4	Interest of controlled corporation	Long position	14.46
	42,140,000	4	Interest of controlled corporation	Short position	2.94
GIC Private Limited	123,356,590	5, 6	Interest of controlled corporation/ investment manager	Long position	8.61

Name of Substantial Shareholder	No. of Shares	Notes	Capacity	Nature of interest	Percentage of total number of Shares in issue (%)
GIC Special Investments Pte. Ltd.	123,331,927	5	Interest of controlled corporation	Long position	8.61
GIC (Ventures) Pte Ltd.	123,331,927	5	Interest of controlled corporation	Long position	8.61
Owap Investment Pte Ltd.	123,331,927	5	Person having a security interest in shares	Long position	8.61
Gao Yang Investment Corp.	75,233,720	7	Interest of controlled corporation/ Beneficial owner	Long position	5.25
Shen Yao Fang	75,233,720	7	Interest of controlled corporation	Long position	5.25

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. In 25 January 2016, Otsuka Medical Devices Co., Ltd. completed the Secondary Share Sale Agreement with the purchaser Erudite Investment Limited. Accordingly, 86,000,000 ordinary Shares in the capital of the Company together with all rights accruing or attached to the Shares were transferred to Erudite Investment Limited. Thus, the Shares held by Otsuka Medical Devices Co., Ltd. became 382,994,120, and Shares held by Erudite Investment Limited is 86,000,000 from 25 January 2016.

(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 50.75% 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	14.98
Shanghai ZJ Hi-Tech Investment Corporation	7,042,580	0.49
Total	221,748,050	15.47

(3) Maxwell Maxcare Science Foundation Limited holds 79% interest 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) Erudite Holdings Limited holds the entire issued share capital of Erudite Parent Limited and Erudite Investment Limited respectively. Erudite Parent Limited and Erudite Investment Limited hold 121,181,818 Shares and 86,000,000 Shares, both in long position respectively. In addition, Erudite Investment Limited holds 42,140,000 Shares in short position. Therefore, CAP IV L.L.C., CAP IV General Partner, L.P., Carlyle Asia Partners IV, L.P., CAP IV Coinvestment, L.P. and Erudite Holdings Limited are deemed to be interested in the same 207,181,818 Shares in long position and 42,140,000 Shares in short position.

(5) 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 to have security interests in the same 123,331,927 Shares held by Owap Investments Pte Ltd.

(6) 9,687,000 Shares held by GIC Private Limited are interests held as investment manager.

(7) 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. are therefore deemed to be interested 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 2016, 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 the share award scheme approved by the Board on 26 August 2011 ("Share Award Scheme"), the Company purchased, through the trustee of the Share Award Scheme ("Trustee"), a total of 5,520,000 Shares of the Company at cash consideration of US$2,533,000 on the Stock Exchange for the six months ended 30 June 2016.

Save as disclosed above, during the six months ended 30 June 2016, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

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 2016.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the six months ended 30 June 2016, 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 (as defined under the Listing Rules) 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 2016.

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 the Share Award Scheme, the Trustee of the Share Award Scheme purchased a total of 5,520,000 Shares at cash consideration of US$2,533,000 on the Stock Exchange during the six months ended 30 June 2016.

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 2016, the total aggregate share options that may be granted under the Pre-IPO Share Option Scheme is 167,701,870, which represented 11.70% 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 19,284,610.

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 exercise period for the options granted under 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 under 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 and 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 of the Company may, at their discretion, invite any Directors (including executive Directors, non-executive Directors and independent non-executive Directors), employees and officers of any 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 as at the date when the Shares were first listed on the Stock Exchange, which is 140,411,234 Shares. As at 30 June 2016, 92,228,500 Shares were available for issue under the Share Option Scheme, which represented 6.44 % of the issued share capital. The Company may at any time refresh this 10% limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time.

OTHER INFORMATION

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 then issued share capital of the Company.

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 on 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 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.

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 2016 is as follows:

Category of participants	As at 1 January 2016	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2016	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	July 9th, 2010	Jul. 9th, 2011 – Jul. 8th, 2014	Jul. 9th, 2011 – Jul. 8th, 2020	USD0.3062	NA
	13,500,000	–	–	–	13,500,000	January 20th, 2015	Jan. 20th, 2016 – Jan. 19th, 2021	Jan. 20th, 2016 – Jan. 19th, 2025	HKD3.210	HKD3.170
	–	14,100,000	–	–	14,100,000	March 30th, 2016	Mar. 30th, 2017 – Mar. 29th, 2021	Mar. 30th, 2017 – Mar. 29th, 2026	HKD3.482	HKD3.36
In aggregate	**16,000,000**	**14,100,000**	**–**	**–**	**30,100,000**					
Consultants										
	1,000,000	–	–	–	1,000,000	May 17th, 2007	May 17th, 2007 – May 16th 2011	May 17th, 2008 – May 16th, 2017	USD0.3062	NA
	500,000	–	–	–	500,000	June 14th, 2007	Sep. 24th, 2010 – Sep. 23rd, 2014	Sep. 24th, 2011 – Sep. 23rd, 2020	USD0.3062	NA
In aggregate	**1,500,000**	**–**	**–**	**–**	**1,500,000**					

Category of participants	As at 1 January 2016	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2016	Date of grant of share options	Vesting period	Exercise period of share options	Exercise price of share options	Share price of the Company as at the date of grant of share options
Employees										
	2,505,610	–	144,430	–	2,361,180	March 2nd, 2007	Mar. 2nd, 2007 – Feb. 14th, 2011	Feb. 15th, 2008 – Jan. 24th, 2017	USD0.275	NA
	1,107,050	–	19,980	12,870	1,074,200	April 23th, 2007	Apr. 23rd, 2007 – Mar. 1st, 2013	Apr. 23rd, 2007 – Apr. 22nd, 2017	USD0.275	NA
	500,000	–	–	–	500,000	June 14th, 2007	Sep. 23rd, 2007 – Sep. 22nd, 2012	Sep. 23rd, 2008 – Sep. 22nd, 2017	USD0.3062	NA
	500,000	–	–	–	500,000	July 25th, 2008	Jul. 25th, 2008 – Jul. 24th, 2012	Jul. 25th, 2009 – Jul. 24th, 2018	USD0.3062	NA
	100,000	–	100,000	–	–	February 6th, 2009	Feb. 6th, 2009 – Feb. 5th, 2014	Feb. 6th, 2010 – Feb. 5th, 2019	USD0.425	NA
	4,000,000	–	4,000,000	–	–	October 21st, 2009	Oct. 9th, 2009 – Oct. 8th, 2014	Oct. 9th, 2010 – Oct. 20th, 2019	USD0.3062	NA
	418,000	–	418,000	–	–	October 21st, 2009	Jan. 1st, 2010 – Dec. 31st, 2014	Jan. 1st, 2011 – Oct. 20th, 2019	USD0.3062	NA
	700,000	–	–	–	700,000	July 8th, 2010	Aug. 1st, 2010 – Jul. 31st, 2014	Aug. 1st, 2011 – Jul. 7th, 2020	USD0.3062	NA
	160,500	–	–	–	160,500	July 8th, 2010	Jul. 8th, 2010 – Jul. 7th, 2014	Jul. 8th, 2011 – Jul. 7th, 2020	USD0.3062	NA
	6,898,730	–	500,000	–	6,398,730	July 9th, 2010	Jul. 9th, 2010 – Jul. 8th, 2014	Jul. 9th, 2011 – Jul. 8th, 2020	USD0.3062	NA
	3,590,000	–	–	–	3,590,000	August 9th, 2010	Aug. 9th, 2010 – Aug. 8th, 2014	Sep. 1st, 2011 -Aug. 8th, 2020	USD0.3062	NA
	500,000	–	–	–	500,000	October 17th, 2011	Oct. 17th, 2012 – Dec. 17th, 2018	Oct. 17th, 2012 -Oct. 16th, 2021	HKD4.790	HKD4.790
	562,500	–	–	–	562,500	November 1st, 2011	Nov. 17th, 2012 – Nov. 1st, 2017	Nov. 1st, 2012 – Oct. 31st, 2021	HKD4.470	HKD4.470
	8,800,000	–	–	1,000,000	7,800,000	August 28th, 2012	Aug. 28th, 2019	Aug. 28th, 2019 – Aug. 27st, 2022	HKD3.350	HKD3.350
	500,000	–	–	–	500,000	September 7th, 2012	Sep. 6th, 2013 – Sep. 6th, 2017	Sep. 6th, 2013 – Sep. 6th, 2022	HKD3.330	HKD3.330
	446,000	–	–	–	446,000	October 22th, 2012	Oct. 22th, 2013 – Oct. 22th, 2017	Oct. 22th, 2013 – Oct. 12th, 2022	HKD4.210	HKD4.210
	9,300,000	–	–	400,000	8,900,000	December 10th, 2012	Dec 10th, 2019	Dec 10th, 2019 - 9th Dec, 2022	HKD4.600	HKD4.600
	500,000	–	–	–	500,000	January 2th, 2013	Jan. 2th, 2014 – Jan. 2th, 2018	Jan. 2th, 2014 – Jan. 1st, 2023	HKD4.230	HKD4.220

OTHER INFORMATION

Category of participants	As at 1 January 2016	Granted during the period	Exercised during the period	Withdrawn during the period	As at 30 June 2016	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										
	250,000	–	–	–	250,000	August 28th, 2013	Aug. 28th, 2014 – Aug. 28th, 2018	Aug. 28th, 2014 – Aug. 27th, 2023	HKD4.970	HKD4.970
	400,000	–	–	–	400,000	December 9th, 2013	Dec. 9th, 2014 – Dec. 9th, 2017	Dec. 9th, 2014 – Dec. 8th, 2023	HKD5.590	HKD5.400
	650,000	–	–	650,000	–	January 21st, 2014	Jan. 21st, 2015 – Jan. 21th, 2019	Jan. 21th, 2015 – Jan. 20th, 2024	HKD5.352	HKD5.210
	500,000	–	–	–	500,000	August 28th, 2014	Aug. 28th, 2015 – Aug. 28th, 2019	Aug. 28th, 2015 – Aug. 27th, 2024	HKD4.718	HKD4.520
	2,600,000	–	–	900,000	1,700,000	January 20th, 2015	Jan. 20th, 2016 – Jan. 20th, 2019	Jan. 20th, 2016 – Jan. 20th, 2025	HKD3.210	HKD3.170
	5,860,000	–	–	–	5,860,000	January 20th, 2015	Jan. 20th, 2016 – Jan. 20th, 2020	Jan. 20th, 2016 – Jan. 20th, 2025	HKD3.210	HKD3.170
	6,240,000	–	–	–	6,240,000	January 20th, 2015	Jan. 20th, 2016 – Jan.20th, 2021	Jan. 20th, 2016 – Jan. 20th, 2025	HKD3.210	HKD3.170
	300,000	–	–	–	300,000	June 30th, 2015	Jun. 30th, 2016 – Jun. 30th, 2018	Jun. 30th, 2016 – Jun. 30th, 2025	HKD3.910	HKD3.820
	2,000,000	–	–	2,000,000	–	December 7th, 2015	Dec. 7th, 2016 – Dec. 6th, 2020	Dec. 7th, 2016 – Dec. 6th, 2025	HKD3.020	HKD2.930
	–	26,870,000	–	–	26,870,000	March 30th, 2016	Mar. 30th, 2017 – Mar. 30th, 2021	Mar. 30th, 2017 – Mar. 30th, 2026	HKD3.482	HKD3.36
	–	700,000	–	–	700,000	June 27th, 2016	Jun. 27th, 2017 – Jun. 27th, 2021	June. 27th, 2017 – Jun. 27th, 2026	HKD3.850	HKD3.850
In aggregate	**59,888,390**	**27,570,000**	**5,182,410**	**4,962,870**	**77,313,110**					
Seller of Dongguan Kewei	4,000,000	–	1,400,000	–	2,600,000	Jun 25th, 2012	Jun. 25th, 2016	Jun. 25th, 2016 – Jul. 26th, 2016	HKD3.240	HKD3.190
In aggregate	**4,000,000**	**–**	**1,400,000**	**–**	**2,600,000**					
Total	**81,388,390**	**41,670,000**	**6,582,410**	**4,962,870**	**111,513,110**					

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2016, except for the provisions 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 separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Zhaohua Chang ("Dr. Chang") has assumed the responsibility of the executive Director and the chairman of the Company and 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 assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy 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.

Mr. Zezhao Hua ("Mr. Hua"), an independent non-executive Director of the Company, retired by rotation at the annual general meeting held on 27 June 2016 and did not offer himself for re-election as a Director for personal health reasons. Upon retirement of Mr. Hua as an independent non-executive Director, the Board comprises one executive director, four non-executive directors and two independent non-executive directors. As a result, the number of independent non-executive directors and the audit committee (the "Audit Committee") members fell below the minimum number and other relevant requirements under Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Listing Rules. The composition of the nomination committee (the "Nomination Committee") does not meet the requirements under the Code Provision A.5.1 of the CG Code due to the same reason. In order to comply with such requirements, the Company will identify suitable candidates to act as independent non-executive Director and to fill up the vacancy of the Audit committee and the Nomination Committee as soon as practicable and in any event within three months from 27 June 2016, and will make further announcement as and when appropriate.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2016 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to the Shareholders.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established 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 (retired on 27 June 2016), respectively.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The terms of reference was revised on 27 June 2016 and has been made available on the websites of the Stock Exchange and the Company. The principal duties of the Audit Committee include review and supervision of the Group's financial reporting system, risk management 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 2016 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

OTHER INFORMATION

NOMINATION COMMITTEE

The Company has established 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 the 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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and their 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 2016 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 2016 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
29 August 2016

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 50 which comprises the consolidated statement of financial position of MicroPort Scientific Corporation (the "Company") as of 30 June 2016 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 2016 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

29 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

		Six months ended 30 June	
	Note	**2016 US$'000**	2015 US$'000
Revenue	*3*	**198,556**	191,245
Cost of sales		**(61,595)**	(62,904)
Gross profit		**136,961**	128,341
Other revenue	*4*	**2,939**	2,041
Other net gain/(loss)	*4*	**2,145**	(1,014)
Research and development costs		**(24,161)**	(24,712)
Distribution costs		**(62,038)**	(59,122)
Administrative expenses		**(31,681)**	(31,019)
Other operating costs		**(1,728)**	(1,843)
Profit from operations		**22,437**	12,672
Finance costs	*5(a)*	**(8,264)**	(7,855)
Share of losses of a joint venture		**(1,768)**	(1,913)
Profit before taxation	*5*	**12,405**	2,904
Income tax	*6*	**(6,870)**	(5,491)
Profit/(loss) for the period		**5,535**	(2,587)
Attributable to:			
Equity shareholders of the Company		**4,689**	(2,961)
Non-controlling interests		**846**	374
Profit/(loss) for the period		**5,535**	(2,587)
Earnings/(loss) per share	*7*		
– Basic (in cents)		**0.33**	(0.21)
– Diluted (in cents)		**0.33**	(0.21)

The notes on pages 33 to 50 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Profit/(loss) for the period	**5,535**	(2,587)
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation to presentation currency	**(5,488)**	(1,820)
Other comprehensive income for the period	**(5,488)**	(1,820)
Total comprehensive income for the period	**47**	(4,407)
Attributable to:		
Equity shareholders of the Company	**(670)**	(4,783)
Non-controlling interests	**717**	376
Total comprehensive income for the period	**47**	(4,407)

The notes on pages 33 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2016 US$'000	At 30 June 2016 US$'000	At 31 December 2015 US$'000	At 31 December 2015 US$'000
Non-current assets					
Property, plant and equipment	*8*		**250,982**		253,792
Land use rights	*8*		**16,860**		17,411
			267,842		271,203
Intangible assets	*8*		**63,440**		60,217
Prepayments for non-current assets			**3,378**		2,711
Goodwill	*9*		**54,458**		55,463
Interest in a joint venture			**2,917**		4,759
Deferred tax assets			**3,669**		3,711
Other non-current assets	*10*		**3,441**		4,339
			399,145		402,403
Current assets					
Inventories	*11*	**103,601**		101,840	
Trade and other receivables	*12*	**139,624**		126,957	
Pledged deposits and time deposits	*13*	**9,197**		2,976	
Cash and cash equivalents	*14*	**129,102**		99,467	
		381,524		331,240	
Current liabilities					
Trade and other payables	*15*	**88,181**		99,418	
Interest-bearing borrowings	*16*	**104,461**		55,086	
Income tax payable		**4,839**		1,226	
Deferred income	*17*	**3**		5	
Derivative financial liabilities	*16(b)*	**50**		397	
Obligations under finance leases		**415**		1,209	
Other current liabilities		**7,286**		7,260	
		205,235		164,601	
Net current assets			**176,289**		166,639
Total assets less current liabilities			**575,434**		569,042

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Note	At 30 June 2016 US$'000	At 30 June 2016 US$'000	At 31 December 2015 US$'000	At 31 December 2015 US$'000
Non-current liabilities					
Interest-bearing borrowings	*16*	**51,543**		129,374	
Convertible bonds	*18*	**145,001**		94,815	
Obligations under finance leases		**68**		33	
Deferred income	*17*	**31,708**		22,086	
Other payables	*15*	**2,051**		1,541	
Deferred tax liabilities		**3,573**		3,365	
			233,944		251,214
Net assets			**341,490**		317,828
Capital and reserves	*19*				
Share capital			**14**		14
Reserves			**334,747**		312,505
Total equity attributable to equity shareholders of the Company			**334,761**		312,519
Non-controlling interests			**6,729**		5,309
Total equity			**341,490**		317,828

Approved and authorised for issue by the board of directors on 29 August 2016.

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

The notes on pages 33 to 50 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company								
		Share capital US$'000	Share premium US$'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/(profit) 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		–	–	–	904	–	–	904	–	904
Shares issued under share option scheme	*19(b)*	–	850	–	(319)	–	–	531	–	531
Shares purchased under share award scheme	*19(c)*	–	–	–	(2,441)	–	–	(2,441)	–	(2,441)
Shares granted under share award scheme		–	–	–	2,204	–	–	2,204	–	2,204
Balance at 30 June 2015 and 1 July 2015		14	240,283	24,967	17,530	20,470	35,404	338,668	1,866	340,534
Changes in equity for the six months ended 31 December 2015:										
Loss/(profit) for the period		–	–	–	–	–	(9,125)	(9,125)	333	(8,792)
Other comprehensive income		–	–	(24,012)	–	–	–	(24,012)	(115)	(24,127)
Total comprehensive income		–	–	(24,012)	–	–	(9,125)	(33,137)	218	(32,919)
Capital contribution from non-controlling interests		–	–	–	4,622	–	–	4,622	3,548	8,170
Equity-settled share-based transactions		–	–	–	1,544	–	–	1,544	–	1,544
Appropriation of statutory general reserve		–	–	–	–	645	(645)	–	–	–
Shares issued under share option scheme		–	1,571	–	(749)	–	–	822	–	822
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	(323)	(323)
Balance at 31 December 2015		14	241,854	955	22,947	21,115	25,634	312,519	5,309	317,828

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital US$'000	Share premium US$'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 2016		**14**	**241,854**	**955**	**22,947**	**21,115**	**25,634**	**312,519**	**5,309**	**317,828**
Changes in equity for the six months ended 30 June 2016:										
Profit for the period		–	–	–	–	–	4,689	4,689	846	5,535
Other comprehensive income		–	–	(5,359)	–	–	–	(5,359)	(129)	(5,488)
Total comprehensive income		–	–	(5,359)	–	–	4,689	(670)	717	47
Capital contribution from non-controlling interests		–	–	–	2,017	–	–	2,017	703	2,720
Transfer between reserves		–	–	–	(4,845)	–	4,845	–	–	–
Equity-settled share-based transactions	*19(b)*	–	–	–	1,123	–	–	1,123	–	1,123
Equity component of convertible bonds	*18*	–	–	–	17,485	–	–	17,485	–	17,485
Shares issued under share option scheme	*19(b)*	–	3,295	–	(1,112)	–	–	2,183	–	2,183
Shares purchased under share award scheme	*19(c)*	–	–	–	(2,533)	–	–	(2,533)	–	(2,533)
Shares granted under share award scheme		–	–	–	2,637	–	–	2,637	–	2,637
Balance at 30 June 2016		**14**	**245,149**	**(4,404)**	**37,719**	**21,115**	**35,168**	**334,761**	**6,729**	**341,490**

The notes on pages 33 to 50 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 (unaudited)
(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2016	2015
	Note	**US$'000**	US$'000
Operating activities			
Cash generated from operations		**38,104**	14,476
Income tax paid		**(2,381)**	(2,221)
Net cash generated from operating activities		**35,723**	12,255
Investing activities			
Payments for purchase of property, plant and equipment		**(23,042)**	(16,420)
Other cash flows arising from investing activities		**(12,221)**	5,005
Net cash used in investing activities		**(35,263)**	(11,415)
Financing activities			
Repayments of the Otsuka Loans		**–**	(160,000)
Net proceeds from the convertible bonds	*18*	**64,837**	–
Repayments of other interest-bearing borrowings		**(45,000)**	(10,055)
Proceeds from other interest-bearing borrowings, net of transaction costs		**15,080**	33,146
Other cash flows arising from financing activities		**(4,482)**	(9,363)
Net cash generated from/(used in) financing activities		**30,435**	(146,272)
Net increase/(decrease) in cash and cash equivalents		**30,895**	(145,432)
Cash and cash equivalents at 1 January	*14*	**99,467**	215,602
Effect of foreign exchange rate changes		**(1,260)**	(882)
Cash and cash equivalents at 30 June	*14*	**129,102**	69,288

The notes on pages 33 to 50 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

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 (the "Stock Exchange") (the "Listing Rules"), 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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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").

This 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 29 August 2016. 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 2015 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 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2016.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure Initiative*

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 geography. 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.

(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 2016							
	Orthopedics devices business US$'000	Cardiovascular devices business US$'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	107,171	70,114	10,450	2,679	4,336	2,921	885	198,556
Reportable segment net (loss)/profit	(15,613)	29,804	4,810	(1,188)	1,571	(2,282)	(674)	16,428

	At 30 June 2016							
	Orthopedics devices business US$'000	Cardiovascular devices business US$'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	409,190	343,991	24,261	18,547	15,786	23,421	3,898	839,094
Reportable segment liabilities	117,267	116,497	7,627	8,325	2,181	17,769	6,107	275,773

3. SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2015							
	Orthopedics devices business US$'000	Cardiovascular devices business US$'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	105,885	66,584	7,947	2,615	3,644	3,636	934	191,245
Reportable segment net (loss)/profit	(15,878)	23,721	2,618	(947)	1,479	(1,542)	(722)	8,729

	At 31 December 2015							
	Orthopedics devices business US$'000	Cardiovascular devices business US$'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	396,150	359,517	25,083	21,105	16,773	27,894	5,117	851,639
Reportable segment liabilities	119,360	131,046	9,882	9,894	4,761	21,244	6,739	302,926

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") dividends withholding tax are excluded from reportable segment net profit/(loss).

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016 US$'000	2015 US$'000
Reportable segment net profit	**16,428**	8,729
Equity-settled share-based payment expenses	**(3,760)**	(3,093)
Unallocated exchange gain/(loss)	**2,164**	(1,244)
Unallocated expenses, net	**(9,297)**	(6,979)
Consolidated profit/(loss) for the period	**5,535**	(2,587)

4. OTHER REVENUE AND NET GAIN/(LOSS)

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Other revenue		
Government grants	**2,660**	841
Interest income on bank deposits	**279**	1,200
	2,939	2,041
Other net gain/(loss)		
Net foreign exchange gain/(loss)	**919**	(839)
Changes in fair value of embedded financial derivatives (note 16(6))	**347**	146
Others	**879**	(321)
	2,145	(1,014)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
(a) Finance costs		
Interest on the Otsuka Loans (note 16(b))	**1,324**	1,175
Interest on the convertible bonds (note 18)	**4,321**	2,342
Interest on other borrowings	**2,106**	3,140
Others	**513**	1,198
	8,264	7,855

5. PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Amortisation of intangible assets	**2,694**	2,474
Depreciation	**15,584**	16,374
Research and development costs (note)	**24,161**	24,712
Provision of inventories write-down (note 11)	**1,876**	278
Impairment loss of goodwill	**999**	–

Note: The Research and development costs includes amortisation of intangible assets of US$1,068,000 (six months ended 30 June 2015: US$854,000) and depreciation of property, plant and equipment of US$1,559,000 (six months ended 30 June 2015: US$1,869,000), which are included in the total amortisation and depreciation charges as disclosed above.

6. INCOME TAX

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Current tax – the PRC corporate income tax ("CIT")	**5,656**	3,817
Current tax – other jurisdictions	**739**	599
	6,395	4,416
Deferred taxation	**475**	1,075
	6,870	5,491

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 four entities entitled to a preferential income tax rate of 15% as they are certified as "advanced and new technology enterprise" ("ANTE"). According to Guoshuihan 2009 No.203, if an entity is certified as an ANTE, it is entitled to a preferential income tax rate of 15%.

In the United States (the "US"), the Group is taxed at a federal corporate tax rate of 35% plus various state tax rates. The Group has net operating losses in the US for federal and state tax purposes that may be carried forward for up to 20 years.

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 2016, 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. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of US$4,689,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: loss of US$2,961,000) and the weighted average of 1,421,873,000 ordinary shares in issue during the six months ended 30 June 2016 (six months ended 30 June 2015: 1,413,510,000 ordinary shares).

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2016	2015
	Number of shares	Number of shares
	'000	'000
Issued ordinary shares at 1 January	**1,426,569**	1,422,160
Effect of shares issued under the share options scheme	**4,070**	340
Effect of shares under share award scheme	**(8,766)**	(8,990)
Weighted average number of ordinary shares at 30 June	**1,421,873**	1,413,510

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of US$4,689,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: loss of US$2,961,000) and the weighted average shares of 1,429,575,000 shares for the six months ended 30 June 2016 (six months ended 30 June 2015: 1,413,510,000 ordinary shares) after adjusting the effects of dilutive potential ordinary shares under the Company's share option scheme.

The calculation of diluted earnings per share amount for the six months ended 30 June 2016 has not included the potential effect of the deemed conversion of the convertible bonds (note 18) and the Term B Loan (note 16(b)) into ordinary shares during the period, as they have an anti-dilutive effect on the basic earnings per share amount for the period.

8. PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

During the six months ended 30 June 2016, the Group acquired items of property and equipment with a cost of US$6,345,000 (six months ended 30 June 2015: US$7,376,000), and incurred construction costs for buildings of US$12,157,000 (six months ended 30 June 2015: US$7,513,000) and capitalised development costs of US$6,612,000 (six months ended 30 June 2015: US$4,155,000).

9. GOODWILL

The profitability of the Group's trauma and spine products under the orthopedics devices segment (the "cash-generating unit", "CGU") has declined during the six months ended 30 June 2016. As a result, the Group performed assessment of impairment for goodwill allocated to the CGU.

Based on such assessment, the carrying value of the CGU exceeds its recoverable amount by US$1,142,000 as at 30 June 2016. Accordingly, an impairment loss was recognised in respect of this CGU of which US$999,000 has been allocated to reduce the carrying amount of the goodwill to zero allocated to the CGU.

The recoverable amount of the CGU amounted to US$3,416,000 as at 30 June 2016, which is determined based on value-in-use calculations. These calculation use cash flow projections based on financial budgets approved by management covering a seven-year period. Cash flows beyond the seven-year period are extrapolated using an estimated weighted average growth rate of 3%, which is consistent with the long-term inflation rate in the PRC. The cash flows are discounted using a discount rate of 24%. The discount rate used is pre-tax and reflected specific risks relating to the CGU.

10. OTHER NON-CURRENT ASSETS

	At 30 June 2016 US$'000	At 31 December 2015 US$'000
Prepaid royalty	**2,281**	3,315
Deposits	**667**	559
Others	**493**	465
	3,441	4,339

The prepaid royalty represents upfront payments made to buy out certain royalty agreements with healthcare 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 12.

11. INVENTORIES

During the six months ended 30 June 2016, a provision of US$1,876,000 (six months ended 30 June 2015: US$278,000) to write down certain inventories items to their estimated net realisable value has been recognised as an expense in profit or loss.

12. 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 2016 US$'000	At 31 December 2015 US$'000
Less than 1 month	**36,706**	33,382
1 to 3 months	**41,327**	40,868
3 to 12 months	**20,782**	17,837
More than 12 months	**12,361**	9,313
Trade receivables net of allowance for doubtful debts	**111,176**	101,400
Other debtors	**11,063**	9,317
Income tax recoverable	**2,924**	3,325
Deposit and prepayments	**14,461**	12,915
	139,624	126,957

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

13. PLEDGED DEPOSITS AND TIME DEPOSITS

	At 30 June 2016 US$'000	At 31 December 2015 US$'000
Deposits with original maturities over three months	**8,500**	482
Pledged deposits	**697**	2,494
	9,197	2,976

Included in pledged deposits at 30 June 2016 were an amount of US$101,000 (31 December 2015: US$100,000) which were pledged as security for a long-term loan from Shanghai Municipal Financial Administration ("SMFA").

14. CASH AND CASH EQUIVALENTS

	At 30 June 2016 US$'000	At 31 December 2015 US$'000
Cash at bank and on hand	**128,004**	99,467
Deposits with original maturities within three months	**1,098**	–
	129,102	99,467

15. 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 2016 US$'000	At 31 December 2015 US$'000
Current		
Within 1 month	**11,089**	15,726
1 to 3 months	**4,457**	2,216
Over 3 months but within 6 months	**350**	1,422
Over 6 months but within 1 year	**2,372**	186
Over 1 year	**21,341**	24,166
Trade payables	**39,609**	43,716
Advances received	**689**	3,947
Dividends payables to ordinary shareholders	**89**	89
Dividends payable to holders of non-controlling interests	**–**	323
Other payables and accrued charges	**47,794**	51,343
	88,181	99,418
Non-current		
Other payables and accrued charges	**2,051**	1,541

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

16. INTEREST-BEARING BORROWINGS

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

	At 30 June 2016 US$'000	At 31 December 2015 US$'000
Within 1 year or on demand	**104,461**	55,086
After 1 year but within 2 years	**12,615**	91,727
After 2 years but within 5 years	**38,928**	37,647
	51,543	129,374
	156,004	184,460

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

	Note	**At 30 June 2016 US$'000**	At 31 December 2015 US$'000
Bank loans			
– secured	*(a)*	**51,364**	50,926
– unsecured		**65,080**	95,000
		116,444	145,926
Secured Otsuka Loans	*(b)*	**39,295**	38,270
Secured loan from SMFA		**265**	264
		156,004	184,460

16. INTEREST-BEARING BORROWINGS (CONTINUED)

(a) Bank loans

At 30 June 2016, the bank facilities of the Group of US$60,000,000 (31 December 2015: US$60,000,000) are secured by mortgages over certain land use rights and property, plant and equipment with an aggregate carrying value of US$4,334,000 and US$73,756,000 respectively (31 December 2015: US$4,478,000 and US$76,187,000, respectively). The facilities were utilised to the extent of US$52,000,000 as at 30 June 2016 (31 December 2015: US$52,000,000).

(b) Otsuka Loans

The Company entered into a credit agreement (the "Credit Agreement") dated 15 December 2013 with Otsuka Medical Devices Co., Ltd. ("Otsuka Medical Devices"), a subsidiary of Otsuka Holdings Co., Ltd., being the Company's major shareholder. Pursuant to the Credit Agreement, 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 2016 represent the Term B Loan, which is of a principal amount of US$40,000,000 and will be mature in January 2017. 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.

The movement of the liability component and the derivative component of the Term B Loan is set out below:

	Liability component US$'000	Derivative component US$'000	Total US$'000
As at 1 January 2016	**38,270**	**397**	**38,667**
Changes in fair value recognised in profit or loss during the period (note 4)	**–**	**(347)**	**(347)**
Interest paid during the period	**(299)**	**–**	**(299)**
Interest charged during the period (note 5(a))	**1,324**	**–**	**1,324**
As at 30 June 2016	**39,295**	**50**	**39,345**

17. DEFERRED INCOME

Deferred income mainly represents government grant received for the Group's expenditures in respect of certain research and development projects and acquisition of land use rights. Such deferred income are amortised in profit or loss on a systematic basis over the respective useful life of the related assets.

18. CONVERTIBLE BONDS

In May 2014, the Company issued the convertible bonds in an aggregate principal amount of US$100,000,000 to GIC Special Investments Pte Ltd., which is wholly owned by Government of Singapore Investment Corp ("GIC"), 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. Pursuant to the terms of the GIC Convertible Bonds, the bond 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.

In January 2016, the Company issued the convertible bonds in an aggregate principal amount of US$65,000,000 to Erudite Parent Limited and Owap Investment Pte Ltd., which is ultimately controlled by Carlyle Group L.P. and GIC respectively, with a maturity date of 13 January 2021 (the "Carlyle Convertible Bonds"). The Carlyle Convertible Bonds bear interest at LIBOR plus 1% on the outstanding balances. Pursuant to the terms of the Carlyle Convertible Bonds, the bond 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$3.85 per share, subject to adjustments under certain terms and conditions of the Carlyle Convertible Bonds.

The movement of the liability component and the equity component of the convertible bonds is set out below:

	Liability component US$'000	Equity component US$'000	Total US$'000
As at 1 January 2016	**94,815**	**10,574**	**105,389**
Upon the issuance of the Carlyle Convertible Bonds	**47,352**	**17,485**	**64,837**
Interest charged during the period (note 5(a))	**4,321**	**–**	**4,321**
Interest paid during the period	**(1,487)**	**–**	**(1,487)**
As at 30 June 2016	**145,001**	**28,059**	**173,060**

No conversion of the convertible bonds had been occurred up to 30 June 2016.

19. 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 2015 and 2014.

(b) Equity-settled share-based transactions

Apart from the share options in issue carried forward from 2015, 41,670,000 share options were granted to senior management and employees of the Group under the Company's employee share option scheme (29,700,000 share options were granted during the six months ended 30 June 2015) during the six months ended 30 June 2016. 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. 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 30 March 2017 to 26 June 2021. The exercise price ranges from HK$3.48 to HK$3.85, which represents the highest of (i) the closing price of share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant, (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a share.

During the six months ended 30 June 2016, 6,582,410 share options were exercised (six months ended 30 June 2015: 1,739,340) with a weighted average exercise price of HK$2.56 (equivalent to approximately US$0.33) (six months ended 30 June 2015: HK$2.36 (equivalent to approximately US$0.31)) and the total number of ordinary shares increased by 6,582,410 for the six months ended 30 June 2016 (six months ended 30 June 2015: 1,739,340 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 2016, the Company granted 6,120,523 shares (six months ended 30 June 2015: 4,553,886) to the Group's executives and purchased 5,520,000 shares (six months ended 30 June 2015: 4,567,000) at cash consideration of US$2,533,000 (six months ended 30 June 2015: US$2,441,000).

20. 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

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 2016	Fair value measurements as at 30 June 2016 categorised into		
		Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial liabilities:				
– Conversion Option of the Otsuka Loans	50	–	–	50

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 2016 and 31 December 2015.

During the six months ended 30 June 2016 and 2015, 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.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(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	36.73%

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 2016, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's profit by US$61,000/US$34,000 (six months ended 30 June 2015: increased/decreased the Group's loss by US$303,000/US$230,000).

The movement during the period in the balance of Level 3 fair value measurements is disclosed in note 16(b).

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

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

	At 30 June 2016 US$'000	At 31 December 2015 US$'000
Contracted for	**19,369**	22,081
Authorised but not contracted for	**42,975**	49,284
	62,344	71,365

22. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Salaries and other benefits	**1,297**	1,540
Discretionary bonuses	**1,140**	1,534
Retirement scheme contributions	**28**	25
Equity-settled share-based payment expenses	**775**	355
Cash-settled share-based payment expenses	**173**	589
	3,412	4,043

(b) Financing arrangement

As at 30 June 2016, the outstanding balance due to Otsuka Medical Devices was US$39,295,000 (31 December 2015: US$38,270,000). 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 2016 amounted to US$1,324,000 and US$347,000, respectively (six months ended 30 June 2015: US$1,175,000 and US$146,000, respectively).

22. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other transactions with related parties

For the six months ended 30 June 2016 and 2015 the Group has entered into other 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
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 CRM")	Joint venture of the Group
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

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

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Sales of goods to:		
JIMRO	**–**	49
Thai Otsuka	**530**	591
Otsuka Philippines	**696**	1,173
Otsuka Indonesia	**286**	421
Otsuka Pakistan	**422**	382
	1,934	2,616

22. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other transactions with related parties (continued)

	At 30 June 2016 US$'000	At 31 December 2015 US$'000
Trade receivables from:		
Thai Otsuka	**430**	272
Otsuka Philippines	**359**	279
Otsuka Indonesia	**202**	327
Otsuka Pakistan	**284**	330
MicroPort Sorin CRM	**50**	64
	1,325	1,272

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	
	2016 US$'000	2015 US$'000
Purchase of goods from MicroPort Sorin CRM	**685**	507
Service fee paid to Maxwell Maxcare	**153**	201
Management services fee charged by We'Tron Capital	**92**	98