MicroPort Scientific Corporation

微創醫療科學有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00853)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2010

The board of directors (the "Board") of MicroPort Scientific Corporation (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2010 together with comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2010

	Note	**2010**	2009
		RMB'000	*RMB'000*
Revenue	*3*	**727,718**	560,726
Cost of sales		**(98,205)**	(78,037)
Gross profit		**629,513**	482,689
Other revenue	*4*	**22,854**	22,519
Other net loss	*4*	**(30,523)**	(1,867)
Research and development costs		**(117,855)**	(86,384)
Sales and marketing costs		**(129,048)**	(98,177)
Administrative expenses		**(69,718)**	(50,850)
Other operating costs		**(18,643)**	(1,022)
Profit from operations		**286,580**	266,908
Finance income/(expense)		**8,576**	(17,153)
Profit before taxation	*5*	**295,156**	249,755
Income tax	*6*	**(55,055)**	(63,382)
Profit for the year		**240,101**	186,373
Earnings per share	*8*		
Basic *(RMB)*		**0.20**	0.16
Diluted *(RMB)*		**0.20**	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**240,101**	186,373
Other comprehensive income for the year		
Exchange differences of translation of financial statements of entities outside the People's Republic of China ("the PRC"), net of nil tax	**(16,257)**	577
Total comprehensive income for the year	**223,844**	186,950

CONSOLIDATED BALANCE SHEET

At December 31, 2010

	Note	**2010**	2009
		RMB'000	*RMB'000*
Non-current assets			
Fixed assets			
– Property, plant and equipment		**223,019**	156,802
– Interests in leasehold land held for own use under operating leases		**36,770**	37,548
		259,789	194,350
Intangible assets		**19,454**	10,023
Prepayments for fixed assets		**15,506**	14,412
Goodwill		**2,105**	2,105
Deferred tax assets		**9,928**	6,667
		306,782	227,557
Current assets			
Inventories		**84,616**	56,695
Trade and other receivables	*10*	**209,918**	143,817
Deposits with banks		**644,273**	193,595
Cash and cash equivalents		**928,053**	90,194
		1,866,860	484,301
Current liabilities			
Trade and other payables	*11*	**95,915**	152,260
Short term loan		**50,000**	—
Long term loan (current portion)		**462**	448
Redeemable convertible preference shares		**—**	82,262
Income tax payable		**16,941**	26,299
Deferred income		**128**	142
		163,446	261,411
Net current assets		**1,703,414**	222,890
Total assets less current liabilities		**2,010,196**	450,447

CONSOLIDATED BALANCE SHEET (continued)

At December 31, 2010

	2010	2009
	RMB'000	*RMB'000*
Non-current liabilities		
Long term loan	**3,670**	4,131
Deferred income	**20,688**	23,740
Deferred tax liabilities	**15,159**	34,883
	39,517	62,754
NET ASSETS	**1,970,679**	387,693
CAPITAL AND RESERVES		
Share capital	**110**	89
Reserves	**1,970,569**	387,604
TOTAL EQUITY	**1,970,679**	387,693

1 Basis of preparation of the financial information

This announcement does not comprise the consolidated financial statements for the year ended December 31, 2010 but the information herein has been extracted from the draft consolidated financial statements of the Group for the year ended December 31, 2010.

The consolidated financial statements of the Group for the year ended December 31, 2010 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In addition, this announcement has been reviewed by the Company's audit committee.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for the redeemable convertible preference shares which were stated at fair value.

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2010 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year ended December 31, 2010 and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group.

The Group has early adopted all new and revised HKFRSs that were first effective for the accounting period beginning on January 1, 2010 since the beginning of the comparative period, except for HKFRS 3 (revised 2008) Business Combinations and Amendments to HKAS 27, Consolidated and Separate Financial Statements, which have been adopted by the Group since January 1, 2010.

The impact of the majority of the revisions to HKFRS 3 and Amendments to HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a business combination, a disposal of subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

The Group has concluded that all new and revised HKFRSs that were first effective for the current accounting period have had no material impact on the consolidated financial statements.

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

3 Revenue

The Group derives revenue principally from the sales of medical devices through appointed sales distributors. Sales of medical devices represent the invoiced value of goods, net of value added taxes, trade discounts, allowances and rebates. The general sales terms and conditions under which the Group generally operates are that all products sold are non-refundable. Sales returns are only allowed when defective products are reported to the Group within the time as agreed by buyer and seller. The Group does not provide product warranties to customers.

In the PRC, value added tax ("VAT") of 17% of the invoice amount is collected in respect of the sales of goods on behalf of the tax authorities. The VAT is not revenue of the Group, instead the amount is recorded as liability until such VAT is paid to the tax authorities.

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

	2010	2009
	RMB'000	*RMB'000*
Drug eluting stents	**627,756**	484,096
TAA/AAA stent grafts	**46,516**	28,864
Bare metal stents	**14,997**	20,288
Others	**38,449**	27,478
	727,718	560,726

4 Other revenue and net loss

	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Government grant income	**18,018**	14,672
Interest income on bank deposits	**4,314**	7,592
Others	**522**	255
	22,854	22,519
Other net loss		
Loss on disposal of fixed assets	**15**	1,694
Net foreign exchange loss	**30,508**	173
	30,523	1,867

5 Profit before taxation

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

	2010	2009
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**3,311**	814
Interest on other borrowings	**274**	306
Dividends on redeemable convertible preference shares	**4,888**	5,568
Change in fair value of redeemable convertible preference shares	**(17,528)**	10,184
Cost of inventories	**123,901**	98,056
Reversal of impairment losses:		
– trade receivables (net)	**(28)**	(17)
Depreciation	**26,308**	19,730
Amortization of interests in leasehold land held for own use under operating leases	**778**	778
Amortization of intangible assets	**735**	719
Listing expenses	**17,146**	—

6 Income tax

	2010	2009
	RMB'000	*RMB'000*
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the year	**78,105**	54,882
(Over)/under provision in respect of prior years	**(164)**	301
	77,941	55,183
Current tax — Overseas		
Provision for the year	**99**	34
Deferred tax		
Origination and reversal of temporary differences	**(22,985)**	8,165
	55,055	63,382

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

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

MicroPort Medical MP B.V. ("MP B.V.") is subject to Netherlands corporate income tax which is charged at progressive rates ranging from 20% to 25.5% for both the year ended December 31, 2009 and 2010.

MicroPort Medical (Shanghai) Co., Ltd. ("MP Shanghai"), being a foreign investment enterprise registered and operating in the Specified Economic Development Zone in Pudong New Area in the PRC, has been recognized as a high and new-technology enterprise from 2008 to 2010 under which it is entitled to a preferential income tax rate of 15%. Accordingly, MP Shanghai is subject to income tax at 15% for 2009 and 2010.

All of the other PRC subsidiaries of the Group are subject to income tax at 25% (2009: 25%).

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

As at December 31, 2010, no deferred tax liability was recognized in respect of the temporary differences relating to the undistributed profits of a PRC subsidiary amounting to RMB302,383,000 as the Group controls the dividend policy of this subsidiary and has determined that such profits will not be distributed in the foreseeable future.

7 Dividends

The dividend per share information has taken into account the 10-for-1 share split (the "Share Split") of the Company's ordinary shares which occurred on September 24, 2010.

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

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$5 cents (equivalent to RMB4 cents) per ordinary share (2009: US$2.21 cents (equivalent to RMB15 cents) per ordinary share)	**60,652**	171,203

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

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

	2010	2009
	RMB'000	*RMB'000*
Dividend in respect of the previous financial year, approved during the year, of US$0.07 cents (equivalent to RMB0.47 cents) per share	**2,368**	—
Final dividend in respect of the previous financial year, approved during the year, of US$2.21 cents (equivalent to RMB15 cents) per share (2009: US$2.78 cents (equivalent to RMB19 cents) per share)	**171,203**	215,712
	173,571	215,712

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

Dividends payable to the holder of Preference Shares of the Company attributable to the year

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date, of HK$nil cents per share (2009: US$5.85 cents (equivalent to RMB40 cents per share))	**—**	4,888

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

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

	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the year, of US$5.85 cents (equivalent to RMB40 cents) (2009: US$6.63 cents (equivalent to RMB45 cents) per share)	**4,888**	5,568

Dividends on Preference Shares are classified as finance costs in profit or loss.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders and the weighted average number of shares during the year, taking into account the Share Split of the Company's ordinary shares occurred on September 24, 2010 as if the Share Split had occurred at the beginning of the years presented.

Weighted average number of ordinary shares

	2010 ***Number of shares '000***	2009 *Number of shares '000*
Ordinary shares as if in issue at January 1	**1,135,040**	1,130,643
Effect of share options exercised	**2,630**	557
Effect of issuance of shares for placing and the initial public offering	**78,523**	—
Effect of conversion of redeemable convertible preference shares	**3,335**	—
Weighted average number of ordinary shares during the year	**1,219,528**	1,131,200

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010 ***Number of shares '000***	2009 *Number of shares '000*
Weighted average number of ordinary shares during the year	**1,219,528**	1,131,200
Effect of deemed issue of shares under the Company's option scheme at nil consideration	**2,995**	10,434
Weighted average number of ordinary shares during the year	**1,222,523**	1,141,634

9 Segment reporting

The Group manages its businesses by different lines of businesses and geographic locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Vascular devices business: sales, manufacture, research and development of drug-eluting stents, TAA/AAA stent grafts, bare metal stents, medical stent related products and electrophysiology devices to appointed sales distributors.

– Diabetes devices business: sales, manufacture, research and development of devices related to diabetes mellitus.

– Orthopedics devices business: sales, research and development of orthopedics technology.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade creditors, accruals, loans and deferred government grant income attributable to the activities of the individual segments.

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

The measure used for reporting segment profit is "segment net profit/(loss)". Items that are not specifically attributed to individual segments, such as unallocated corporate administrative costs, equity-settled share-based compensation expenses, changes in fair value of Preference Shares, listing expenses incurred in connection with the Company's initial public offering ("IPO") of ordinary shares in September 2010, PRC dividend withholding tax and unallocated exchange gains and losses are excluded from segment net profit/(loss).

In addition to receiving segment information concerning net profit, management is provided with segment information concerning revenue, significant non-cash income statement items, depreciation, amortization and additions to non-current segment assets used by the segments in their operations.

	2010			
	Vascular devices business *RMB'000*	**Diabetes devices business** *RMB'000*	**Orthopedics devices business** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**721,780**	**5,938**	**—**	**727,718**
Segment net profit/(loss)	**324,944**	**(10,540)**	**(15,817)**	**298,587**
Depreciation and amortization for the year	**23,896**	**2,228**	**1,697**	**27,821**
Income tax expense	**54,879**	**176**	**—**	**55,055**
(Reversal of)/write-down of inventories	**(1,942)**	**50**	**—**	**(1,892)**
Additions to non-current segment assets	**82,046**	**1,826**	**8,692**	**92,564**
Reportable segment assets	**689,438**	**50,446**	**33,484**	**773,368**
Reportable segment liabilities	**171,083**	**5,789**	**—**	**176,872**

	2009			
	Vascular devices business *RMB'000*	Diabetes devices business *RMB'000*	Orthopedics devices business *RMB'000*	Total *RMB'000*
Revenue from external customers	557,056	3,670	—	560,726
Segment net profit/(loss)	246,197	(5,643)	(9,810)	230,744
Depreciation and amortization for the year	18,601	1,969	657	21,227
Income tax expense/ (credit)	40,051	(90)	—	39,961
(Reversal)/write-down of inventories	2,393	18	—	2,411
Additions to non-current segment assets	72,274	3,861	8,193	84,328
Reportable segment assets	599,142	56,973	49,432	705,547
Reportable segment liabilities	88,628	4,408	10	93,046

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

	2010 ***RMB'000***	2009 *RMB'000*
Profit		
Reportable segment net profit	**298,587**	230,744
Equity-settled share-based compensation expenses	**(20,837)**	(4,841)
Withholding tax on retained earnings of a PRC subsidiary	**—**	(23,421)
Dividends on redeemable convertible preference shares	**(4,888)**	(5,568)
Change in fair value of redeemable convertible preference shares	**17,528**	(10,184)
Listing expenses	**(17,146)**	—
Unallocated exchange loss	**(30,802)**	—
Unallocated income and expenses	**(2,341)**	(357)
Consolidated profit for the year	**240,101**	186,373

	2010 ***RMB'000***	2009 *RMB'000*
Assets		
Reportable segment assets	**773,368**	705,547
Unallocated corporate assets	**1,400,274**	6,311
Consolidated total assets	**2,173,642**	711,858
Liabilities		
Reportable segment liabilities	**176,872**	93,046
Unallocated corporate liabilities	**26,091**	231,119
Consolidated total liabilities	**202,963**	324,165

Unallocated income and expenses mainly include corporate administration costs.

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

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

(c) Geographic information

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

	2010	2009
	RMB'000	*RMB'000*
The PRC (place of domicile)	**673,135**	501,252
Asia	**24,671**	31,192
South America	**18,176**	15,495
Europe	**11,736**	12,787
	54,583	59,474
	727,718	560,726

10 Trade and other receivables

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**198,042**	121,672
Amounts due from related parties	**6,373**	14,701
	204,415	136,373
Less: Allowance for doubtful debts	**(2,523)**	(2,551)
	201,892	133,822
Deposits and prepayments	**5,525**	6,089
Other receivables	**2,501**	3,906
	209,918	143,817

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

Ageing analysis

Included in trade and other receivables are trade receivables and amounts due from related parties (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2010	2009
	RMB'000	*RMB'000*
Current	**199,321**	130,346
Less than 1 month past due	**2,075**	3,247
1 to 3 months past due	**186**	28
More than 3 months past due	**310**	201
Amounts past due	**2,571**	3,476
	201,892	133,822

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

11 Trade and other payables

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**11,184**	5,176
Receipts in advance	**438**	131
Other payables and accruals	**84,064**	42,412
Dividends payable to ordinary shareholders	**229**	101,945
Dividends payable to the holder of redeemable convertible preference shares	**—**	2,596
	95,915	152,260

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

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**9,274**	4,991
Due after 1 month but within 3 months	**1,223**	44
Due after 3 months but within 6 months	**687**	141
	11,184	5,176

BUSINESS REVIEW

Overview

We are a leading developer, manufacturer and marketer of medical devices in the PRC, focusing primarily on minimally invasive interventional products, such as drug-eluting stents, for the treatment of vascular diseases and disorders. As of December 31, 2010, our product offering includes 20 products, including cardiovascular and other vascular devices, as well as electrophysiology ("EP") and diabetes devices. Our principal product is Firebird 2, our second generation drug-eluting cobalt-chromium stent.

Products

Cardiovascular Devices

Our Firebird 2, a rapamycin-eluting cobalt-chromium coronary stent, has remained as the top selling product of the Group in 2010. We have successfully marketed our Firebird 2 in both China and overseas, and we expect its sales to increase as better healthcare becomes more affordable to the general public in China with increasing prosperity and awareness among the Chinese people. International sales are also expected to increase as we increase our marketing efforts to the international market.

We also market bare-metal stents in the international market where there is still a demand for such products. Although our current stent offerings provide one of the best solutions to vascular diseases, we still invest significant time and resources in developing our next generation drug-eluting stent, codenamed Firehawk, which uses a biodegradable drug coating to improve lives of cardiovascular patients.

During 2010, we got the 6-month results of Focus, the international, forward-looking multicentre post-launch clinical trial, aiming to assess the clinical effects of Firebird 2, which shows that our safety and efficacy targets established in the clinical trial protocol were achieved.

In March 2010, we launched a new international, forward-looking multicentre post-launch clinical trial, Fire2-Diabetes, to assess the efficacy and safety of Firebird 2 in treating complex coronary lesions in diabetes. We expect to have more than 60 trial centers, both domestic and overseas, with about 1300 patients enrolled. The results from Fire2-Diabetes may also provide more evidence to the safety and efficacy of Firebird 2.

Intracranial Stents

Apollo, our intracranial stent, provides one of the best hopes to patients with brain strokes, giving them an opportunity to lead a normal life. This cutting edged technology means that it is now possible to open up a blocked or narrowed blood vessel in the brain through a minimally invasive procedure. We have been actively promoting this product and procedure to hospitals in big cities in the PRC, where doctors are better trained for these procedures. Sales of our Apollo grew by more than 56% in 2010 as doctors become more knowledgeable and familiar with our intracranial stent. As such, during 2010, we stepped up our efforts in conducting training programs to help doctors

to have a better understanding and be better trained in implanting our Apollo stents. We foresee a great potential in the future for Apollo as intracranial stenting procedures become more common in hospitals across China.

Thoracic Aortic Aneurysm ("TAA")/Abdominal Aortic Aneurysm ("AAA") Stent Grafts

In 2010, our TAA/AAA products also recorded growth of almost 60%. Stent graft procedures are still relatively uncommon in hospitals of smaller cities in the PRC. Therefore, we have focused our continuing education and training efforts mainly in big cities within the PRC where hospitals are more equipped and staffed for these procedures. As more stent graft surgeries are performed, doctors are becoming more skilled in these procedures, which leads to a higher success rate and a lower procedure risk.

EP Devices

Our ablation catheter FireMagic, which was commercially launched in July 2010, is slowly making inroad into the hospitals. We expect sales from FireMagic to generate a better contribution to our revenues in 2011. Simultaneously, we are planning to launch our EasyFinder diagnostic catheter, which was approved by the State Food and Drug Administration of the PRC ("SFDA") in October 2010, as well as developing a full series of EP devices. In December 2010, we completed the first human case for our EP mapping system and irrigated RF ablation catheter, which is a key step in developing this line of our business.

Diabetes Devices

La Fenice, our insulin pump is gradually being marketed to our networks of hospitals that we have built over the years. Together with the marketing efforts, we are making continuous improvements to our call center for the customers of insulin pumps and have become the industry-leading service platform staffed with medical-background customer service professionals. In September 2010, our call center won the Award of "2010 China (Asia-Pacific) Best Service Call-Center" during the 2010 Call Center Industry Summit, sponsored by the China Call-Center & CRM Association (CNCCA) and organized by CTI Forum with support from the Ministry of Industry and Information Technology of the PRC, along with ICBC, Ctrip, Huawei Technologies, Dell and other 35 corporations. Although the sales of La Fenice are not significant compared to the Group's revenue, we believe that good service can enhance the brand recognition and awareness among patients and in the long run increase the sales of our products.

Orthopedic Devices

In November 2010, we managed to obtain CE certificates issued by TÜV SÜD Product Service GmbH ("TÜV SÜD") of four orthopedic products, namely Firefox™, our spine posterior fixation system, Antelope™, our anterior cervical plate system, Firestone™, our cervical fusion device and Futago™, our thoracic and lumbar fusion device, which were independently developed by the Group for spine reshaping, spine fusion and fixation. We also started the patient enrollment of the clinical trial of Futago™ in June 2010. While we do not expect to receive the approval from SFDA of our orthopedic devices soon, we do expect commercial launch of them in the international market in 2011.

Manufacturing

In 2010, we reorganized the layout in our principal manufacturing facility in Zhangjiang Hi-Tech Park, Shanghai and streamlined our manufacturing process. Some of the supporting functions during the manufacturing process, such as packaging and raw material preparation, were relocated to an adjacent leased factory, thereby freeing up additional space for manufacturing the key components. Also the working procedures were restructured to be more flexible and adaptable to the market demand. This resulted in a great improvement of our production efficiency and quality.

Sales, Marketing and Distribution Network

While our products are mainly sold through a network of independent distributors to the hospitals, we actively market and provide product education to doctors, through continuously interacting with them. Utilizing our sales and marketing team of about 150 employees as of December 31, 2010, We actively organize training for hospitals and approach new hospitals by providing training to their doctors. As more and more hospitals in medium and smaller cities in the PRC become better equipped and staffed, we expect to market our products to these hospitals. As for international markets, we are still actively promoting our products, particularly in Mexico and India, where we are in the process of obtaining approval of our products.

Competition

We are the leader among the PRC companies manufacturing vascular stents. While we anticipate increasing competition from other manufacturers in the PRC, we are confident in maintaining our market position as the barriers of entry into our business remain high in terms of technology and approval process.

The PRC government is actively promoting and implementing certain health care reforms to lower medical cost so as to allow its general public access to better health care. We believe health care reform is inevitable as the governments of every country discuss similar issues regarding health care. We are not particularly concerned about these developments as we are well positioned to face these hurdles. Just like the Chinese saying that the word “Crisis” is made up of “Danger and Opportunity”, we foresee “Crises” like these will provide an opportunity for us to flourish as our superior products and cost structure will allow us to gain and grow an even bigger market share by weeding out weaker competitors in the market.

Research and Development

Research and development is the core and strength of our Group. Having highly skilled teams of research and development with more than 180 employees as at December 31, 2010, we continually develop and test new designs and innovations to keep ourselves at the forefront of medical science. As disclosed in our IPO prospectus, we have various products in our development pipeline. During the year 2010, we have achieved some major milestones in our research and development, which includes:

- Successfully completed the First-in-Man ("FIM") clinical trial of Firehawk with encouraging results, we launched Target I, a larger scale study of a randomized controlled multicenter trial of Firehawk in August 2010, with the aim at assessing the safety and effectiveness of Firehawk and the performance of the stent delivery system.

- Successfully performed the first human case of the Columbus™ 3D EP mapping system and Voyager™ irrigated RF ablation catheter, representing the very first application of domestically developed magnetic tracking 3D mapping system and irrigated RF ablation catheter for the treatment of atrial fibrillation in China.

- Started the patient enrollment of the clinical trial of Futago™, our thoracic and lumbar fusion device.

- Completed the patient enrollment for FIM clinical trial of our neurovascular reconstruction system for treatment of cerebral aneurysms.

- Our pacemaker, which is still in its development stage, is showing good progress with some promising results from the software we have developed.

As of December 31, 2010, we had received a total of 62 patents in China and 2 patents in the European Union. In addition, we had 88 patent applications pending in China and 14 patent applications pending in other countries.

Certification

We have a diversified product offering with a robust product pipeline. During the year 2010, we kept on improving our product portfolio to meet the market demand. As part of our efforts to streamline our product portfolio, and concurrently to strengthen the certification management within the Group, we cancelled the CE certificates from TÜV SÜD for some vascular products with old specifications. Subsequently, we applied for and received the new CE certificates for the products with new specifications from DEKRA Certification B.V.

During 2010, we also managed to obtained CE certificates issued by TÜV SÜD for four orthopedic products, namely FireFox™, our spine posterior fixation system, Antelope™, our anterior cervical plate system, Firestone™, our cervical fusion device and Futago™, our thoracic and lumbar fusion device. These CE certificates, together with the CE certificates of our vascular products lay a foundation for our efforts to explore the potential of the international market.

As regard to the approvals from SFDA, we managed to obtain the approvals for EasyFinder diagnostic catheter and Radial artery hemostat in 2010. Also our Aegis Thoracic Artery Stent-Graft System, Aegis Bifurcate Artery Stent-Graft System, Aether Distal Protection Device System and Pioneer PTCA balloon dilatation catheter were approved by SFDA for re-registration, to meet the SFDA re-registration renewal requirement.

Branding

Our branding strategy is not limited to products alone but also cover the Company as a whole. We continuously try to improve and position ourselves as one of the leading providers of cutting edge medical devices, which customers can trust and rely on.

In line with our branding strategy, we have expanded our intellectual property portfolio in 2010 and only enter into markets where we think our intellectual property is well protected. We have established a digitized Intellectual Property ("IP") management platform, comprising of patent management software, patent search engine, software for patent-related statistics and analysis, as well as patent database to strengthen the IP management of our Company.

We made achievements in trademark registration in 2010, with our "MicroPort" trademark being successfully registered in USA as well as in Hong Kong. As at December 31, 2010, we have registered 40 trademarks in China, and we have been awarded "2010 Shanghai Equipment Manufacturing and High-Tech Innovation Brand", and recognized as one of the "Shanghai Best Known Trademark". We are also applying for the "Chinese Famous Brand" status, which would give us additional advantage in various areas of conducting our business. In the long run, we believe as we grow our Company from the inside, our brand will begin to shine on the outside.

FINANCIAL REVIEW

Overview

For the year ended December 31, 2010, the Company is very pleased with its achievements. Besides achieving our revenue and profit goals, we also successfully raised HK$1,648.6 million from our IPO (net of listing expenses). We continue to manage our financials in a prudent way while balancing them with reasonable expansion to meet both market demand for our products and our shareholders' expectations of our Company.

Revenue

Revenue of the Group increased by 29.8% from RMB560.7 million for the year ended December 31, 2009 to RMB727.7 million for the year ended December 31, 2010. Drug-eluting stents remained the main contributor of our Group's revenue accounting for 86% of our total revenue, which is approximately the same as in 2009. We did not generate any revenue from our orthopedics device business during the years ended December 31, 2009 and 2010 as that business has been, and currently remains, in the research and development stage.

Revenue from drug-eluting stents

Revenue from sales of drug eluting stents increased by 29.7% from RMB484.1 million for the year ended December 31, 2009 to RMB627.8 million for the year ended December 31, 2010. The increase was primarily due to an increase in the sales volume of Firebird 2. We believe that the increase in sales volume of Firebird 2 primarily resulted from (i) the overall growth of the market for drug-eluting stents in China, and (ii) the increasing recognition of the quality and performance of Firebird 2 in the medical community and among patients.

Revenue from TAA/AAA stent grafts

Revenue from sales of TAA/AAA stent grafts increased by 61.2% from RMB28.9 million in the year ended December 31, 2009 to RMB46.5 million for the year ended December 31, 2010. The increase was primarily due to the increases in sales volume of our TAA stent graft, Hercules T, and AAA stent graft, Hercules B. The increases in sales volume of Hercules T and Hercules B primarily resulted from (i) the overall growth of the market for TAA/AAA stent grafts, (ii) increase sales of TAA/AAA stent grafts from our international market, and (iii) the commercial launch of Hercules B in September 2009.

Revenue from bare-metal stents

Revenue from sales of bare-metal stents decreased by 26.1% from RMB20.3 million in the year ended December 31, 2009 to RMB15.0 million for the year ended December 31, 2010. The decrease was primarily due to a decrease in the selling price of our primary bare-metal stent, Mustang, in the international markets.

Revenue from other products

Revenue from sales of other medical devices and products increased by 39.9% from RMB27.5 million in the year ended December 31, 2009 to RMB38.4 million for the year ended December 31, 2010. The increase was primarily due to increases in the sales volume of (our intracranial stent, Apollo, our operational stent graft, Cronus, and La Fenice, our insulin pump). The increases in sales volume of Apollo and Cronus was primarily resulted from growth in the market demand for such products, while increased marketing efforts and good service provided through our call centre resulted in the market awareness of La Fenice. Our orthopedic devices did not generate any revenue in 2010 as this is a relatively new line of products of the Company.

Cost of Sales

Cost of sales increased by 25.8% from RMB78.0 million in the year ended December 31, 2009 to RMB98.2 million for the year ended December 31, 2010, primarily as a result of increased sales volume.

Gross Profit

As a result of the foregoing factors, gross profit increased by 30.4% from RMB482.7 million in the year ended December 31, 2009 to RMB629.5 million for the year ended December 31, 2010, and the gross profit margin remained relatively stable for the years ended December 31, 2009 and 2010.

Other net loss

We had other net loss of RMB30.5 million for the year ended December 31, 2010, as compared to other net loss of RMB1.9 million in the year ended December 31, 2009. This other net loss was primarily due to the less favourable exchange rate for offshore translation of the IPO proceeds into RMB. While we wanted to convert the IPO proceeds into our operating currency, RMB, it was not practical to obtain the necessary approval and execute the conversion in a short time frame. As of December 31, 2010, we have approximately 77.3% of our IPO proceeds placed in RMB denominated accounts.

Research and development costs

Research and development costs increased by 36.4% from RMB86.4 million in the year ended December 31, 2009 to RMB117.9 million for the year ended December 31, 2010. The increase was primarily due to (i) an increase in salaries, bonuses and related expenses for personnel engaged in research and development resulting from an increase in the number of our research and development personnel and an increase in salaries, and (ii) an increase in purchases of supplies and materials used in connection with our increased research and development efforts.

Sales and marketing costs

Sales and marketing costs increased by 31.4% from RMB98.2 million in the year ended December 31, 2009 to RMB129.0 million for the year ended December 31, 2010. The increase was primarily due to (i) an increase of headcount as well as salaries, bonuses and share based compensation expenses for personnel engaged in sales and marketing, and (ii) an increase in marketing expenses as a result of increased training provided to doctors, and increased attendance at conferences and seminars to promote our products.

Administrative Expenses

Administrative expenses increased by 37.1% from RMB50.9 million for the year ended December 31, 2009 to RMB69.7 million for the year ended December 31, 2010. The increase was primarily attributable to the increase in salaries, bonuses and share based compensation expenses for our employees as well as professional fees incurred in connection with our IPO.

Income Tax

The effective income tax rate reduced to 18.7% for the year ended December 31, 2010 from 25.4% for the previous financial year primarily due to a provision for dividend withholding tax in 2009, in respect of dividends distributed by our subsidiary in China.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company increased by 28.8% from RMB186.4 million for the year ended December 31, 2009 to RMB240.1 million for the year ended December 31, 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As of December 31, 2010, we had RMB928.1 million, as compared to RMB90.2 million as of December 31, 2009 in cash and cash equivalents. The significant increase in cash and cash equivalents is attributable mainly to our net IPO proceeds of approximately HK1,648.6 million, of which approximately 77.3% has been placed in RMB denominated accounts as of December 31, 2010. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Borrowings and Finance Income

Total borrowings of the Group as at December 31, 2010 was RMB54.1 million as compared to RMB4.6 million as at December 31, 2009 and denominated in RMB. Fixed rate borrowing, which represents 92.4% of total borrowings bear a fixed interest rate of approximately 4.779% per annum. The increase is mainly attributable to the drawn down of a new short term loan of RMB50 million during the year ended December 31, 2010. For the year ended December 31, 2010, net finance income of the Group was approximately RMB8.6 million as compared to net finance cost of RMB17.2 million for the year ended December 31, 2009. The finance income arose mainly from the fair value gain of redeemable convertible preference shares of RMB17.5 million immediately prior to their conversion into ordinary shares. All redeemable convertible preference shares were converted into ordinary shares upon listing of the Company.

Gearing ratio

As at December 31, 2010, the gearing ratio (calculated by dividing total borrowings by total equity) of the Group remained at a low level of 0.027 (December 31, 2009: 0.012).

Working capital

Our working capital (calculated as the difference between current assets and current liabilities) as of December 31, 2010 was RMB1,703.4 million (December 31, 2009: RMB222.9 million).

Foreign exchange exposure

The Group is exposed to currency risk primarily from (i) sales and purchases which give rise to receivables, payables that are denominated in a foreign currency (mainly United States dollars ("US$") and; (ii) IPO proceeds received by the Company were in Hong Kong dollars and were mostly exchanged into RMB and US$. The Company has adopted US$ as its functional currency, thus the fluctuation of exchange rates between RMB and US$ exposes the Company to currency risk. During the year, the Group recorded a net exchange loss of RMB30.5 million (December 31, 2009: exchange loss of RMB0.2 million). The Group does not employ any financial instruments for hedging purposes.

Capital expenditure

During the year, the Group's total capital expenditure amounted to approximately RMB96.8 million, which was used in the construction of our new factory and the acquisition of machinery and fittings for the said factory.

Charge on assets

As at December 31, 2010, the Group had pledged its building held for own use with net book value of RMB27.2 million for the purpose of securing a loan with carrying value of RMB4.1 million.

Contingent liabilities

As at December 31, 2010, the Group had no material contingent liabilities or any significant outstanding contingent liabilities.

HUMAN RESOURCES

As at December 31, 2010, the Group employed approximately 1,204 employees. The Group offers competitive salary packages, as well as discretionary bonuses and contributions to social insurance to its employees. A share option scheme has also been adopted for employees of the Group. In order to ensure that the Group's employees remain competitive in the industry, the Company has adopted training programs for its employees managed by its human resources department.

PROSPECTS

Since the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on September 24, 2010, the listing proceeds, net of listing expenses, of approximately HK$1,648.6 million from the global offering of 290,651,000 shares of the Company were raised. As the listing proceeds were raised recently, the Company did not have sufficient time to repatriate all the listing proceeds into the PRC. However, the Company is in the process of applying to the relevant State Administration of Foreign Exchange to utilize the proceeds in accordance to the purpose stated in its prospectus. Currently, the listing proceeds are placed as deposits in banks and financial institutions.

In respect of the general strategic direction of the Group, being on the cutting edge of technology, we will continually introduce new products into the market. As we place great emphasis on our research and development, we have a series of products in the pipeline that are being developed or going through clinical trials. We expect some of these products will strengthen our position in the existing market, while others will open new market opportunities for us. In general, we believe our future prospects should be shaped by the following key principles that we follow:

1. **Further developing and improving our existing products**

   We have invested significant effort in arriving at the quality of our products today. While we pride ourselves at these products and quality, we are fully aware that continuous improvement is the key to our future development and a path towards establishing our brand synonymous with quality products. As such, certain of our research and development efforts are geared towards improving the quality of our existing products, and also deriving the next generation of our existing products. In line with this value, we have continued our research and development efforts on our Firehawk by performing the randomized controlled multicenter trial of the Firehawk.

2. **Diversifying our existing product offering to include complementary medical devices as well as medical devices for other disorders**

   Although our current strength is in vascular and coronary areas of medicine, we intend to diversify vertically to include devices complementary to our existing products, and horizontally across other areas of medical devices. We have already initiated these steps by developing our balloon dilation catheter and distal protective device system, as well as moving ahead with La Fenice, our diabetic insulin pump, our EP devices and our orthopedic devices. Our expertise in developing vascular products, and a keen understanding of the coronary and vascular system of the human body, provide us the edge to venture into other related medical devices. By diversification, we aim to offer a wider range of products in the future, and hope that in the near future, doctors in China will have the opportunity to implant our pacemaker that we are currently developing.

3. **Growing our network internationally to increase sales and awareness of our product**

   Currently, the key market of our drug-eluting stent is still the Chinese market. Our aim is to develop our international market significantly so that it will contribute a major part of our revenue in the future. To achieve that, we consider that the Group needs a stronger platform for the international team to work on, as well as independent teams that handles various clinical trails and certification required by various countries. By doing so, the international sales and marketing team could effectively market all our products into the international scene, which in turn will create a greater awareness of our products and branding. Eventually, this increased international exposure could allow us to compete against established global medical device manufacturers.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code since the listing of the shares of the Company on the Main Board of the Stock Exchange on September 24, 2010 (the "Listing Date") and up to the date of this results announcement.

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

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

CORPORATE GOVERNANCE PRACTICES

The Group strives to maintain high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules as its own code of corporate governance.

In the opinion of the directors, the Company has complied with the code provisions as set out in the CG Code since the Listing Date and up to the date of this announcement.

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

PURCHASE, SALE AND REDEMPTION OF SHARES

Since the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Audit Committee comprises of three members namely, Mr Jonathan H. Chou (Chairman of the Committee), Mr Norihiro Ashida and Mr Zezhao Hua, two of which are independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). They have reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters, including the review of the annual financial results and this announcement of the Group for the year ended December 31, 2010.

DIVIDEND

The Directors recommend the payment of a dividend for 2010 of HK$0.05 (equivalent to RMB0.04) per share to shareholders of the Company, whose names appear on the register of members of the Company on May 25 2011. Based on the number of issued shares as at December 31, 2010, this represents a total distribution of approximately HK$72 million (equivalent to RMB61 million). Subject to the approval of the 2010 dividend by the shareholders at the annual general meeting of the Company to be held on May 25, 2011, it is expected that those dividends will be paid on or around June 27, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, May 23, 2011 to Wednesday, May 25, 2011, both dates inclusive, during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend recommended by the Directors and for attending and voting at 2011 annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 20, 2011.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.microport.com.cn) in due course.

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

Shanghai, March 22, 2011

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

* *for identification purpose only*