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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of MicroPort Scientific Corporation (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

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

CONSOLIDATED INCOME STATEMENT

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

	Note	**2012**	2011
		RMB'000	*RMB'000*
Turnover	*4*	**930,962**	839,849
Cost of sales		**(153,129)**	(137,268)
Gross profit		**777,833**	702,581
Other revenue	*5*	**54,744**	53,156
Other net income	*5*	**13,154**	40,671
Research and development costs		**(145,849)**	(153,035)
Distribution costs		**(172,999)**	(152,112)
Administrative expenses		**(104,600)**	(97,920)
Other operating costs		**(5,250)**	(17,912)
Profit from operations		**417,033**	375,429
Finance costs	*6(a)*	**(1,675)**	(1,376)
Profit before taxation	*6*	**415,358**	374,053
Income tax	*7(a)*	**(61,378)**	(53,198)
Profit for the year		**353,980**	320,855
Earnings per share	*9*		
Basic (RMB)		**0.25**	0.22
Diluted (RMB)		**0.25**	0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012
(Expressed in Renminbi Yuan)

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

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

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

Zhaohua Chang
Chairman

Jonathan H. Chou
Director

1 Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries and are presented in Renminbi ("RMB"), which is the functional currency of the Group's major operating subsidiaries.

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

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

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

3 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

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

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

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

4 Turnover and segment reporting

(a) Turnover

The Group derives revenue principally from the sales of medical devices through appointed sales distributors. The Group does not provide product warranties to customers. Sales return are only allowed under certain specific circumstances, which is determined and approved by management and within certain period of time agreed by buyer and seller.

Revenue by major category of products is as follows:

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

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

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

(b) Segment Reporting

The Group manages its businesses by divisions, which are organised by a mixture of both lines of businesses and geographic locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following seven reportable segments.

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

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

(i) Segment results, assets and liabilities

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

Segment assets include all tangible assets, intangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables, bank loans, interest-bearing borrowings and deferred income attributable to the activities of each individual segment.

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

The measure used for reporting segment profit is "segment net profit/(loss)". Items that are not specifically attributed to individual segments, such as unallocated exchange gain/(loss), unallocated corporate income and expenses, equity-settled share-based payment expenses and PRC dividends withholding tax are excluded from segment net profit/(loss).

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

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

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

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

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

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

(iii) Geographical information

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

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

5 Other revenue and net income

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

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

Other net income

Net loss on disposal of property, plant and equipment	**(402)**	(118)
Net foreign exchange gain	**13,556**	40,789
	13,154	40,671

6 Profit before taxation

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

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

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

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

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

* The amount included staff costs of the research and development department of RMB69,580,000 (2011: RMB82,639,000) and depreciation of the relevant property, plant and equipment of RMB10,270,000 (2011: RMB9,626,000), which are included in the total staff cost as disclosed in note 6(b) and depreciation as disclosed in note 6(c), respectively.

** Cost of inventories includes RMB69,385,000 (2011: RMB62,414,000) relating to staff costs, depreciation and amortisation expenses, operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

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

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

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

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

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

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

Shanghai MicroPort Medical (Group) Co., Ltd. (formerly named "MicroPort Medical (Shanghai) Co., Ltd.") ("MP Shanghai") and Dongguan Kewei Medical Instrument Co., Ltd.("Dongguan Kewei") obtained the renewed certificate of "advanced and new technology enterprise" dated 17 August 2011 and 13 November 2011 respectively with an effective period of three years. According to Guoshuihan 2009 No. 203, if an entity is certified as an "advanced and new technology enterprise", it is entitled to a preferential income tax rate of 15%. The provision for PRC corporate income tax for MP Shanghai and Dongguan Kewei is calculated by applying the income tax rate of 15% (2011: 15%).

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

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

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

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

8 Dividends

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

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

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

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

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

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB353,980,000 (2011: RMB320,855,000) and the weighted average of 1,414,872,000 ordinary shares (2011: 1,437,910,000 ordinary shares).

(i) Weighted average number of ordinary shares

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

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB353,980,000 (2011: RMB320,855,000) and the weighted average number of ordinary shares of 1,435,679,000 shares (2011: 1,464,056,000 shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, calculated as follows:

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

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

10 Trade and other receivables

	2012 *RMB'000*	2011 *RMB'000*
Trade debtors:		
– third party customers	**405,025**	268,189
– related parties	**5,962**	6,747
	410,987	274,936
Less: Allowance for doubtful debts	**(7,925)**	(2,336)
	403,062	272,600
Other debtors	**20,793**	7,021
Loans and receivables	**423,855**	279,621
Deposits and prepayments	**10,035**	6,996
	433,890	286,617

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

(a) Ageing analysis

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

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

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

(b) Impairment of trade receivables

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

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

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

The Group's trade debtors of RMB7,925,000 (2011: RMB2,336,000) were individually determined to be impaired as at 31 December 2012. The individually impaired receivables related to customers whose debts have been long outstanding with no subsequent settlement received or customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered.

(c) Trade debtors that are not impaired

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

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

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 10(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no history of default and the balances are considered recoverable. The Group does not hold any collateral over these balances.

11 Trade and other payables

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**58,083**	39,478
Other payables and accrued charges	**113,612**	98,355
Dividends payable to ordinary shareholders	**545**	861
	172,240	138,694
Advances received	**2,572**	2,590
	174,812	141,284

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Overview

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

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

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

Cardiovascular Devices

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

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

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

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

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

Endovascular Devices

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

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

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

Our endovascular primarily develops the Abdominal Aortic Aneurysm ("AAA")/Thoracic Aortic Aneurysm ("TAA") Stent Graft System, including products of Hercules™-T, Hercules™-B and Aegis™. Furthermore, there are some new products, such as the 4th generation of Ultra-Low-Profile AAA System and low profile thoracic stent-graft system, are under development stages.

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

Neurovascular Devices

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

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

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

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

Electrophysiological Devices

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

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

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

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

Orthopedic Devices

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

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

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

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

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

Diabetes Care and Endocrinal Management

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

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

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

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

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

Surgical Management

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

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

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

Manufacturing

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

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

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

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

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

Competition

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

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

Research and Development

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

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

Branding

The trademark "MicroPort" was registered successfully in USA and Hong Kong in 2010. By further expanding our brand, we made good achievements in international trademark registration in 2012. The trademark of "Firehawk", our third-generation drug eluting coronary stent, has been registered successfully in China, the USA, Australia, Japan, and EU in 2012. In addition, trademarks of "Mustang", "Jive", "Firebird" and "Firebird 2" have completed registration successfully in Vietnam.

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

FINANCIAL OVERVIEW

Overview

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

Revenue

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

Revenue from Cardiovascular Devices

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

Revenue from Endovascular Devices

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

Revenue from Neurovascular Devices

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

Revenues from Electrophysiological Devices

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

Revenues from Orthopedic Devices

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

Revenue from Diabetes care and Endocrinal Management

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

Revenue from Surgical Management

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Revenue and Other Net Income

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

Research and Development Costs

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

Sales and Marketing/Distribution Costs

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

Administrative Expenses

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

Finance Costs

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

Income Tax

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

Liquidity and Financial Resources

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

Borrowing and Gearing Ratio

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

Working Capital

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

Foreign Exchange Exposure

The Group is exposed to currency risk primarily from the sales and purchases of its PRC subsidiaries which give rises to receivables and payables that are denominated in a foreign currency (mainly US$) and the Company's deposits denominated in RMB. The Company has adopted US$ as its functional currency, whilst its PRC subsidiaries, functional currencies are RMB. Thus the fluctuation of exchange rates between RMB and US$ exposes the Group to currency risk. The Group does not employ any financial instruments for hedging purposes.

Capital Expenditure

During the year, the Group's total capital expenditure amounted to approximately RMB342.3 million, which was mainly used in (i) building and purchasing lands and (ii) acquiring equipment and machinery and (iii) expenditures on R&D projects which are eligible for capitalisation as intangible assets.

Acquisitions

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

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

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

Charge on Assets

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

Contingent Liabilities

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

Human Resources

As at 31 December 2012, the Group employed approximately 1,714 employees, as compared to 1,323 employees as 31 December 2011. The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees. A share option scheme has also been adopted for employees of the Group. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department.

Prospects

The medical devices market in the PRC grows rapidly with the development of national economic and government investment in social medical insurance, which attracts more and more multinational corporations to enter this market. In order to compete effectively in the market, we will continuously perform proactive strategies, including but not limited to:

1. Developing and improving our existing products

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

2. Diversification of our existing and new products

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

3. Maintaining leading position in domestic medical devices market

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

4. Strategic Acquisition

   According to our new strategy, we will focus on a more clear direction of growth and diversification. We intend to continue to look for additional strategic acquisitions of the businesses or technologies, which are complementary to our existing businesses. With MicroPort expanding into other and more variety of medical devices, we will become less dependent on revenue streams from our stents and evolve into a high tech medical device conglomerate. And we also expect a synergistic effect between different businesses developed.

5. Internationalization of our brand and products

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

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

Scope of Work of KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated accounts for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

Corporate Governance

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

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

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

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

Further information on the corporate governance will be set out in the Corporate Governance Report to be contained in the Company's 2012 Annual Report.

Audit Committee

The Audit Committee comprises of three members namely, Mr. Jonathan H. Chou (Chairman of the Committee), Mr. Norihiro Ashida and Mr. Zezhao Hua, two of which are independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors. The Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2012, the financial reporting and compliance procedures, the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for transactions in the Company's securities throughout the financial year ended 31 December 2012.

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

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

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2012, the Company has repurchased a total of 17,727,000 shares on the Stock Exchange and the details of the Share repurchases are set out below:

Month of repurchase	**Total number of Shares repurchased**	**Purchase price paid per Share**		**Aggregate purchase price paid**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
September 2012	1,772,000	3.88	3.32	6,515,171.60
October 2012	4,502,000	4.32	3.86	18,416,400.70
November 2012	9,543,000	4.63	4.01	41,000,930.30
December 2012	1,910,000	4.66	4.55	8,808,929.00
	17,727,000			74,741,431.60

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

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

Pre-emptive Rights

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

Annual General Meeting

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

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

The Directors recommends the payment of a final dividend of HK$0.08 (equivalent to RMB0.06 per share) (2011: HK$0.07 (equivalent to RMB0.06 per share)). Subject to the approval by Shareholders of the Company at the forthcoming annual general meeting, the final dividends will be distributed on or about 27 July 2013 to the Shareholders of the Company whose names appear on the register of members of the Company on 5 July 2013. Based on the numbers of issued shares as at 31 December 2012, this represents a total distribution of approximately HK$112,538,000 (equivalent to RMB91,246,000). Details of dividends declared are set out in note 8 to the consolidated financial statements of this announcement. The Board did not declare any interim dividend for 2012 (2011: nil).

The Annual General Meeting ("AGM") of the Company is scheduled on Wednesday, 26 June 2013. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 June 2013 to Wednesday, 26 June 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Service Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday 21, June 2013.

The proposed final dividend is subject to the approval of the shareholders of the Company at the AGM. The record date for entitlement to the proposed final dividend is Thursday, 4 July 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 3 July 2013 to Thursday, 4 July 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor 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 Tuesday, 2 July 2013. It is expected that the final dividend will be paid on or around 27 July 2013.

Publication of Results Announcement and Annual Report

This annual results announcement is published on the websites of the Company at http://www.microport.com.cn and Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The 2012 annual report of the Company will be dispatched to shareholders of the Company on or around 20 April 2013 and will also be available at the same websites in due course.

Forward Looking Statements

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

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

Shanghai, 25 March 2013

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