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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of MicroPort Scientific Corporation (stock code: 00853) (the "Company" or "MicroPort") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2016 (the "Reporting Period"), which have been reviewed by the Company's audit committee (the "Audit Committee"). The financial highlights of the Group during the Reporting Period together with the comparative figures for the corresponding previous period are set out as follows:

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

During the Reporting Period, the Group successfully achieved a revenue of approximately US$198.6 million, representing a growth of 6.9% excluding the foreign exchange impact and a growth of 3.8% in US$ compared to the corresponding period of 2015. Such increase was primarily driven by strong sales performance of key business segments. The segments of Cardiovascular devices, Endovascular devices and Neurovascular devices grew vigorously and recorded revenue increase of 12.4%, 40.2% and 26.8% respectively excluding the foreign exchange impact. Orthopedics devices segment remained stable and recorded 1.2% growth in revenue. The Group successfully turned around to a profit of US$5.5 million (profit attributable to equity shareholders: US$4.7 million) for the six months ended 30 June 2016, as compared with a net loss of US$2.6 million (loss attributable to equity shareholders: US$3.0 million) for the six months ended 30 June 2015. The significant improvement was mainly attributable to an increase of US$8.6 million in gross profit driven by revenue growth, and an increase of US$1.7 million in foreign exchange gain, partially offset by an increase of US$2.9 million in operating expenses.

I. UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 (unaudited)

(Expressed in United States dollars)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	At 30 June 2016		At 31 December 2015	
		US$'000	***US$'000***	*US$'000*	*US$'000*
Non-current liabilities					
Interest-bearing borrowings		**51,543**		129,374	
Convertible bonds	*10*	**145,001**		94,815	
Obligations under finance leases		**68**		33	
Deferred income		**31,708**		22,086	
Other payables	*9*	**2,051**		1,541	
Deferred tax liabilities		**3,573**		3,365	
			233,944		251,214
Net assets			**341,490**		317,828
Capital and reserves	*11*				
Share capital			**14**		14
Reserves			**334,747**		312,505
Total equity attributable to equity shareholders of the Company			**334,761**		312,519
Non-controlling interests			**6,729**		5,309
Total equity			**341,490**		317,828

II. NOTES

(Expressed in United States dollars unless otherwise indicated)

1. Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of MicroPort Scientific Corporation (the "Company") and its subsidiaries (together, the "Group") since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 29 August 2016. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2016.

2. Changes in accounting policies

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

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

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

3. Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both lines of business and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified seven reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

	Six months ended 30 June 2016							
	Orthopedics devices business *US$'000*	Cardiovascular devices business *US$'000*	Endovascular devices business *US$'000*	Electrophysiology devices business *US$'000*	Neurovascular devices business *US$'000*	Surgical management business *US$'000*	Diabetes care and endocrinal business *US$'000*	Total *US$'000*
Revenue from external customers	107,171	70,114	10,450	2,679	4,336	2,921	885	198,556
Reportable segment net (loss)/profit	(15,613)	29,804	4,810	(1,188)	1,571	(2,282)	(674)	16,428

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

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

	At 31 December 2015							
	Orthopedics devices business	Cardiovascular devices business	Endovascular devices business	Electrophysiology devices business	Neurovascular devices business	Surgical management business	Diabetes care and endocrinal business	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Reportable segment assets	396,150	359,517	25,083	21,105	16,773	27,894	5,117	851,639
Reportable segment liabilities	119,360	131,046	9,882	9,894	4,761	21,244	6,739	302,926

The measure used for reporting segment profit/(loss) is "reportable segment net profit/(loss)", which represents the profit/(loss) for the year/period attributable to each of the reportable segments. Items that are not specifically attributed to individual segments, such as unallocated exchange gain/(loss), unallocated corporate income and expenses, equity-settled share-based payment expenses and the People's Republic of China (the "PRC") dividends withholding tax are excluded from reportable segment net profit/(loss).

(b) Reconciliations of reportable segment profit or loss

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

4. Other revenue and net gain/(loss)

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

5. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
(a) Finance costs		
Interest on the Otsuka Loans	**1,324**	1,175
Interest on the convertible bonds *(note 10)*	**4,321**	2,342
Interest on other borrowings	**2,106**	3,140
Others	**513**	1,198
	8,264	7,855

(b) Other items

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

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

6. Income tax

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

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25% except for four entities entitled to a preferential income tax rate of 15% as they are certified as "advanced and new technology enterprise" ("ANTE"). According to Guoshuihan 2009 No.203, if an entity is certified as an ANTE, it is entitled to a preferential income tax rate of 15%.

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

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

As at 30 June 2016, based on management's assessment of probability on the future taxable profit subsequent to the date of the reporting period, no deferred tax assets had been recognised for tax losses and deductible temporary differences of certain loss-making entities.

7. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

(i) Weighted average number of ordinary shares

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

(b) Diluted earnings/(loss) per share

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

The calculation of diluted earnings per share amount for the six months ended 30 June 2016 has not included the potential effect of the deemed conversion of the convertible bonds (note 10) and the Term B Loan into ordinary shares during the period, as they have an anti-dilutive effect on the basic earnings per share amount for the period.

8. Trade and other receivables

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

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
Less than 1 month	**36,706**	33,382
1 to 3 months	**41,327**	40,868
3 to 12 months	**20,782**	17,837
More than 12 months	**12,361**	9,313
Trade receivables net of allowance for doubtful debts	**111,176**	101,400
Other debtors	**11,063**	9,317
Income tax recoverable	**2,924**	3,325
Deposit and prepayments	**14,461**	12,915
	139,624	126,957

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

9. Trade and other payables

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

	At 30 June 2016	At 31 December 2015
	US$'000	*US$'000*
Current		
Within 1 month	**11,089**	15,726
1 to 3 months	**4,457**	2,216
Over 3 months but within 6 months	**350**	1,422
Over 6 months but within 1 year	**2,372**	186
Over 1 year	**21,341**	24,166
Trade payables	**39,609**	43,716
Advances received	**689**	3,947
Dividends payables to ordinary shareholders	**89**	89
Dividends payable to holders of non-controlling interests	**–**	323
Other payables and accrued charges	**47,794**	51,343
	88,181	99,418
Non-current		
Other payables and accrued charges	**2,051**	1,541

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

10. Convertible bonds

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

In January 2016, the Company issued the convertible bonds in an aggregate principal amount of US$65,000,000 to Erudite Parent Limited and Owap Investment Pte Ltd., which is ultimately controlled by Carlyle Group L.P. and GIC respectively, with a maturity date of 13 January 2021 (the "Carlyle Convertible Bonds"). The Carlyle Convertible Bonds bear interest at LIBOR plus 1% on the outstanding balances. Pursuant to the terms of the Carlyle Convertible Bonds, the bond holders could convert part of or the entire outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HK$3.85 per share, subject to adjustments under certain terms and conditions of the Carlyle Convertible Bonds.

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

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

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

11. Capital, reserves and dividends

(a) Dividends

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

(ii) No final dividend was proposed in respect of the years ended 31 December 2015 and 2014.

(b) Equity-settled share-based transactions

Apart from the share options in issue carried forward from 2015, 41,670,000 share options were granted to senior management and employees of the Group under the Company's employee share option scheme (29,700,000 share options were granted during the six months ended 30 June 2015) during the six months ended 30 June 2016. The amount payable by each grantee of option to the Company on acceptance of the offer for the grant of option is US$1.00. Each option entitles the holder to subscribe for one ordinary share in the Company. These share options will vest in instalment during the period from 30 March 2017 to 26 June 2021. The exercise price ranges from HK$3.48 to HK$3.85, which represents the highest of (i) the closing price of share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant, (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant, and (iii) the nominal value of a share.

During the six months ended 30 June 2016, 6,582,410 share options were exercised (six months ended 30 June 2015: 1,739,340) with a weighted average exercise price of HK$2.56 (equivalent to approximately US$0.33) (six months ended 30 June 2015: HK$2.36 (equivalent to approximately US$0.31)) and the total number of ordinary shares increased by 6,582,410 for the six months ended 30 June 2016 (six months ended 30 June 2015: 1,739,340 ordinary shares).

(c) Share award scheme

Pursuant to a share award scheme approved by the Board in 2011, the Company may purchase its own shares and grant such shares to certain employees of the Group at nil consideration. For the six months ended 30 June 2016, the Company granted 6,120,523 shares (six months ended 30 June 2015: 4,553,886) to the Group's executives and purchased 5,520,000 shares (six months ended 30 June 2015: 4,567,000) at cash consideration of US$2,533,000 (six months ended 30 June 2015: US$2,441,000).

III. MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview

Overview

The Company is a leading medical technology company focusing on innovation, manufacturing and marketing high-end medical devices globally. With a diversified product portfolio now being used in over 5,000 hospitals of 71 countries, the Company maintains world-wide operations in a broad range of business segments including orthopedics, cardiovascular, endovascular, neurovascular, electrophysiology ("EP"), surgical, diabetes care and endocrinal management. The Company is dedicated to becoming a patient-oriented global enterprise that advances the forefront of technology innovation to develop the best and most affordable medical therapies to save and reshape patients' lives as well as to improve the quality of life of the patient.

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

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

Segment Review

– *Solid Financial Performance of Orthopedics Business*

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

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

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

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

success in the integration of the global supply chain for orthopedic instruments for our orthopedic business. During the reporting period, GSC realized gross sales of US$5.8 million (excluding the foreign exchange impact), more than tripled compared to the corresponding period of 2015.

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

– *Robust Growth of Cardiovascular Devices Business*

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

– *Rapid Development of Endovascular Business*

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

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

– *Significant Milestones Achieved in Other Businesses*

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

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

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

– *Medical Education and Marketing Activities*

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

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

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

– *Progress in Research and Development Projects*

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

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

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

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

2. Financial Review

Overview

Faced with a challenging economic environment with intense competition in the domestic and overseas markets, we have successfully achieved a revenue growth of 3.8% for the six months ended 30 June 2016 and maintained our leading position in China. We continued to provide a diversified product offering with non-cardiovascular sales contributing 65% to total revenue, and continued our globalization strategy with non-China sales contributing 53% of the total revenue for the six months ended 30 June 2016. We aim to continuously bring our innovations, technologies and services to millions of global patients and become a patient oriented global enterprise capable of leading minimally invasive and other emerging market technologies.

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

Revenue

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

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

– *Orthopedics Devices Segment*

Our orthopedic devices segment achieved a revenue of US$107.2 million for the six months ended 30 June 2016, representing a growth of 1.2% excluding the foreign exchange impact and in US$ compared to the six months ended 30 June 2015. Such operational increase was mainly because (i) revenue in the United States market successfully turned around and achieved 3.2% growth excluding the foreign exchange impact compared with the six months ended 30 June 2015. We successfully executed the strategy of stabilizing and growing the US market since the Group acquired the OrthoRecon business in January 2014, including more effective product promotion, medical education and recruitment of experienced competitive sales representatives etc.; (ii) revenue

in China market achieved a growth of 14% excluding the foreign exchange impact compared with the six months ended 30 June 2015. In particular, Orthorecon revenue grew 34% excluding the foreign exchange impact through continued launch to more hospitals across provinces, attracting more distributors and gaining greater market recognition from Chinese surgeons, which is partially offset by the decrease in Spine and Trauma sales due to internal restructuring (iii) a revenue decline of 2.8% excluding the foreign exchange impact in European market compared with the six months ended 30 June 2015 due to some stocking distributors undergoing internal re-organization which resulted in reduced orders; and (iv) revenue in Japan operationally declined by 2.9% excluding the foreign exchange impact as a result of continued adverse impact of reduced reimbursement rates at Japanese hospitals, however, the decline rate has significantly decreased benefitting from growth of new product sales.

– *Cardiovascular Devices Segment*

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

– *Endovascular Devices Segment*

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

– *EP Devices Segment*

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

– *Neurovascular Devices Segment*

Our neurovascular devices segment achieved a revenue of US$4.3 million for the six months ended 30 June 2016, representing a growth of 26.8% excluding the foreign exchange impact or a growth of

19% in US$ compared to the six months ended 30 June 2015. Such growth was mainly attributable to the organic growth of 31% excluding the foreign exchange impact in APOLLO Intracranial Stent System, and the growth of 19% excluding the foreign exchange impact in WILLIS® Intracranial Stent Graft System driven by its greater market recognition since launch.

– *Surgical Management Segment*

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

– *Diabetes Care and Endocrinal Management Segment*

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Revenue and Other Net Gain/(Loss)

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

Research and Development Costs

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

Distribution Costs

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

Administrative Expenses

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

Other Operating Costs

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

Finance Costs

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

Income Tax

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

Interim Dividend

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

Liquidity and Financial Resources

As of 30 June 2016, we had US$129.1 million of cash and cash equivalents on hand, as compared to US$99.5 million as of 31 December 2015. The Board's approach to manage liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities to avoid any unacceptable losses or damage to the Group's reputation.

Borrowings and Gearing Ratio

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

Net current assets

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

Foreign Exchange Exposure

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

Capital Expenditure

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

Charge on Assets

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

Contingent Liabilities

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

Human Resources and Training

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

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

3. Outlook

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

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

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

IV. SUPPLEMENTAL INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

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

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

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they have complied with the requirements as set out in the Model Code throughout the period of six months ended 30 June 2016.

Compliance with the Code on Corporate Governance Practices

Throughout the period of the six months ended 30 June 2016, except for the provisions as disclosed below, the Company has complied with all the applicable code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

Pursuant to the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Dr. Zhaohua Chang ("Dr. Chang") has assumed the responsibility of the executive Director and the chairman of the Company and is responsible for managing the Board and the Group's business. As the Board considers that Dr. Chang has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently, he has concurrently assumed the position of the chief executive officer of the Company. Nevertheless, the Board will continue to review the efficacy of the Group's corporate governance structure to assess whether the separation of the positions of chairman and chief executive officer of the Company is necessary.

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

Independent Review of Auditors

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

Audit Committee and Review of Financial Statements

The Company has established the Audit Committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Mr. Norihiro Ashida, Mr. Jonathan H. Chou (chairman) and Mr. Zezhao Hua (retired on 27 June 2016), respectively.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The term of reference was revised on 27 June 2016 and has been made available on the websites of the Stock Exchange and the Company. The principal duties of the Audit Committee include review and supervision of the Group's financial reporting system, risk management system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016 and considered that the results complied with relevant accounting standards, rules and regulations and appropriate disclosure have been duly made.

Disclosure of Information

The interim report of the Group for the six months ended 30 June 2016 containing all the relevant information required by the Listing Rules 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, in accordance with the Listing Rule.

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

Shanghai, The PRC, 29 August 2016

As at the date of this announcement, the executive Director is Dr. Zhaohua Chang; the non-executive Directors are Mr. Norihiro Ashida, Mr. Hiroshi Shirafuji, Ms. Weiwei Chen and Ms. Janine Junyuan Feng; and the independent non-executive Directors are Mr. Jonathan H. Chou and Dr. Guoen Liu.

* *for identification purpose only*