LifeTech Scientific Corporation
先 健 科 技 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 08122

2011
ANNUAL REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies with a higher investment risk as compared with other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in companies listed on GEM and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Director(s)") of LifeTech Scientific Corporation (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
XIE Yuehui *(Chairman)*
ZHAO Yiwei Michael *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
ZENG Min Frank
LI Gabriel
WU Jianhui
CONG Ning

INDEPENDENT NON-EXECUTIVE DIRECTORS
LIANG Hsien Tse Joseph
ZHANG Xingdong
ZHOU Gengshen

COMPANY SECRETARY
LIU Jianxiong

COMPLIANCE OFFICER
ZHAO Yiwei Michael

AUTHORIZED REPRESENTATIVES
ZHAO Yiwei Michael

AUDIT COMMITTEE
LIANG Hsien Tse Joseph *(Chairman)*
WU Jianhui
ZHOU Gengshen

NOMINATION COMMITTEE
LIANG Hsien Tse Joseph *(Chairman)*
CONG Ning
ZHANG Xingdong

REMUNERATION COMMITTEE
ZHOU Gengshen *(Chairman)*
LI Gabriel
LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR
Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE
www.lifetechmed.com

STOCK CODE
08122

LISTING DATE
10 November 2011

PRINCIPAL BANKERS
China Merchants Bank, Shenzhen Chegongmiao Branch
Block A, 1/F
Tianxiang Building
Tianan Chegongmiao Industrial District
Futian, Shenzhen, PRC

China Construction Bank, Shenzhen Keyuan Branch
1/F, Block 1, Jinrong Jidi
No. 8 Kefa Road
Nanshan District Industrial Park
Shenzhen, PRC

HONG KONG LEGAL ADVISOR
O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

COMPLIANCE ADVISOR
Piper Jaffray Asia Limited
Suite 1308
13/F Two Pacific Place
88 Queensway, Admiralty
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS

Floor 1-3, Cybio Electonic Building,
Langshan 2nd Street, North Area of High-tech Park,
Nanshan District, Shenzhen 518057,
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE HONG KONG COMPANIES ORDINANCE

12/F, the Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

CHAIRMAN'S STATEMENT

Dear shareholders,

For and on behalf of the board of directors (the "Board") of LifeTech Scientific Corporation (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

FINANCIAL REVIEW

I am very delighted to report that the Group has achieved a significant growth in sales in the last year. Revenue of the Group was approximately RMB 140.3 million for the year ended 31 December 2011 in comparison with RMB 104.7 million in year 2010, representing a growth of 34.0%. Gross profit was approximately RMB 113.0 million for 2011 in comparison with RMB 83.6 million in 2010, representing a growth of 35.2%. Gross profit margin has also experienced a rise to approximately 80.5% from 79.8% of last year. The increase in revenue was mainly attributable to the rapid growth of sales volume of our primary products along with the expansion of our sales network. Net profit attributable to the owners of the Company was approximately RMB 11.8 million comparing to RMB 3.9 million of 2010, representing a growth of 202.6%.

During the year ended 31 December 2011, the Company has successfully raised net proceeds of approximately HK$ 156.6 million through Initial Public Offer ("IPO"). As the Company has only been listed for less than two months, it only used approximately 2% of the net proceeds on enhancement of research and development and expansion of our sales network.

OPERATION REVIEW

During the year ended 31 December 2011, the Group continued to strengthen its existing businesses of its major products including occluders products, vena cava filter and stent graft and actively expanded its distribution network, in both the PRC and oversea markets. Both domestic and oversea sales have increased rapidly due to our continuous marketing efforts and our brand name, and the market leading position has been further strengthened through these efforts.

As at 31 December 2011, we have a well establised distribution network for our products consisting of 161 distributors in 33 countries, reaching over 1450 hospitals in aggregate. We expanded into new international markets including Mexico, Malaysia, Pakistan, Indonesia, El Salvador, Italy and Nigeria during the year of 2011 and on 28 December 2011, we opened the new office in Holland to serve as a new marketing base to expand our market in Europe. 25 of our products have been granted the CE certification as at 28 March 2012 and can be sold in Europe and two of our products have been granted the FDA approval. I believe there would be significant opportunities for us to break into the international market during the next few years.

PROSPECTS

We believe that our success relies on and will continue to rely on our ability to develop new proprietary products. We will continue to allocate resources in research developing new cardiovascular, peripheral vascular and other implants products, including PFO and LAA occluders.

Leveraged on our broad portfolio of products, robust product development pipeline and strong research and development capabilities, we are capable of expanding our business and gain revenue in European and international markets. The management is confident that it will bring positive contribution for the Company.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and business partners for their continued support to the Group. We would also like to take this opportunity to express our appreciation to the management team and staff for their contribution to the Group during the past year.

XIE Yuehui
Chairman

Shenzhen, PRC, 28 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. There are three lines of business in our Group, including congenital and structural heart diseases business ("congenital heart diseases business"), surgical vascular repair business and peripheral vascular diseases business, providing clinically effective and commercially attractive product offerings.

China is our largest market, and sales generated from Chinese market accounted for approximately 67.2% of our total revenue (2010: approximately 65.8%). Our domestic sales realized a 37.0% growth during the year, indicating stronger brand and higher market share in China. Our international market realized a 28.4% growth in sales revenue. As at 31 December 2011, we have a well established distribution network for our products consisting of 161 distributors (2010: 157 distributors) in 33 countries (2010: 26 countries), reaching over 1,450 hospitals in aggregate. We expanded into new international markets including Mexico, Malaysia, Pakistan, Indonesia, El Salvador, Italy and Nigeria during the year of 2011 and on 28 December 2011, we opened the new office in Holland to serve as a new marketing base to expand our market in Europe.

Congenital heart diseases business

The Company offers one of the broadest product ranges of congenital heart defect occluders through our three generations of occluders series, i.e. HeartR, Cera and CeraFlex, as well as balloon catheter, introducer and snare, etc, and associated delivery and supporting devices. The turnover contributed by the congenital heart diseases business for the year ended 31 December 2011 was approximately RMB 95.0 million (2010: approximately RMB 75.5 million), realized a growth of 25.8%. The ASD occluder, VSD occluder and PDA occluder experienced growth of 10.5%, 41.5% and 24.1% respectively, as compared to the sales revenue of year ended 31 December 2010. The first generation of occluders, i.e. HeartR occluders, realized 10.4% growth of sales. The second generation, i.e. Cera occluders realized 76.8% increase as compared to sales in the year 2010. We started to sell CeraFlex PDA to the UK market during the year 2011, we believe the broad range of products in different markets would enable us to stay more competitive in the market.

Peripheral vascular diseases business

The products we offered in the peripheral vascular diseases business include vena cava filter, TAA and AAA stent graft, vascular plug and steerable introducer. The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2011 was approximately RMB 45.2 million (2010: approximately RMB 28.2 million), representing a growth of 60.3%. The vena cava filter realized 47.9% growth of sales revenue as compared to that of year 2010, mainly attributed to increased sales volume and consistency of the unit price during 2011. Our stent graft realized a growth of 74.0% during the year ended 31 December 2011, also mainly attributed to the increased in sales volume and consistency of unit price.

Surgical vascular repair business

Bovine heart valve is our main products in surgical vascular repair business. We have received China SFDA approval on bovine heart valve but have not begun sales on the products as at 31 December 2011. The turnover contributed by the surgical vascular repair business for the year ended 31 December 2011 was approximately RMB 0.05 million (2010: approximately RMB 1.0 million). The sales of bovine heart valve started in February, 2012.

Future Prospects

The Group will continue to rely on its two core businesses namely congenital heart diseases business and peripheral vascular diseases business, for growth potential in the year 2012. The Group will also actively expand its product offering and strengthen its established market position. We expect to obtain SFDA approval for Cera occluders in the second half of 2012, and our Cera occluders will be launched to the China market upon obtaining approval. A separate sales force and distribution network for our bovine valve in China will be established. In order to support our product launch plan, we will increase investments on physician training programs, and continue to expand our international sales force in Europe, India, Russia and Brazil. We have established a new office in Holland. It will create and reinforce the Lifetech Europe brand and help accelerate our growth in this strategic market.

We will continue to focus on broadening our product portfolio as well as designing innovative products to help capitalize on our growing sales network and infrastructure. Our LAA occluder is expected to complete animal studies and begin human clinical trial studies. Drug-eluting balloons will begin animal testing from second quarter of 2012. We completed clinical trials for Spider PFO occluder in Europe in January, 2012, which is expected to receive CE certification in August, 2012 and then to commercial sales in Europe. Surgical stent grafts and Ankura II stent grafts will start clinical trials in China. Our Cera PFO occluders will be launched in the international market in 2012.

We will evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in the year 2012, to enhance our competitiveness and market position in current key markets as well as selective new markets.

USE OF PROCEEDS

During the year ended 31 December 2011, the Company has successfully raised net proceeds of approximately HK$ 156.6 million through IPO. As the Company has only been listed for less than two months, it only used approximately 2% of the net proceeds, being HK$ 0.9 million to enhance market position of core cardiovascular and peripheral vascular devices in key emerging markets, HK$1.2 million to continue to develop and commercialize pipeline products and HK$ 0.9 million to the expansion into key international markets with current and pipeline products.

FINANCIAL REVIEW

Summary of the results of the Group for the financial year ended 31 December 2011 is as follows:

- Total turnover was approximately RMB 140.3million (2010: approximately RMB 104.7 million), representing about a 34.0% increase as compared to the previous year.
- Gross profit was approximately RMB 113.0 million (2010: approximately RMB 83.6 million), representing about a 35.2% increase as compared to the previous year.
- Excluding the change in fair value of convertible redeemable preferred shares, the operating profit before tax was approximately RMB 15.8 million (2010: approximately RMB 34.5 million), representing about a decrease of 54.2% as compared to the previous year. The decrease was attributed to the offering expense and the increase of selling and distribution expenses, administration expenses and research and development expenses.
- Net profit attributable to owners of the Company was approximately RMB 11.8 million (2010: approximately RMB 3.9 million), representing approximately a two-fold increase as compared to the previous year.
- The Board does not recommend any payment of final dividend for the year ended 31 December 2011.

Revenue

The results of the Group for the year ended 31 December 2011 have shown rapid increase in turnover compared with the previous year. Total turnover of the Group for the year was approximately RMB 140.3 million (2010: approximately RMB 104.7 million). The increase in revenue of the Group was primarily attributed to the growth of congenital heart diseases business and peripheral vascular diseases business.

Gross profit and gross profit margin

Gross profit of the Group was approximately RMB 113.0 million (2010: approximately RMB 83.6 million). Gross profit margin was approximately 80.5% (2010: approximately 79.8%). The increase in gross profit of the Group was mainly attributed to the increase of revenue.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2011 were approximately RMB 34.6 million (2010: approximately RMB 20.0 million). The increase was attributed to additional promotion and marketing efforts and expansion of sales force during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2011 amounted to approximately RMB 31.2 million (2010: approximately RMB 16.8 million). The increases were mainly due to the one time share based compensation amounting to RMB 5.1 million to certain key management of the Group during 2011, a rise of numbers of experienced management team and related staff costs. The other reason is increased professional expenses spent on compliance and regulatory aspects of our business.

Research and development expenses

Research and development expenses for the year ended 31 December 2011 amounted to approximately RMB 22.8 million (2010: approximately RMB 15.4 million). The increases were mainly due to product registration and clinical trials of certain research and development projects that have been ahead of schedule and additional recruitment of staff and corresponding staff cost.

Changes in fair value of convertible redeemable preferred shares

For the convertible redeemable preferred shares of the Company (the “Convertible Redeemable Preferred Shares”), no quoted prices in an active market exist. The fair value of the convertible redeemable preferred shares is established by using the Binomial Option Pricing Model. During the year ended 31 December 2011, the Series A Preferred Shares holders signed a share conversion agreement and agreed to exercise their right to convert 28,070,210 Series A Preferred Shares into the same number of common shares at the par value of USD0.00001 each of the Company on the date of conversion. The change in fair value was approximately RMB3.3million for the year ended 31 December 2011 (2010: negative RMB24.1 million). The details are presented in note 25 to the financial statement of the Company in this report.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB 11.8 million (2010: RMB 3.9 million). The net profit was mainly attributed to the increase of sales, increase of gross margin, and slightly gain of approximately RMB 3.3 million due to change in fair value of Convertible Redeemable Preferred Shares of the Company (2010: loss of approximately RMB24.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately RMB 185.0 million as at 31 December 2011 (2010: approximately RMB 83.5 million) and had no borrowings.

The Group recorded total current assets of approximately RMB 277.4 million as at 31 December 2011 (2010: approximately RMB 131.5 million) and total current liabilities of approximately RMB 40.6 million as at 31 December 2011 (2010: approximately RMB 150.0 million), the decrease of current liability is mainly because of the redemption of the Convertible Redeemable Preferred Shares. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 6.83 as at 31 December 2011 (2010: approximately 0.88).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB 264.1 million as at 31 December 2011 as compared with a deficiency of equity of RMB 0.2 million as at 31 December 2010. There were no long-term or short-term borrowings for 2011 and 2010.

SIGNIFICANT INVESTMENT

The Group has made no significant investments during the year ended 31 December 2011.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

On 13 May 2011, Ms. Wen Weifang transferred her 10% equity interest in Shenzhen Enke, a subsidiary of our Group, to Lifetech Shenzhen, our key PRC operating subsidiary, for a consideration of RMB 150,000. The purpose of this equity transfer is to enable the Group to exercise full control over Shenzhen Enke. Besides this acquisition, the Group did not make any other material acquisitions or disposals during the year ended 31 December 2011.

UPDATE ON PENDING LITIGATION IN INDIA AND IMPACT ON OUR CONTINGENT LIABILITIES

The Group is currently involved in litigation issue in India. AGA Medical Corporation ("AGA") filed a suit with the High Court of New Delhi (the "Court") against our Company, alleging that our occluders sold in India infringed its patent. For details, please refer to the section headed "Risk Factors-Risk Related to Intellectual Property Rights" in the IPO prospectus of the Company. As at the date of this annual report, the cross-examination of AGA's expert witness has been fixed for 23 May 2012, but the Company has been informed that the expert witness is unlikely to turn up for the cross-examination and it is likely to be adjourned. After seeking legal advice, the Board of directors of the Company is of the opinion that it is very unlikely that the Court will grant a permanent injunction to the Plaintiff and it is also very unlikely for the Court to award damages to the Plaintiff or direct delivery of infringing devices. Accordingly, the Board considers that no provision is necessary for any potential liability in the consolidated financial statements.

CAPITAL EXPENDITURE

For the year ended 31 December 2011, capital expenditure of the Group for property, plant and equipment amounted to approximately RMB 15.2 million (2010: approximately RMB 4.9 million).

FOREIGN EXCHANGE RISK

During the year, the Group's operations are primarily based in the PRC and India. The revenue derived from India accounted for approximately 12.8% (2010: approximately 14.2%) of the total revenue of the Group. The financial statements of Lifetech Scientific India Private Limited, our sole subsidiary in India are presented in Renminbi, while a portion of the revenue and expenses are denominated in US Dollar. Indian Rupees suffered depreciation during the year, and the Group's operational results and financial condition may be affected by changes in the exchange rates of Renminbi against India Rupees. To minimize exposure to foreign exchange risk, most of the bank deposits of the Group are being kept in Renminbi and Hong Kong dollars. The Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year. Further discussion on financial risk management objectives and policies is included in the "Financial risk management objectives and policies" section of note 6b to the Consolidated Financial Statements in this report.

CHARGES ON GROUP ASSETS

As at 31 December 2011, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2011, the Group had capital expenditure contracted for but not provided in the consolidated financial statements amounting to RMB 1.7 million (2010: RMB 1.2 million).

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (1) congenital heart diseases business; (2) peripheral vascular diseases business; and (3) surgical vascular repair business. Financial information in respect of these operations is presented in Note 7 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had 412 (2010: 275) full time employees (including directors). Total staff costs, including Directors' emoluments, amounted to approximately RMB 36.5 million for the year under review (2010: approximately RMB 13.9 million).

The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, basic medical insurance, work injury insurance, unemployment insurance and share option to the employees. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

ACHIEVEMENT OF BUSINESS OBJECTIVES

As disclosed in prospectus, the achievement of our business objectives as at 31 December 2011 is as follows:

Business objectives for the period from 24 October 2011 to 31 December 2011		Actual business progress up to 31 December 2011
Enhance Market Position of Core Cardiovascular and Peripheral Vascular Devices in Key Emerging Markets	**We will establish an external key opinion leaders advisory board for China, Brazil, Russia and India to facilitate the regular exchange of medical device knowledge between key opinion leaders and us;**	We have hired a consultant located in UK, a global marketing director base in US, and a medical affair officer in Beijing, China, to facilitate the regular exchange of medical device knowledge between key option leaders and us. The above experts have more than 25 years of experience in interventional industrial.
	We will build a local sales and marketing force in Russia and expand our sales and marketing force in China;	We started the recruitment program in Russia for this purpose. We have expanded our sales force and hired a regional marketing executive for China market.
	We will strengthen the training activities at the Sino-Russian training center in Harbin, China;	The Russian physicians maintained academic exchange activities with Harbin training center. Russian physicians visited Harbin center and received training in August and December.
	We will facilitate the second Sino-European physician exchange program;	The second Sino-European physician exchange program is still in its planning stages, and we expect to conduct it in 2013.
	We will complete registration of Cera occluders in Thailand;	The registration of Cera occluders in Thailand is still in progress, it was postponed because of change of registration agent. We expect to obtain approval in the third quarter of 2012.

Business objectives for the period from 24 October 2011 to 31 December 2011		Actual business progress up to 31 December 2011
	We will complete registration for stent graft and vena cava filter in Russia.	The registration of stent graft and vena cava filter in Russia are in progress, we expect to obtain approval in the third quarter of 2012.
Continue to Develop and Commercialize Pipeline Products	We will complete the enrollment of more patients into our PFO clinical trial in Europe;	We enrolled more patients into clinical trial in EU as planned and completed the clinical trial in January, 2012. And Cera PFO and CeraFlex PFO have obtained CE approval in March 2012 .
	We will continue animal testing for LAA occluders;	We completed LAA occluders' animal testing in the first quarter of 2012. We are now preparing the human clinical trials for LAA occluders.
	We will continue our animal testing of PTCA and PTA drug-eluting balloons.	The animal testing of PTCA and PTA drug-eluting balloons are in progress.
Expansion into Key International Markets with Current and Pipeline Products	We will establish a sales office in Holland, Europe;	We established a sales office in Holland by the end of 2011, and it has started providing service to EU market.
	We will build a local sales and marketing team in Germany;	We hired two sales managers in Europe who are fluent in German to help build this market.
	We will complete registration of Cera occluders in Taiwan;	The registration of Cera occluders in Taiwan is still in progress, which is postponed because we have to obtain SFDA approval before applying for registration in Taiwan. We expect to get approval by the end of 2012.

Business objectives for the period from 24 October 2011 to 31 December 2011		Actual business progress up to 31 December 2011
	We will continue registration of Cera occluders in Australia; and	The registration of Cera occluders in Australia are still in progress, and expect to get approval by the end of 2012.
	We will launch snares in the United States.	We have identified a strategic partner in the United States and expect to launch shares in 2012.
Expansion into Complementary Product Offerings	We will continue animal testing of absorbable coronary stent; and	Animal testing of absorbable coronary stent would spend a long time, and is expected to complete in 2014.
	We will continue animal testing for peripheral stent.	Animal testing of peripheral stent is still in progress and is expected to complete in September 2012.
Pursue Opportunistic Acquisitions, Partnerships, Alliances and Licensing Opportunities	We will evaluate and explore acquisitions, partnerships, alliances and licensing opportunities.	We have evaluated and explored a number of acquisitions, partnerships, alliances and licensing opportunities, none of which has materialized during the period from 24 October 2011 to 31 December 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui, aged 42, is our chairman and has been appointed as a Director with effect from August 2006 and as an executive Director with effect from 22 October 2011. Mr. Xie has served as the director of Lifetech Shenzhen since October 2000 and was promoted to serve as the chairman of Lifetech Shenzhen since 2005. Mr. Xie is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Xie has 21 years of experience in business management in the PRC, of which over 10 years in medical device industry. From 1991 to 1993, Mr. Xie served as the project manager of Eastern Tantalum Group (東方鉭業集團). From June 1993 to January 1994, Mr. Xie served as the investment manager at a subsidiary of China Southern Securities (南方證券), and was responsible for project investment. From February 1994 to February 1996, Mr. Xie served as the deputy general manager at an investment branch of Bank of China, Jilin Province, and was responsible for managing investment projects involving futures. From February 1996 to December 1998, Mr. Xie served as the manager at the domestic trade department of Shenzhen Huihua Group (深圳市匯華集團), and was responsible for overall trade management. Since June 1998, Mr. Xie served as general manager at Shenzhen Huishibang Technology Company Limited (深圳市匯世邦科技有限公司) and was promoted to serve as the chairman in 2000. During this time, Mr. Xie was responsible for overall business management. Mr. Xie graduated from Kunming Institute of Technology (昆明工學院) in July 1991 with a bachelor's degree in materials specialising in pressurized processing of metals (金屬壓力加工專業). He also obtained a master's degree in Business Administration from Tsinghua University in July 2006.

ZHAO Yiwei Michael (趙亦偉), aged 45, is our executive Director with effect from 22 October 2011 and Chief Executive Officer principally in charge of the daily operations of the Group. Mr. Zhao joined our Group in April 2010 as the Chief Executive Officer and has over 22 years of experience in general corporate management at multinational medical and life science companies in major global markets, including the US, Europe, Australia and the PRC. From 1990 to 1991, Mr. Zhao served as the assistant store manager at K-mart Corporation in Canada. From 1992 to 1994, Mr. Zhao served as the vice-president (sales and marketing) at Golden Capital Securities Inc. in Canada, and was responsible for directing sales and marketing activities. From 1995 to 1996, Mr. Zhao served as the national sales manager (analytical instruments) of Ciba Geigy AG and was responsible to lead product localization initiatives. From 1998 to 2007, Mr. Zhao held several senior management positions at Johnson & Johnson Medical's Cordis Corporation, one of the world's leading developer and manufacturer of minimally invasive treatments and products for vascular diseases. These positions include the global project manager of Cordis USA, European marketing manager of Cordis Belgium, group marketing manager of Cordis Australia and general manager of Cordis China. During this time, Mr. Zhao was responsible for the development and implementation of corporate strategies and establishment of a national distribution network. Mr. Zhao has earned numerous awards, including the Marketing Person of the Year (Australia) in2000 issued by Johnson & Johnson Medical Australia, and Global and Regional Awards for Outstanding Business Performance for three consecutive years in 2002, 2003 and 2004 issued by Johnson & Johnson Medical Asia Pacific. Mr. Zhao obtained a bachelor of science degree majoring in management from Huntington College in July 1990. Mr. Zhao also obtained a master's degree in business administration from Richard Ivey School of Business of the University of Western Ontario in July 1998.

NON-EXECUTIVE DIRECTOR

ZENG Min Frank (曾敏), aged 48, is our non-executive Director and has been serving as a director of the Company since September 2006. Mr. Zeng joined our Group in January 2003. Mr. Zeng has 18 years of experience in the medical equipment industry. From 1994 to 1996, Mr. Zeng served as the manager of the products design department at Sulzer Medica, one of the world's leading companies in heart valve products, in which Mr. Zeng was responsible for products design. From January 1996 to July 1998, Mr. Zeng served as the project manager at C.R. Bard, Inc. (NYSE: BCR), a multinational developer, manufacturer and marketer of medical equipment and he was responsible for the research and development of blood vessels support products. From August 1998 to December 2000, Mr. Zeng was one of the inventors of the technology at Endologix (NASDAQ:ELGX). Mr. Zeng was primarily responsible for the research and development of artery support system. In December 2000, Mr. Zeng participated in the setting up of MicroPort Medical System Company, the predecessor of MicroPort Scientific Corporation (Stock Code: 853) and its subsidiary in Shanghai, PRC, namely MicroPort Medical (Shanghai) Co., Ltd. (微創醫療器械(上海)有限公司). Mr. Zeng was responsible for corporate management, products design and technology support. Mr. Zeng is currently independent of MicroPort Scientific Corporation and its connected person after leaving that company in around the beginning of 2002. Mr. Zeng graduated from Tsinghua University's College of Mechanical Engineering in July 1986. He also obtained a master's degree in mechanical engineering from University of Texas in May 1993. Mr. Zeng has been listed in Who's Who of Professionals in biological engineering in the US for the year of 2003.

LI Gabriel(李基培), aged 44, is our non-executive Director and has been serving as a director of the Company since September 2006. Mr. Li joined our Group in September 2006. Mr. Li has over 16 years of experience in finance, investment and consulting. Since 2003, Mr. Li has served as the managing director and investment committee member at Orchid Asia Group Management, Limited, a private equity firm focused on investing in PRC and other parts of Asia, where Mr. Li has been involved in the management of the firm in the past nine years. Mr. Li is currently on the board of Ctrip.com International (NASDAQ: CTRP), one of the largest travel services companies in the PRC, and has been the lead investor responsible for the first and second round financing. Mr. Li graduated summa cum laude from the University of California, Berkeley in chemical engineering in May 1990. He earned his Master of Science degree from the Massachusetts Institute of Technology majored in chemical engineering practice in September 1991 and his M.B.A. from the Stanford University Business School in June 1995.

WU Jianhui (鄔建輝), aged 41, is our non-executive Director and has been serving as a director of the Company since September 2006. Mr. Wu has 20 years of experience in accounting and general corporate matters. Mr. Wu joined Lixin Dahua Certified Public Accountants Firm (立信大華會計師事務所) in 1992 and was promoted to serve as a partner in 1997, providing accounting and financial consulting services to Hong Kong and PRC listed companies and assisting various PRC companies to obtain finances overseas. From May 2004 to June 2010, Mr. Wu served as an independent non-executive director of Yantai North Andre Juice Co., Ltd., which was previously listed on GEM Board (Stock Code: 8259) and was subsequently transferred to Main Board (Stock Code: 2218) in January 2011. Mr. Wu is a member of Chinese People's Political Consultative Conference, Shenzhen Municipal Committee (深圳市政協) since 2010, part-time instructor of master degree candidates at Hehai University Business School (河海大學商學院) since 2009, part-time instructor at the International Business School at Zhongshan University (中山大學國際商學院) since 2010 and visiting professor at the Jinling Institute of Technology (金陵科技大學). Mr. Wu graduated from Shanghai University of Finance and Economic with a bachelor's degree majoring in accounting in July 1992. Mr. Wu obtained an EMBA (高級管理人員工商管理碩士) from Peking University Guanghua School of Management (北京大學寶華管理學院) in January 2005.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

CONG Ning(叢寧), aged 41, is our non-executive Director and has been serving as a director of the Company since September 2006. Ms. Cong joined our Group in September 2006. Ms. Cong has 10 years of experience in finance and investment, especially in private equity investments in Greater China with a total investment size of over US$100 million. From 1992 to 1997, Ms. Cong served as the assistant project manager at Shandong Electricity Power Institute (Shandong Electricity Power Group) on R&D funding projects management and foreign investment related projects involving joint ventures, international bidding and on-site project management. From June 2001 to November 2005, Ms. Cong served as the assistant manager and was subsequently promoted to serve as the manager at KPMG Corporate Finance (Hong Kong) where Ms. Cong was mainly engaged in financial and commercial due diligence services for multinational corporation and private equity funds. Since November 2005, Ms. Cong has served various positions with the Orchid Asia Group Management Limited, including the vice president, investment director, managing director and an investment committee member, a private equity firm focused on investing in PRC and other parts of Asia, where Ms. Cong leads Orchid's operation in southern China and made numerous investments in a number of industries. From June 2007 to present, Ms. Cong served as a director of Shenzhen Comix Stationery Co., Ltd. (深圳市齊心文具股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002301). Ms. Cong graduated from Nanjing University (南京大學) with a bachelor's degree (with first class honor) in history in July 1992, and obtained her MBA from HEC School of Management in Paris in February 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph(梁顯治), aged 57, was appointed as an independent non-executive Director of our Company with effect from 22 October 2011. Mr. Liang has extensive experience in finance and accounting. From November 1993 to August 2001, Mr. Liang served as the finance manager at Hongkong International Terminals Limited for Yantian International Container Terminals, both companies being container terminal companies managed by the Hutchison Port Holdings Trust. From August 2001 to October 2005, Mr. Liang served various roles at Skyworth Digital Holdings Limited listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00751), including the group's financial controller and company secretary in charge of finance and MIS functions of the Group. From October 2005 to December 2008, Mr. Liang served as a director at Shenzhen Alclear Consulting Limited, a company engaging in financial, corporate management and investment consultancy services, and was responsible for developing accounting training in China. Since October 2009, Mr. Liang was the managing director of the financial planning and development department at United International College ("College") in Zhuhai, PRC, and was responsible for serving financial advisory and human resources management functions. Since October 2011, Mr. Liang has been serving as special consultant on campus development at the College. Mr. Liang graduated from Hong Kong Open University with a bachelor's degree in language and translation in December 2007. Mr. Liang obtained a master's degree in professional accounting from University of Texas, Austin in May 1981 and a diploma in business management from Hong Kong Baptist College in December 1977. Mr. Liang is a member of the Texas Society of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants (formerly known as "Hong Kong Society of Accountants") since June 1982 and Association of Certified Chartered Accountants (ACCA) since May 1982.

ZHANG Xingdong (張興棟), aged 73, was appointed as an independent non-executive Director of our Company with effect from 22 October 2011. Mr. Zhang is a professor at Sichuan University and actively participates in international committees and organizations, including Chinese Committee of Biological Materials (中國生物材料委員會). International Union of Societies of Biomaterials Science and Engineering (國際生物材料委員會), Chinese Academy of Engineering (中國工程院) and Executive Committee of the International Engineering and Regenerative Medicine China (Asia Pacific) Association (國際組織工程與再生醫學學會大陸(亞太)理事會). Mr. Zhang has conducted in-depth research in artificial bone and coatings which is widely recognized and applied in the PRC medical equipment. Mr. Zhang's research has received numerous awards, including the National Science and Technology Progress Award. Mr. Zhang graduated from Sichuan University with a bachelor's degree in solid mechanics (固體物理) in July 1960.

ZHOU Gengshen (**周庚申**), aged 45, was appointed as an independent non-executive Director of our Company with effect from 22 October 2011. Mr. Zhou has over 22 years of experience in information technology engineering. Since August 1989 till present, Mr. Zhou has held several positions at China Great Wall Computer Group (Shenzhen) Co., Ltd. (中國長城計算機集團(深圳)公司), including technician, assistant engineer, and R&D manager of its printers business department. Since 1997, Mr. Zhou has held several positions at China Great Wall Computers Shenzhen Co., Ltd. (中國長城計算機深圳股份有限公司) ("Great Wall Computers"), a company listed in the PRC (Stock Code: 000066). Mr. Zhou is currently the director and chief executive officer of Great Wall Computers and is responsible for business management. Mr. Zhou has received numerous awards, including Brand China Person of the Year (品牌中國年度人物) in 2007, and Most Economically Influential Person of the Year in the Information Technology Industry of China (中國信息產業年度經濟人物) in 2008 and 2010. Mr. Zhou graduated from Tsinghua University's department of precision instruments with a bachelor's degree in July 1989. Mr. Zhou obtained a EMBA degree from Tsinghua University's school of economics and management in July 2009.

SENIOR MANAGEMENT

ZHANG Deyuan (**張德元**) is our Chief Technology Officer principally in charge of research and development of our Group. Mr. Zhang joined our Group in October 2006 as a research and development director and has over 23 years of experience in research and development in materials. From 1981 to 1983, Mr. Zhang served as a technician at the Huainan Coal Mine Machinery Plant of the Formerly Ministry of Coal (原煤炭部淮南煤礦機械廠), and was responsible for the technical operation in relation to metal materials. From 1990 to 2002, Mr. Zhang served as the deputy director of Institute of Applied Physics and chairman of laser R&D center at Jiangxi Academy of Sciences (江西科學院), and was responsible for the R&D of new materials and surface processing technology. During this time, Mr. Zhang completed six technology projects (provincial level) and received three technology advancement and technology innovation awards granted by the provincial government. From 2002 to 2006, he served as the director at the R&D department of the National R&D Centre for Surface Engineering of PRC (國定863計劃材料表面技術研究開發中心), and was responsible for the R&D of the material surface ion implantation, PVD, PCVD and micro-arc oxidation technology. In 2006, he served as the manager of surface coating department of Lung Kee Group in Hong Kong (香港龍記集團), and was responsible for the development of mold surface special coating process Mr. Zhang graduated from Anhui University of Technology (安徽工學院) with a major in casting technology and equipment in August 1987. He obtained master's degree in Southeast University (東南大學) majored in material science and engineering in May 1990. Mr. Zhang then obtained a doctorate's degree in University of Science and Technology, Beijing's (北京科技大學) department of physical chemistry in June 2001. Mr. Zhang obtained a special subsidy from the State Department of PRC in 2000 for his excellence in scientific research, and received a professorship at the Chinese Academy of Sciences in 2003.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

LIU Jianxiong (劉劍雄) is the Chief Financial Officer and company secretary of our Group. Mr. Liu joined us in September 2010. Mr. Liu has about 19 years experience in the accounting fields. He started his career as an auditor at Kwan Wong Tan & Fong (currently Deloitte Touche Tohmatsu) in 1993, and was primarily responsible for carrying out audits and consultancy work. Mr. Liu then continued to work with a number of multinational companies. From 1997 to 2001, he was the accounting services manager of Yantian International Container Terminal Company Limited (鹽田國際集裝箱碼頭有限公司). From 2001 to 2003, Mr. Liu was the financial controller of Shenzhen Schlumberger Electronic System Solution Co., Ltd (深圳斯倫貝謝電子系統有限公司). From March 2007 to July 2007, Mr. Liu was the China financial controller of the China Light & Power Group renewable energy division. From December 2007 to February 2010, Mr. Liu was the Great China corporate controller of AnyDATA Group, and was responsible for financial management, accounts audit, tax planning, raising capital and preparation of financial accounts in accordance with accounting standards in PRC, U.S. and Hong Kong. He is a member of the Association of Chartered Certified Accountants since 1997 and a registered tax agent since 1999. Mr. Liu graduated from Zhongshan University's Physics department majoring in modern physics technology in July 1990. He obtained a master's degree in business administration from University of Glamorgan in the United Kingdom in December 2004.

ZHAN Guowei (湛國威) is our Domestic Sales Director principally responsible for domestic sales in the PRC. Mr. Zhan joined our Group in August 2010 as a sales director, and has more than 12 years of experience in the sales of medical devices. From July 1999 to June 2009 , Mr. Zhan served as a territory assistant and was promoted to national sales manager at Johnson & Johnson (Shanghai) Medical Company Limited (強生（上海）醫療器材有限公司), and was responsible for overall domestic sales management. During his employment with Johnson & Johnson (Shanghai) Medical Company Limited, from January 2007, Mr. Zhan also served as the national sales manager at Johnson & Johnson Biosense Webster Electrophysiology Products Division (強生Biosense Webster電生理產品組) overseeing its domestic sales management . From October 2009 to July 2010, Mr. Zhan served as the national sales manager at the AF electrophysiology department of St. Jude (Shanghai) Medical Co., Ltd. (聖猶達（上海）醫療用品有限公司). Mr. Zhan graduated from Zhongshan University's (中山大學) international trade and finance department with a bachelor's degree in international finance in June 1999.

Mark CIBUZAR is our Overseas Sales Director principally in charge of international sales. Mr. Cibuzar joined our Group in November 2009 as a sales director and has more than 26 years of experience in the sales and marketing of medical equipment. From May 2008 to October 2009, Mr. Cibuzar served as the Vice-President (International Sales and Marketing) at Occlutech International GmbH, and was responsible for developing and executing sales and marketing plans. From May 2007 to April 2008, Mr. Cibuzar served as an independent medical device consultant and was responsible for client consultation in the areas of congenital and structural heart diseases. From December 2001 to April 2007, Mr. Cibuzar served as the Director at the international sales and marketing department of AGA Medical Corporation, and was responsible for international sales and marketing. From August 1997 to November 2001, Mr. Cibuzar served as the senior marketing manager of Microvena Corporation's global cardiology business, and was responsible for marketing, training and providing programming support. From March 1995 to August 1997, Mr. Cibuzar served as the senior marketing manager at Arizant Medical, Inc.'s wound care division, and was responsible for developing and commercializing new therapeutic device in the US. From February 1993 to February 1995, Mr. Cibuzar served as the market development manager at the heart valve division of St. Jude Medical, Inc., and was responsible for diversifying the heart valve division's product portfolio via technology licensing and distribution agreements. From June 1990 to February 1993, Mr. Cibuzar served as the product marketing manager at the cardiology division of Schneider USA Inc. and was responsible for marketing. From September 1987 to June 1990, Mr. Cibuzar served as the sales representative and trainer at the Deseret IV division of Becton-Dickinson, Inc., and was responsible for products sales and training to sales representatives. From 1985 to September 1987, Mr. Cibuzar served as the sales representative and trainer of General Medical Corporation and was responsible for international sales and marketing. Mr. Cibuzar graduated from University of Minnesota with a bachelor's degree majoring in political science in March 1980, and obtained a master's degree in business administration at Indiana W. University in January 1990.

Sajeevan MANIKKOTH is our India Sales Director principally in charge of sales and marketing in India. Mr. Manikkoth joined our Group since April 2006 and has more than 11 years of experience in sales and marketing. From December 2000 to March 2006, Mr. Manikkoth served as business head of Edwards Lifesciences India Pvt. Ltd.. From February 1999 to November 2000, Mr. Manikkoth served as country sales manager in Core Healthcare Limited, a company in India which produces and markets pharmaceutical and healthcare products. From August 1996 to January 1999, Mr. Manikkoth served as sales manager in Wockhardt Ltd, a pharmaceutical and biological company in India. Mr. Manikkoth graduated from University of Calicut in March 1992 with a bachelor's degree in science. Mr. Manikkoth obtained a post graduate diploma in sales and marketing from National Institute of Sales in March 1996 and a diploma in export management from Indian Institute of Export Management in September 1998

GONG Zheng (**龔政**) joined our Group in June 2008 as a technical engineer. He is currently the manager of our Group's intellectual property department principally responsible for planning and maintaining our Group's intellectual property in the global market. From April 2006 to 2008, Mr. Gong served as the patent engineer at the intellectual property department of Actions Semiconductor Co., Ltd. (炬力積體電路設計有限公司). Mr. Gong graduated from Lanzhou University with a bachelor's degree in theoretical physics in June 1995. Mr. Gong obtained a master's degree in condensed matter physics from the Institute of Physics of the China Academy of Sciences (中國科學院理研究所) in July 1998. Mr. Gong obtained a Master of Science degree from Duke University in December 2001.

LI Huiping (李惠平) is our manager in registration and quality control principally responsible for quality control . Ms. Li joined our Group in July 1999 as a quality manager and has more than 12 years of experience in machinery quality control.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Code on Corporate Governance Practices in the GEM Listing Rules (the "CG Code"). Throughout the year ended 31 December 2011, the Company has complied with the practices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry on all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2011.

BOARD OF DIRECTORS

As at 31 December 2011, the Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors as follows:

Executive Directors
XIE Yuehui *(Chairman)*
ZHAO Yiwei Michael *(Chief Executive Officer)*

Non-executive Directors
ZENG Min Frank
LI Gabriel
WU Jianhui
CONG Ning

Independent Non-executive Directors
LIANG Hsien Tse Joseph
ZHANG Xingdong
ZHOU Gengshen

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" in this annual report.

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the shareholders value. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The Board delegates day-to-day activities to the management with department heads responsible for different aspects of the business. Management is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval. The non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the audit committee, the remuneration committee and the nomination committee of the Company.

During the year, the Board complies at all times with the requirement of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation of his independence from each of the independent non-executive Directors and considers that their independence is in compliance the GEM Listing Rules as at the date of this report.

The Board normally should schedule four meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. Since the Company's listing on the Stock Exchange on 10 November 2011 and up to 31 December 2011, the Board hasn't held any meeting as the Company has only been listed for less than two months.

Chairman and Chief Executive Officer

The Company complied with the in Code Provision A.2.1 of the CG Code that the roles of chairman of the Board (the "Chairman") and chief executive officer (the "CEO") should be separate and should not be performed by the same individual. The Chairman is Mr. XIE Yuehui and the CEO is Mr. ZHAO Yiwei Michael. The Board believes that this enables the corporate governance structure of the Company to be more effective.

Non-executive Director

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term and subject to re-election. The Company's non-executive directors have been appointed for an initial term of three years and the Company's independent non-executive directors have been appointed for an initial term of one year. All of the Company's non-executive directors are subject to re-election.

COMMITTEES

As part of the corporate governance practices, the Board has established a nomination committee, a remuneration committee and an audit committee. All of the committees are composed of non-executive directors and independent non-executive directors with terms of reference in accordance with the principles set out in the CG Code.

Audit Committee

We established an audit committee on 22 October 2011 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3.3 of the CG Code. The Audit Committee consists of three members, the majority of whom are independent non-executive Directors, namely Mr. Liang Hsien Tse Joseph, a Director with the appropriate professional qualifications who serves as the chairman of the audit committee, Mr. Wu Jianhui and Mr. Zhou Gengshen.

The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

No meeting has been held by the audit committee during the period from the Company's listing on the Stock Exchange on 10 November 2011 to 31 December 2011.

The Group's annual audited results for the year ended 31 December 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration Committee

We established a remuneration committee on 22 October 2011 with written terms of reference in compliance with Code Provision B1.3 of the CG Code. At the time of establishment, the remuneration committee consisted of three members, the majority of whom are independent non-executive directors, namely Mr. Li Gabriel, who served as the chairman of the remuneration committee, Mr. Liang Hsien Tse Joseph and Mr. Zhou Gengshen. In order to comply with the forthcoming amendments to the GEM Listing Rules which will be effective on 1 April 2012, Mr. Li Gabriel has ceased to be the chairman of the remuneration committee but remains as a member. On the other hand, Mr. Zhou Gengshen, an independent non-executive director has been appointed as the chairman of the remuneration committee with effect from 21 March 2012.

No meeting has been held by the remuneration committee during the period from the Company's listing on the Stock Exchange on 10 November 2011 to 31 December 2011.

The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

Nomination Committee

We established a nomination committee on 22 October 2011 with written terms of reference in compliance with paragraph A5.2 of the CG Code. At the time establishment, the nomination committee consisted of three members, the majority of whom are independent non-executive directors, namely Ms. Cong Ning, who served as the chairman of the nomination committee, Mr. Liang Hsien Tse Joseph and Mr. Zhang Xingdong. The primary function of the nomination committee is to make recommendations to our Board to fill vacancies on the same.

In order to comply with the forthcoming amendments to the GEM Listing Rules which will be effective on 1 April 2012, Ms. Cong has ceased to be the chairman of the nomination committee but remains as a member. On the other hand, Mr. Leung Hsien Tse Joseph, an independent non-executive director has been appointed as the chairman of the remuneration committee with effect from 21 March 2012.

No meeting has been held by the nomination committee during the period from the Company's listing on the Stock Exchange on 10 November 2011 to 31 December 2011.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the remuneration paid and payable to the auditor, Deloitte Touche Tohmatsu, in respect of audit services amounted to about RMB 1.6 million, in comparison with the payment to Shenzhen Xiangxin Certified Public（深圳市湘信會計師事務所）, Kwong Tat& Co. （港達會計師事務所）, K.K. Jayaraman&Co., etc. in respect of audit services amounted to about RMB 25,000 for the year 2010. The remuneration paid to the auditor in respect of audit services during IPO amounted to RMB 2.5 million.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

During the year, the Board has discussed and reviewed the internal control system and the relevant proposal made by senior management in order to ensure an adequate and effective system of internal control. The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENT

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements, which give a true and fair view of the results and financial position of the Group. The auditors are responsible to form an independent opinion based on the audit, on the consolidated financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investors.

The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly report and notices, announcements and circulars. The corporate website of the Company (www.lifetechmed.com) provides a communication platform to the public and the shareholders. In March 2012, the Board has also established a written shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

REPORT OF THE DIRECTORS

The Board of Directors is pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while its subsidiaries are principally engaged in the manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. For further details on the principal activities of its subsidiaries, please refer to Note 37 to the consolidated financial statements.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing in November 2011, after deduction of related expenses, amounted to approximately HK$ 156.6 million. These proceeds will be fully applied in accordance with the proposed applications set out in the Prospectus, as follows:

- approximately 35%, or HK$ 55.5 million, to support our product offerings to enhance our research and development of new products.
- approximately 55%, or HK$ 85.9 million, to expand our manufacturing facilities,
- approximately 10%, or HK$15.2 million, to expand our sales, marketing and distribution activities in key emerging markets and key international markets.

The Company has used HK$3.1 million, approximately 2% of the net proceeds to research and development and expansion of our sales network. The unused proceeds had been placed in an interesting bearing deposit account maintained with a bank in Hong Kong.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past three years is set out in the financial summary on page 99 & 100 of this annual report. The summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 23.5% of the Group's total sales and sales to the largest customer included therein amounted to approximately 6.8%.

The aggregate purchases during the year attributable to the Group's five largest suppliers were approximately 36.2% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 15.3%.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2011, the Company's reserves available for distribution to its owners amounted to approximately RMB217.7 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statement.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were:

Executive Directors

XIE Yuehui *(Chairman)*

ZHAO Yiwei Michael *(Chief Executive Officer)*

Non-executive Directors

ZENG Min Frank

LI Gabriel

WU Jianhui

CONG Ning

Independent Non-executive Directors

LIANG Hsien Tse Joseph

ZHANG Xingdong

ZHOU Gengshen

Pursuant to the articles of association of the Company and Code Provision A.4.2 of the CG Code, all directors of the Company, namely Mr. XIE Yuehui, Mr. ZHAO Yiwei Michael, Mr. ZENG Min Frank, Mr. LI Gabriel, Mr. WU Jianhui, Ms. CONG Ning, Mr. LIANG Hsien Tse Joseph, Mr. ZHANG Xingdong and Mr. ZHOU Gengshen will retire at the forthcoming annual general meeting of the Company ("AGM"). Further at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Board of Directors and Senior Management

Biographical information of the Directors and senior management of the Group are set out on part of "Biographical Details of Directors and Senior Management" in this annual report.

DIRECTOR 'S SERVICE CONTRACTS

Mr. XIE Yuehui, the executive director of the Company and chairman of the Board has signed a service contract with the Company for an initial term of three years commencing from 10 November 2011, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Mr. ZHAO Yiwei Michael has been appointed as an executive director by way of a service contract with the Company for an initial term of three years commencing from 10 November 2011, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three month's notice in writing.

Each of the non-executive Directors has been appointed as the non-executive director by way of a service contract with the Company for an initial term of three years commencing from 10 November 2011, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Each of the independent non-executive Directors, namely Mr. LIANG Hsien Tse Joseph, Mr. ZHANG Xingdong and Mr. ZHOU Gengshen has been appointed as the non-executive director by way of a service contract with the Company for an initial term of one year commencing from 10 November 2011 which is subject to automatic renewal on an annual basis on the same terms and conditions until terminated by either party giving to the other party not less than one month's notice in writing.

None of the Directors has a service contract which is not determinable by the Group within one year without the payment of compensation other than statutory compensation.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group's operating results, individual performance and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 10 to the consolidated financial statement.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the independent non-executive Directors are independent.

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

As at 31 December 2011, the interests of Directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position in ordinary shares and underlying shares of the Company ("Shares")

Name of Director	Nature of interest	Number of shares	Position	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation *(Note 1)*	101,540,962	Long	20.31%
WU Jianhui	Interest of controlled corporation *(Note 2)*	87,883,332	Long	17.58%
ZENG Min Frank	Beneficial owner	18,512,143	Long	3.70%
ZHAO Yiwei Michael	Interest of controlled corporation *(Note 3)*	13,583,333	Long	2.72%
CONG Ning	Beneficial owner	329,771	Long	0.07%
LI Gabriel	Interest of controlled corporation *(Note 4)*	105,971,990	Long	21.19%

Note 1: These shares are held through Xianjian Advanced Technology Limited, a company wholly owned by Mr. XIE, the chairman and executive director of our Company.

Note 2: These shares are held through GE Asia Pacific Investment Ltd, a company wholly owned by Mr. WU, a non-executive Director of our Company.

Note 3: These shares are held through St.Christopher Investment Ltd., a company wholly owned by Mr. ZHAO, the chief executive officer and executive director of our Company.

Note 4: Among these 105,971,990 Shares, 3,462,592 Shares are registered in the name of Orchid Asia Co-Investment Limited, which is controlled by YM Investment Limited. The remaining 102,509,398 Shares are registered in the name of Orchid Asia III, L.P., which is indirectly controlled by Orchid Asia Group Limited, which is in turn controlled by YM Investment Limited. The entire issued share capital of YM Investment Limited is ultimately held by The Li 2007 Family Trust, which is a BVI discretionary trust established by Ms. Lam Lai Ming, spouse of Mr. Li Gabriel as settlor and Managecorp Limited as trustee on 22 January 2008. The beneficiaries of The Li 2007 Family Trust include family members of Ms. Lam Lai Ming and Mr. Li Gabriel.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2011, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Number of shares	Position	Capacity	Percentage of the Company's issued share capital
YM Investment Limited *(Note 1)*	105,971,990	Long	Interest of controlled corporation	21.19%
Lam Lai Ming *(Note 1)*	105,971,990	Long	Founder of the Li 2007 Family Trust	21.19%
Managecorp Limited *(Note 1)*	105,971,990	Long	Trustee	21.19%
Orchid Asia Group Management, Limited *(Note 2)*	102,509,398	Long	Interest of controlled corporation	20.50%
Orchid Asia Group, Limited *(Note 2)*	102,509,398	Long	Interest of controlled corporation	20.50%
Orchid Asia III, L.P. *(Note 2)*	102,509,398	Long	Beneficial owner	20.50%
Xianjian Advanced Technology Limited	101,540,962	Long	Beneficial owner	20.31%
GE Asia Pacific Investments Ltd.	87,883,332	Long	Beneficial owner	17.58%
Themes Investment Partners II GP. L.P.	86,456,000	Long	Interest of controlled corporation	17.29%
Themes Investment Partners II, L.P.	86,456,000	Long	Interest of controlled corporation	17.29%
TIP II General Partner Limited	86,456,000	Long	Interest of controlled corporation	17.29%
Yi Xiqun	86,456,000	Long	Interest of controlled corporation	17.29%
Yu Fan	86,456,000	Long	Interest of controlled corporation	17.29%
Ally Investment Holdings Limited	82,400,000	Long	Interest of controlled corporation	16.48%
Prosperity International	82,400,000	Long	Beneficial owner and person having a security interest in shares	16.48%
Wanhui Limited	82,400,000	Long	Interest of controlled corporation	16.48%

Note 1: Among these 105,971,990 Shares, 3,462,592 Shares are registered in the name of Orchid Asia Co-Investment Limited, which is controlled by YM Investment Limited. The remaining 102,509,398 Shares are registered in the name of Orchid Asia III, L.P., which is indirectly controlled by Orchid Asia Group Limited, which is in turn controlled by YM Investment Limited. The entire issued share capital of YM Investment Limited is ultimately held by The Li 2007 Family Trust, which is a BVI discretionary trust established by Ms. Lam Lai Ming, spouse of Mr. Li Gabriel as settlor and Managecorp Limited as trustee on 22 January 2008. The beneficiaries of The Li 2007 Family Trust include family members of Ms. Lam Lai Ming and Mr. Li Gabriel.

Note 2: Orchid Asia III, L.P. is controlled by OAIII Holdings, L.P., which is in turn controlled by Orchid Asia Group Management, Limited, which is in turn controlled by Orchid Asia Group Limited.

Save as disclosed above, as at 31 December 2011, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures " above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 December 2011, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2011 and save as disclosed in the Prospectus, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

BANK BORROWINGS

The Group has no bank borrowings of the Group as at 31 December 2011 (2010: Nil)

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rule 5.46 of the GEM Listing Rules – Model Code for Securities Transactions by Directors of Listed Companies. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's shares on the Stock Exchange up to 31 December 2011.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on the part of "Corporate Governance Report" of this annual report.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Piper Jaffray Asia Limited ("PJ"), the Company's compliance adviser, neither PJ nor any of its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2011.

SUBSEQUENT EVENTS

At the end of the reporting period, we did not have any significant events after the reporting period.

AUDITOR

A resolution with be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

XIE Yuehui
Chairman

28 March 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF LIFETECH SCIENTIFIC CORPORATION
先健科技公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of LifeTech Scientific Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 98, which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 RMB'000	2010 RMB'000
Revenue	7	**140,324**	104,704
Cost of sales		**(27,357)**	(21,066)
Gross profit		**112,967**	83,638
Other income and other gains and losses	8	**5,018**	3,333
Selling and distribution expenses		**(34,552)**	(20,057)
Administration expenses		**(31,246)**	(16,771)
Research and development expenses		**(22,762)**	(15,442)
Offering expenses		**(13,634)**	(182)
Profit before tax and change in fair value of convertible redeemable preferred shares		**15,791**	34,519
Change in fair value of convertible redeemable preferred shares		**3,288**	(24,107)
Profit before tax	9	**19,079**	10,412
Income tax expense	11	**(6,517)**	(6,621)
Profit for the year		**12,562**	3,791
Other comprehensive income (expenses):			
Exchange differences arising on translating foreign operation		**729**	(64)
Total comprehensive income for the year		**13,291**	3,727
Profit (loss) for the year attributable to:			
Owner of the Company		**11,830**	3,936
Non-controlling interests		**732**	(145)
		12,562	3,791
Total comprehensive income (expenses) attributable to:			
Owner of the Company		**12,559**	3,872
Non-controlling interests		**732**	(145)
		13,291	3,727
Earnings per share	13		
– Basic (RMB)		**0.031**	0.016
– Diluted (RMB)		**0.018**	0.016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	14	**18,346**	14,712
Investment property	15	**1,912**	1,697
Intangible assets	16	**4,540**	5,241
Deposit for acquisition of property, plant and equipment		**7,398**	2,325
Deferred tax assets	17	**3,587**	2,995
		35,783	26,970
Current assets			
Inventories	18	**21,235**	15,178
Trade receivables	19	**36,516**	26,948
Other receivables and prepayments	20	**9,635**	5,690
Amounts due from shareholders	34(a)	**—**	140
Amount due from a related party	34(c)	**—**	61
Structured deposits	22	**25,000**	—
Bank balances and cash	21	**185,049**	83,468
		277,435	131,485
Current liabilities			
Trade and other payables	23	**35,416**	21,689
Warranty provision	24	**—**	635
Tax payables		**5,070**	4,767
Amounts due to shareholders	34(b)	**54**	1,231
Amounts due to directors	34(d)	**30**	—
Convertible redeemable preferred shares	25	**—**	121,656
		40,570	149,978
Net current assets (liabilities)		**236,865**	(18,493)
Total assets less current liabilities		**272,648**	8,477
Non-current liability			
Government grants	26	**4,808**	5,400
		267,840	3,077

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTE	2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital	27	**32**	3
Share premium and reserves (deficit)		**264,082**	(214)
Equity attributable to owners of the Company		**264,114**	(211)
Non-controlling interests		**3,726**	3,288
Total equity		**267,840**	3,077

The financial statements on pages 34 to 98 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

XIE Yuehui	**ZHAO Yiwei Michael**
Chairman	*Chief Executive Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Accumulated profits (losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	3	—	26	8,958	(421)	32,531	(33,473)	7,624	3,393	11,017
Profit (loss) for the year	—	—	—	—	—	—	3,936	3,936	(145)	3,791
Other comprehensive expenses for the year	—	—	(64)	—	—	—	—	(64)	—	(64)
Total comprehensive income (expenses) for the year	—	—	(64)	—	—	—	3,936	3,872	(145)	3,727
Dividends paid (Note 12)	—	—	—	—	—	—	(11,707)	(11,707)	—	(11,707)
Capital contribution from a minority shareholder	—	—	—	—	—	—	—	—	40	40
Appropriations	—	—	—	2,976	—	—	(2,976)	—	—	—
At 31 December 2010	3	—	(38)	11,934	(421)	32,531	(44,220)	(211)	3,288	3,077
Profit for the year	—	—	—	—	—	—	11,830	11,830	732	12,562
Other comprehensive income for the year	—	—	729	—	—	—	—	729	—	729
Total comprehensive income for the year	—	—	729	—	—	—	11,830	12,559	732	13,291
Issuance of shares	6	150,544	—	—	—	—	—	150,550	—	150,550
Capitalisation issue of shares (Note 27)	21	(21)	—	—	—	—	—	—	—	—
Transaction costs attributable to issue of shares	—	(10,077)	—	—	—	—	—	(10,077)	—	(10,077)
Award shares to employee (Note 32)	—	13,993	—	—	—	—	—	13,993	—	13,993
Conversion of convertible redeemable preferred shares	2	117,154	—	—	—	—	—	117,156	—	117,156
Dividends paid (Note 12)	—	(20,000)	—	—	—	—	—	(20,000)	—	(20,000)
Acquisition of additional interest in a subsidiary	—	—	—	—	144	—	—	144	(294)	(150)
Appropriations	—	—	—	1,477	—	—	(1,477)	—	—	—
At 31 December 2011	32	251,593	691	13,411	(277)	32,531	(33,867)	264,114	3,726	267,840

Notes:

(i) Statutory surplus reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the People's Republic of China (the "PRC") and by the board of directors of the PRC subsidiaries in accordance with the Article of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(ii) Capital reserve represents (i) the difference in the fair value of the consideration paid for the acquisition of Lifetech Scientific (Shenzhen) Co., Ltd. 先健科技（深圳）有限公司 from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting, and (ii) the difference between the fair value of consideration paid for the acquisition of additional equity interests in Shenzhen Enke Medical Technology Co., Ltd., a non-wholly owned subsidiary of the Company, and the carrying amount of non-controlling interests acquired amounting to RMB144,000. Details of the acquisition is set out in Note 36.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**19,079**	10,412
Adjustments for:		
Change in fair value of convertible redeemable preferred shares	**(3,288)**	24,107
Depreciation of property, plant and equipment	**5,425**	3,759
Amortisation charge of intangible assets	**889**	878
Allowance for inventories	**257**	371
Depreciation of an investment property	**76**	61
Allowance for trade receivables	**12**	—
Other receivables written off as uncollectible	**602**	—
Loss on disposal of property, plant and equipment	**561**	—
Government grants	**(5,934)**	(360)
Interest income	**(455)**	(392)
Interest income from structured depostis	**(527)**	—
Unrealised foreign exchange gain	**(1,212)**	(3,206)
Share-based compensation expenses	**5,118**	—
Operating cashflows before movements in working capital	**20,603**	35,630
(Increase) decrease in trade receivables	**(9,580)**	2,594
(Increase) decrease in inventories	**(6,314)**	508
(Increase) decrease in other receivables and prepayments	**(4,547)**	1,725
Increase in trade and other payables	**13,431**	4,997
Increase in government grants received for operating activities	**5,003**	6,606
Cash generated from operations	**18,596**	52,060
Income taxes paid	**(6,806)**	(7,305)
NET CASH FROM OPERATING ACTIVITIES	**11,790**	44,755
INVESTING ACTIVITIES		
Advance to a related party	**—**	(1,860)
Repayments of advance to a related party	**61**	4,994
Advances to shareholders	**—**	(636)
Repayments of advances to shareholders	**140**	9,647
Interest received	**455**	392
Interest received from structured deposits	**527**	—
Proceeds from disposal of property, plant and equipment	**17**	—
Payments for acquisition of property, plant and equipment	**(15,001)**	(6,272)
Purchase of intangible assets	**(188)**	—
Government grants received for acquisition of plant and equipment	**—**	700
Structured deposits placed	**(233,400)**	—
Release of structured deposits	**208,400**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(38,989)**	6,965

	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES		
Capital contribution from a minority shareholder of a subsidiary	—	40
Acquisition of additional interest in a subsidiary	(150)	—
Proceeds from issue of shares	159,425	—
Expenses on issue of shares	(10,077)	—
Repayments of advance from a shareholder	(1,231)	(8,422)
Advance from a shareholder	54	662
Advances from directors	30	—
Dividends paid	(20,000)	(19,005)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	128,051	(26,725)
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,852	24,995
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	83,468	58,537
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	729	(64)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	185,049	83,468

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 November 2011. Its ultimate controlling parties are Orchid Asia Group Limited, Xianjian Advanced Technology Limited and GE Asia Pacific Investments Ltd. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KV1-1104 Cayman Islands, and the address of the principal place of business is Floor 1-3, Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are development, manufacture and trading of advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the Group's major operating subsidiaries.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements for the year, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and related Interpretations ("IFRICs") (hereinafter collectively referred to as the "IFRSs"), which are effective for the Group's financial year beginning on 1 January 2011, since the year beginning on 1 January 2010.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 1 (Amendments)	Government Loans[2]
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

IFRS 9 Financial instruments

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as amended in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Group has not early adopted IFRS 9 and other new and revised standards, amendments and interpretations in the preparation of the consolidated financial statements. The directors of the Company (the "Directors") anticipate that the application of the new or revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued by the International Accounting Standards Board ("IASB"), including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The Directors anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC - Int 12 Consolidation – Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

The Directors anticipate that the application of these five standards may not have significant impact on amounts reported in the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may not have material impact on the amounts reported in the consolidated financial statements and may not result in more extensive disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – *continued*

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than described above, the Directors anticipate that the application of the new or revised standards may not have material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation – *continued*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and title has passed and when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the item of property, plant and equipment is transferred at its carrying amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is included in the profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using the exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit or loss for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation– *continued*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets– *continued*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income and other gains and losses line item in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from shareholders, amount due from a related party, amounts due from subsidiaries, advance to a subsidiary and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past a normally allowed credit period of 30-90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – *continued*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in change in fair value of financial liabilities designated at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – continued

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise convertible redeemable preferred shares.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to shareholders and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

Convertible redeemable preferred shares

Convertible redeemable preferred shares are redeemable and convertible to ordinary shares at the option of the holder. The conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are considered as embedded derivatives not closely related to the host debt contract.

The Group has elected to designate its convertible redeemable preferred shares with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible redeemable preferred shares contain one or more embedded derivatives. At the end of each reporting period subsequent to initial recognition, the entire convertible redeemable preferred shares are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

The fair value of services received determined by reference to the fair value of the equity-settled share incentive scheme granted at the grant date is recognised as an expense in full at the grant date when the share granted vest immediately, with a corresponding increase in equity (share premium).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its investments in subsidiaries, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumption concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash inflows from the outstanding trade receivables. The amount of impairment loss is measured on the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amounts of trade receivables of the Group are approximately RMB36,516,000 (net of allowance for doubtful debts of RMB12,000) (2010: RMB26,948,000, net of allowance for doubtful debts of RMB nil).

Useful lives and impairment assessment of property, plant, and equipment

The Group's management determines the estimated useful lives, the residual value, and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assess impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2011, the carrying amounts of property, plant and equipment are approximately RMB18,346,000 (2010: RMB14,712,000).

Estimated impairment of inventories

The management of the Group reviews an ageing analysis at the end of reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out the inventories review on a product by product basis at the end of reporting period and make allowance for obsolete items. As at 31 December 2011, the carrying amounts of inventories of the Group are approximately RMB21,235,000 net of allowance for inventories of RMB6,798,000 (2010: RMB15,178,000, net of allowance for inventories of RMB6,541,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the year.

The capital structure of the Group consists of net debt, which includes amounts due to shareholders disclosed in note 34(b), cash and cash equivalents, and equity comprising issued capital and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure mainly through new share issues, as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP	
	2011	2010
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**224,268**	113,682
Designated at FVTPL – structured deposits	**25,000**	—
Financial liabilities		
Amortised cost	**19,083**	5,853
Designated at FVTPL – convertible redeemable preferred shares	**—**	121,656

Financial liabilities designated as FVTPL - convertible redeemable preferred shares

	2011	2010
	RMB'000	RMB'000
Carrying amount	**—**	121,656
Amount payable at reporting date	**—**	96,578
Difference	**—**	25,078

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from (to) shareholders, amount due from a related party, structured deposits, amounts due from (to) subsidiaries, advance to a subsidiary, bank balances and cash, trade and other payables, amounts due to directors and convertible redeemable preferred shares. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, trade receivables, other receivables, amount due from a related party, convertible redeemable preferred shares, trade and other payables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	THE GROUP	
	2011	2010
	RMB'000	RMB'000
Assets		
USD	**15,091**	30,280
Euro ("EUR")	**129**	—
Hong Kong Dollars ("HK$")	**134,639**	—

	THE GROUP	
	2011	2010
	RMB'000	RMB'000
Liabilities		
USD	**2,030**	121,965
EUR	**129**	—
HK$	**1,527**	—

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – continued

Currency risk – *continued*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (a decrease) in profit after tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit after tax for the year.

	THE GROUP	
	2011	2010
	RMB'000	RMB'000
USD		
Profit or loss	**(490)**	4,584
HK$		
Profit or loss	**(4,992)**	—

In management's opinion, the sensitivity analysis is unrepresentative for the foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – continued

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances. As the bank balances interest rates having limited fluctuation over the year, the management of the Group is of the opinion that the Group's exposure to cash flow interest rate risk is minimal. Accordingly, no sensitivity analysis is presented on bank balances.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Although the bank balances and structured deposits are concentrated on certain counterparties, the credit risk on liquid funds and structured deposits are limited because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

The Group has concentration of credit risk as 33.1% (2010: 40.9%) of the total trade receivables was due from the Group's five largest customers at 31 December 2011. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 61% (2010: 66%) of the total debtors as at 31 December 2011.

Other than the concentration of the credit risk on trade receivables and bank balances, the Group do not have any other significant concentration of credit risk.

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilisation of borrowings, and renews the borrowings upon expiry based on the actual operation requirement of the Group.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2011					
Non-derivative financial liabilities					
Trade and other payables	—	979	18,020	18,999	18,999
Amounts due to shareholders	—	54	—	54	54
Amounts due to directors	—	30	—	30	30
		1,063	18,020	19,083	19,083

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Liquidity risk – continued

Liquidity and interest risk tables – *continued*

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2010					
Non-derivative financial liabilities					
Trade and other payables	—	—	4,622	4,622	4,622
Amounts due to shareholders	—	1,231	—	1,231	1,231
		1,231	4,622	5,853	5,853
FVTPL					
Convertible redeemable preferred shares	10% (Note)	96,578	—	96,578	121,656

Note: The interest rate represents 10% compound interest per annum on the Conversion Price (defined in Note 25) as stated in the Share Purchase Agreement (defined in Note 25).

6. FINANCIAL INSTRUMENTS – *continued*

c. Fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurement recognised in the statement of financial position

The measurement of convertible redeemable preferred shares ("Series A Preferred Shares") was categorised as Level 3 fair value measurements based on the degree to which the fair value was observable. Level 3 fair value measurements were those derived from valuation techniques that include inputs for the asset or liability that were not based on observable market data (unobservable inputs).

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the Series A Preferred Shares are set out in Note 25.

7. SEGMENT INFORMATION

The segment information reported internally was analysed on the basis of their products supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by an executive director of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance.

The Group's operating segments under IFRS 8 are therefore as follows:

- Congenital heart diseases business: trade, manufacture, research and development of devices related to congenital and structural heart diseases.
- Peripheral vascular diseases business: trade, manufacture, research and development of devices related to peripheral vascular diseases.
- Surgical vascular repair business: trade, manufacture, research and development of devices related to surgical vascular repair.

Information regarding the above segments is reported below.

7. SEGMENT INFORMATION – *continued*

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2011

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	95,046	45,222	56	140,324
Segment profit	75,952	36,978	37	112,967
Unallocated income				5,018
Unallocated expense				
– Selling and distribution expenses				(34,552)
– Administration expenses				(31,246)
– Research and development expenses				(22,762)
– Offering expenses				(13,634)
– Change in fair value of convertible redeemable preferred shares				3,288
Profit before tax				19,079

7. SEGMENT INFORMATION – *continued*

(a) Segment revenue and results – *continued*

For the year ended 31 December 2010

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	75,501	28,169	1,034	104,704
Segment profit	59,520	23,850	268	83,638
Unallocated income				3,333
Unallocated expense				
– Selling and distribution expenses				(20,057)
– Administration expenses				(16,771)
– Research and development expenses				(15,442)
– Offering expenses				(182)
– Change in fair value of convertible redeemable preferred shares				(24,107)
Profit before tax				10,412

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of certain income and expense as set out above. This is the measure reported to the chief operating decision maker, the executive director of the Company, for the purposes of resources allocation and assessment of segment performance.

7. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	2011 **RMB'000**	2010 RMB'000
Operating segments:		
Congenital heart diseases business	**65,063**	50,260
Peripheral vascular diseases business	**30,956**	14,818
Surgical vascular repair business	**39**	5,016
Total segment assets	**96,058**	70,094
Unallocated assets		
Bank balances and cash	**185,049**	83,468
Structured deposits	**25,000**	—
Other receivables and prepayments	**1,612**	—
Deferred tax assets	**3,587**	2,995
Investment property	**1,912**	1,697
Amounts due from shareholders	**—**	140
Amount due from a related party	**—**	61
Consolidated assets	**313,218**	158,455

7. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities – *continued*

Segment liabilities

	2011	2010
	RMB'000	RMB'000
Operating segments:		
Congenital heart diseases business	1,598	501
Peripheral vascular diseases business	760	784
Surgical vascular repair business	1	531
Total segment liabilities	2,359	1,816
Unallocated liabilities		
Convertible redeemable preferred shares	—	121,656
Government grants	19,530	14,527
Other payables	18,335	10,746
Warranty provision	—	635
Tax payables	5,070	4,767
Amounts due to shareholders	54	1,231
Amounts due to directors	30	—
Consolidated liabilities	45,378	155,378

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, structured deposits, deferred tax assets, investment property, other receivable, amount due from a related party and amounts due from shareholders; and
- all liabilities are allocated to operating segments other than convertible redeemable preferred shares, government grants, tax payables, other payables, warranty provision, amounts due to shareholders and amounts due to directors.

7. SEGMENT INFORMATION – *continued*

(c) Other segment information

For the year ended 31 December 2011

	Congenital heart diseases business RMB'000	**Peripheral vascular diseases business RMB'000**	**Surgical vascular repair business RMB'000**	**Total RMB'000**
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	**10,288**	**4,895**	**6**	**15,189**
Depreciation of property, plant and equipment	**3,675**	**1,748**	**2**	**5,425**
Amortisation charge of intangible assets	**602**	**286**	**1**	**889**
Allowance of inventories	**174**	**82**	**1**	**257**

For the year ended 31 December 2010

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	3,018	1,083	794	4,895
Depreciation of property, plant and equipment	1,896	1,635	228	3,759
Amortisation charge of intangible assets	878	—	—	878
Allowance of inventories	371	—	—	371

Note: Capital expenditure includes additions to property, plant and equipment and intangible assets.

7. SEGMENT INFORMATION – *continued*

(d) Geographical information

The Group's operations are located in the PRC and India.

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on geographical locations of the assets.

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (country of domicile)	**94,290**	68,840	**32,027**	23,815
India	**17,932**	14,890	**169**	160
Europe	**9,769**	12,137	**—**	—
Asia, excluding PRC and India	**12,284**	6,729	**—**	—
South America	**4,853**	1,998	**—**	—
Africa	**291**	46	**—**	—
Others	**905**	64	**—**	—
Total	**140,324**	104,704	**32,196**	23,975

Note: Non-current assets excluded deferred tax assets.

(e) Information about major customers

No external customers of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2011 and 2010.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2011	2010
	RMB'000	RMB'000
Government grants (Note 26)	**5,934**	360
Interest on bank deposits	**455**	392
Interest on structured deposits	**527**	—
Rental income	**823**	647
Loss on disposal of property, plant and equipment	**(561)**	—
Net foreign exchange (loss) gain (Note)	**(2,971)**	2,096
Others	**811**	(162)
	5,018	3,333

Note: Net foreign exchange (loss) gain includes approximately RMB1,212,000 (2010: RMB3,564,000) gain arising from the translation of convertible redeemable preferred shares which is denominated in USD for the year ended 31 December 2011.

9. PROFIT BEFORE TAX

	2011 RMB'000	2010 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including Directors' remuneration (Note 10)		
Salaries, wages and other benefits	**29,392**	13,121
Share-based compensation expense	**5,118**	—
Retirement benefits scheme contributions	**2,031**	761
	36,541	13,882
Auditor's remuneration	**1,599**	25
Allowance for trade receivables	**12**	—
Cost of inventories recognised as expenses (Note)	**27,357**	21,066
Depreciation of property, plant and equipment	**5,425**	3,759
Depreciation of an investment property	**76**	61
Amortisation charge of intangible assets	**889**	878
Other receivables written off as uncollectible	**602**	—
Gross rental income from an investment property	**(823)**	(647)
Less: direct operating expenses from investment properties that generated rental income during the year	**73**	95
	(750)	(552)

Note: For the year ended 31 December 2011, cost of inventories included allowance for inventories of RMB257,000 (2010: RMB371,000)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the Directors for the year are as follow:

For the year ended 31 December 2011

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Shase-based compensation expense RMB'000	Total RMB'000
Executive Director:					
Mr. Xie Yuehui	—	520	24	718	1,262
Mr. Zhao Yiwei	—	110	—	1,536	1,646
Non-executive Director:					
Ms. Cong Ning	—	—	—	—	—
Mr. Li Gabriel	—	—	—	—	—
Mr. Wu Jianhui	—	—	—	—	—
Mr. Zeng Min	—	—	—	—	—
Mr. Liang Xianzhi	10	—	—	—	10
Mr. Zhang Xingdong	10	—	—	—	10
Mr. Zhou Gengshen	10	—	—	—	10
	30	630	24	2,254	2,938

For the year ended 31 December 2010

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive Director:				
Mr. Xie Yuehui	—	230	5	235
Non-executive Director:				
Ms. Cong Ning	—	—	—	—
Mr. Li Gabriel	—	—	—	—
Mr. Wu Jianhui	—	—	—	—
Mr. Zeng Min	—	—	—	—
	—	230	5	235

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

Of the five individuals with the highest emoluments in the Group, two (2010: nil) were directors of the Company whose emoluments are included in the disclosures as per above. The emoluments of the remaining three (2010: five) individuals were as follows:

	2011 RMB'000	2010 RMB'000
Employees		
– salaries and other benefits	3,164	2,995
– performance related bonus	—	1,448
– contributions to retirement benefits scheme	24	4
– Share-based compensation expenses	2,047	—
	5,235	4,447

Their emoluments were within the following bands:

	2011 Number of employees	2010 Number of employees
Nil to HK$1,000,000	1	3
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	1
	3	5

For two years ended 31 December 2011, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the Directors waived any emoluments for two years ended 31 December 2011.

11. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax		
PRC Enterprise Income Tax ("PRC EIT")	7,109	8,472
Deferred tax (Note 17):		
Current year	(592)	(1,851)
	6,517	6,621

11. INCOME TAX EXPENSE – *continued*

The Company is tax exempted under the laws of the Cayman Islands. New Centre International Limited 新城市國際有限公司 ("New Centre") is subject to Hong Kong Profits Tax rate of 16.5% on profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that a major operating subsidiary in the PRC was qualified as High and New Technology Enterprises since 2009 and is entitled to a preferential income tax rate of 15% for 3 consecutive years from 2009 onwards.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rates are 22% and 24% for the years ended 31 December 2010 and 2011 respectively.

The New EIT Law and its implementing rules also permit qualified small-scale enterprise with low profit margins to enjoy a reduced enterprise income tax rate of 20%. One of the subsidiaries Shenzhen LifeTech Biological Medical Technology Co., Ltd. ("Shenzhen Biological") 深圳市先健生物材料技術有限公司, was entitled to a reduced enterprise income tax rate of 20% as a small-scale enterprise with low profit margins in 2010. The applicable income tax rate is 24% for the year ended 31 December 2011.

The applicable income tax rate of Lifetech Scientific India Private limited ("Lifetech India") is 30.9% on its taxable profits.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011	2010
	RMB'000	RMB'000
Profit before tax	**19,079**	10,412
Tax at the applicable tax rate of 25% (2010: 25%) (Note)	**4,770**	2,603
Tax effect of expenses not deductible for tax purpose:		
– fair value change on convertible redeemable preferred shares	**(822)**	6,026
– share-based compensation expense	**1,279**	—
– others	**5,125**	1,928
Tax effect of tax losses not recognised	**1,022**	981
Tax effect of income not taxable for tax purpose	**(1,484)**	(890)
Utilisation of tax losses not recognised in previous years	**(85)**	(200)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**671**	—
Effect of income under tax concessions	**(3,959)**	(3,827)
Income tax expense for the year	**6,517**	6,621

Note: The applicable tax rate of 25% represents the applicable income tax rate of the subsidiary in Shenzhen in the PRC which constitute the substantial part of the Group's operation for the years ended 31 December 2011 and 2010.

12. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the year:		
2010: Interim – USD0.039 cents per share		
(equivalent to RMB0.26 cents per share)		
– Ordinary share	—	11,707
– Series A Preferred Shares (as defined in Note 25)	—	7,298
2011: Interim – USD0.039 cents per share		
(equivalent to RMB0.27 cents per share)	—	19,005
– Ordinary share	**20,000**	—
	20,000	19,005

No final dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2011 RMB'000	2010 RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share	**11,830**	3,936
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible redeemable preferred shares	**(3,288)**	—
Exchange gain	**(1,212)**	—
Earnings for the purpose of diluted earnings per share	**7,330**	3,936
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**381,451**	240,249
Effect of dilutive potential ordinary shares:		
Convertible redeemable preferred shares (in thousands)	**36,050**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**417,501**	240,249

13. EARNINGS PER SHARE– *continued*

The weighted average number of ordinary shares for the purpose of calculating basic earnings per shares for the years ended 31 December 2011 and 2010 have been prepared based on the assumption that the capitalisation issue had been effective on 1 January 2010 (details of which are set out in Note 27).

For the year ended 31 December 2010, the computation of diluted earnings per share did not assume the conversion of Series A Preferred Shares (Note 25), as such assumed conversion of the Series A Preferred Shares during that year prior to conversion would result in an increase in earnings per share, which is considered as anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Land and buildings	Plant and machinery	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2010	1,637	423	15,795	4,760	3,363	1,903	27,881
Additions	227	—	3,801	48	652	167	4,895
Transfer	(1,864)	—	1,864	—	—	—	—
Written off	—	—	(137)	—	(70)	(144)	(351)
At 31 December 2010	—	423	21,323	4,808	3,945	1,926	32,425
Additions	341	—	5,731	3,001	718	137	9,928
Transfer to investment properties	—	(423)	—	—	—	—	(423)
Written off	—	—	(4,926)	—	(1,112)	(185)	(6,223)
At 31 December 2011	341	—	22,128	7,809	3,551	1,878	35,707
ACCUMULATED DEPRECIATION							
At 1 January 2010	—	118	9,896	1,643	1,744	904	14,305
Provided for the year	—	14	2,296	845	452	152	3,759
Written off	—	—	(137)	—	(70)	(144)	(351)
At 31 December 2010	—	132	12,055	2,488	2,126	912	17,713
Provided for the year	—	—	3,467	1,168	623	167	5,425
Transfer to investment properties	—	(132)	—	—	—	—	(132)
Written off	—	—	(4,758)	—	(702)	(185)	(5,645)
At 31 December 2011	—	—	10,764	3,656	2,047	894	17,361
CARRYING VALUES							
At 31 December 2011	341	—	11,364	4,153	1,504	984	18,346
At 31 December 2010	—	291	9,268	2,320	1,819	1,014	14,712

14. PROPERTY, PLANT AND EQUIPMENT – *continued*

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, at the following rates per annum:

Land and buildings	Over the shorter of lease terms or $3^1/_3$%
Plant and machinery	5 - 10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Leasehold improvement	Over the lease terms

The land and buildings shown above are situated on land in the PRC which are held by the Group under medium-term leases.

The land and buildings of the Group with a carrying value of approximately RMB291,000 had been pledged to secure a banking facility provided to the Group at 31 December 2010.

15. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2010 and 31 December 2010	2,310
Addition	291
At 31 December 2011	2,601
DEPRECIATION AND IMPAIRMENT	
At 1 January 2010	552
Provided for the year	61
At 31 December 2010	613
Provided for the year	76
At 31 December 2011	689
CARRYING VALUES	
At 31 December 2011	1,912
At 31 December 2010	1,697

The estimated fair value of the Group's investment properties at 31 December 2011 was approximately RMB16,418,000 (2010: RMB7,167,000). The estimated fair value has been arrived at based on management assessment by reference to recent market prices for similar properties in the same locations and conditions.

The above investment property including land and buildings are depreciated on a straight-line basis over 38 years.

The property shown above is situated on land in the PRC which is held by the Group under medium-term lease.

The investment property of the Group with a carrying value of approximately RMB1,697,000 had been pledged to secure a banking facility provided to the Group at 31 December 2010.

16. INTAGIBLE ASSETS

	Patent RMB'000	Licences RMB'000	Computer software RMB'000	Total RMB'000
COST				
At 1 January 2010 and 31 December 2010	4,420	5,631	—	10,051
Additions	—	—	188	188
At 31 December 2011	4,420	5,631	188	10,239
ACCUMULATED AMORTISATION				
At 1 January 2010	830	3,102	—	3,932
Provided for the year	553	325	—	878
At 31 December 2010	1,383	3,427	—	4,810
Provided for the year	553	304	32	889
At 31 December 2011	1,936	3,731	32	5,699
CARRYING VALUES				
At 31 December 2011	2,484	1,900	156	4,540
At 31 December 2010	3,037	2,204	—	5,241

The above licences have definite useful lives. Such intangible assets are amortised on a straight-line basis over the estimated useful life:

Patent	8 years
Licences	8 - 10 years
Computer software	5 years

17. DEFERRED TAXATION

The following are the major deferred tax assets (liability) recognised and movements thereon during the current and prior years:

	Government grant	Impairment loss on inventories	Undistributed earnings of PRC entities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	1,167	741	(764)	1,144
Credit to profit or loss	994	93	764	1,851
At 31 December 2010 and 1 January 2011	2,161	834	—	2,995
Credit to profit or loss	592	—	—	592
At 31 December 2011	2,753	834	—	3,587

The Group has unused tax losses of approximately RMB9,648,000 (2010: RMB5,900,000), which available for offset against future profits. No deferred tax asset has been recognised for such losses due to the unpredictability of future profit streams. Such losses can be carried forward for 5 years from the year of origination.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB75,497,000 (2010: RMB42,315,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

18. INVENTORIES

	2011	2010
	RMB'000	RMB'000
Raw materials	**8,791**	6,455
Work in progress	**3,104**	1,546
Finished goods	**9,340**	7,177
	21,235	15,178

19. TRADE RECEIVABLES

Trade receivables are mainly arisen from sales of medical devices. No interest is charged on the trade receivables.

The Group normally allows a credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	2011	2010
	RMB'000	RMB'000
1 to 90 days	27,044	21,794
91 to 180 days	3,768	4,100
181 to 365 days	2,615	732
Over 365 days	3,089	322
	36,516	26,948

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB19,120,000 (2010: RMB11,318,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The management of the Group reviews the ageing analysis at the end of reporting period and satisfied with the continuous subsequent settlement on the trade receivable balance, as a result, the impairment of trade receivable is estimated to be insignificant.

Ageing of past due but not impaired trade receivables

	2011	2010
	RMB'000	RMB'000
Age:		
Within 90 days	10,641	7,319
91 - 180 days	2,811	3,614
181 - 365 days	2,568	328
Over 365 days	3,100	57
	19,120	11,318

Movement in the allowance for doubtful debts

	2011	2010
	RMB'000	RMB'000
Impairment losses recognised on receivables for the year and at 31 December	12	—

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB12,000 of which the debtors were in financial difficulties.

20. OTHER RECEIVABLES AND PREPAYMENTS

	2011	2010
	RMB'000	RMB'000
Other receivables and prepayments		
Prepayment	**1,157**	1,507
Other debtors (Note)	**3,563**	438
Advance to employees	**4,140**	2,627
Other deposits	**373**	492
Rental deposits	**402**	626
	9,635	5,690

Note: Amount is unsecured, interest-free and repayable on demand. In the opinion of the Directors, the Group will demand for repayments within one year from the end of reporting period and the amounts are therefore considered as current.

21. BANK BALANCES

The Group's bank balances carry interest at market rates which range from 0.1% to 0.5% (2010: 0.01% to 0.36%) per annum.

22. STRUCTURED DEPOSITS

As at 31 December 2011, the structured deposits consist of financial products of approximately RMB25,000,000 issued by banks in the PRC, which carried interest at average interest rate of 5.3% per annum, depending on the market price of financial instruments, including listed shares and debentures, payable daily. The Group has the right to redeem the structured deposits at any time with one day notice. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices of the counterparty banks would pay to redeem at 31 December 2011, approximate to their carrying values as at 31 December 2011.

The structured deposits are redeemed in January 2012. The change in fair values up to the date of redemption is not significant.

23. TRADE AND OTHER PAYABLES

	THE GROUP	
	2011	2010
	RMB'000	RMB'000
Trade payables	**2,359**	1,816
Others:		
Government grants (Note 26)	**14,722**	9,127
Accrued payroll and bonus	**6,645**	4,418
Other payables	**3,516**	3,606
Accrued expenses	**3,649**	677
Value-added tax payables	**1,235**	1,207
Receipt in advance from customers	**539**	756
Other tax payables	**460**	82
Accrued audit fee	**2,291**	—
	35,416	21,689

The credit period granted by suppliers to the Group ranged from 30 to 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2011	2010
	RMB'000	RMB'000
0 - 30 days	**733**	845
31 - 60 days	**284**	210
61 - 120 days	**363**	70
Over 120 days	**979**	691
	2,359	1,816

24. WARRANTY PROVISION

	RMB'000
At 1 January 2010	—
Charge to profit or loss	1,478
Utilisation of provision	(843)
At 31 December 2010	635
Credit to profit or loss	(405)
Utilisation of provision	(230)
At 31 December 2011	—

Before 1 January 2011, the Group generally accepts exchange of certain products from customers that (i) are defective, and exchange of product from customers case by case, (ii) occluders that are wrongfully selected by physicians and found to be unsuitable for patients in terms of size during the operation and that (iii) are three to six months close to the expiry of their valid terms. For the year ended 31 December 2010, there was no explicit terms on number and volume of products each customer can exchange in the distribution agreements, the warranty provisions were based on the Group's historical exchange experience.

Starting from 1 January 2011, explicit terms on product exchange ceiling ratio was stated on the sales agreements of domestic distributors. Under the new policy, the Group charge a certain fee to the distributors to cover the Group's cost for exchange of products. The warranty provisions were then made on both Group's historical exchange experience for defective products and products close to the expiry of their valid terms, and product exchange ceiling ratio for product exchange due to occludes wrongfully selected by physicians and found to be unsuitable for patients in terms of size during the operations. No additional warranty provision for the exchange product was accrued as at 31 December 2011 as the amount was estimated to be insignificant.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES

	Number of shares
Series A Preferred Shares	
Authorised:	
At 1 January 2010 and 31 December 2010 at USD0.00001 each	100,000,000
Re-designation of shares	(100,000,000)
At 31 December 2011	—
Issued and fully paid:	
At 1 January 2010 and 31 December 2010 at USD0.00001 each	28,070,210
Share conversion	(28,070,210)
At 31 December 2011	—

On 7 September 2006, the Company entered into a share purchase agreement with investors ("Share Purchase Agreement") and issued 14,473.6842 Series A-1 Preferred Shares for a total consideration of USD5.5 million. Also, under the Share Purchase Agreement, the Company redesignated and reclassified 4,386 shares from ordinary shares into Series A-1 Preferred Shares. On 1 February 2007, the Company issued 9,210.5263 Series A-2 Preferred Shares in accordance to terms of the Share Purchase Agreement for a total consideration of USD3.5 million.

All the Series A-1 and Series A-2 (hereinafter collectively referred to "Series A Preferred Shares") Preferred Shares issued carry the same rights in all aspects.

The Company had subdivided its authorised share capital and that each share of a par value of USD0.01 in the issued and unissued but authorised share capital of the Company, for both ordinary shares and Series A Preferred Shares had been subdivided into 1,000 shares of a par value of USD0.00001 each on 29 April 2008.

The conversion price is subject to adjustments based on a qualified initial public offering ("Qualified IPO"), defined as a public offering of the Group with a public offering price which values the Group for not less than USD45 million immediately following such public offering and which results in aggregate proceeds to the Company of not less than USD40 million.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES – *continued*

The terms related to the Series A Preferred Shares are as follows:

Dividend

The holders ("Holders") of the Series A Preferred Shares shall be entitled to receive dividends on each Series A Preferred Share at a rate equal to the greater of (i) 5% per annum of the original transaction price for a Series A Preferred Share or (ii) the dividends which would be declared and paid on each ordinary share into which the Series A Preferred Shares may then be converted as if declared by the board of the Company. Pursuant to the notice of the Series A Preferred Shares Holders dated on 31 December 2010, the Holders confirmed to waive any unpaid dividends of the Series A Preferred Shares for the period up to 31 December 2010. In addition, pursuant to the notice of Series A Preferred Shares Holders dated on 25 February 2011, the Holders confirmed to waive all dividends of the Series A Preferred Shares starting from 1 January 2011.

Redemption

Series A Preferred Shares Holders shall have the right on any date falling on or after 31 December 2010 to require and demand the Company to redeem all or a portion of the Series A Preferred Shares held by the Series A Preferred Shares Holders. The redemption money payable on each Series A Preferred Shares shall be the preferred shares issue price of USD380 per share before the subdivision of Shares ("Original Issue Price") plus 10% of the initial conversion price compounded annually from the date on which the first Series A Preferred Share was issued until the date of redemption, after taking into account any dividends paid on such shares.

Conversion

The Series A Preferred Shares are convertible into ordinary shares at any time at the option of the holder. The initial conversion price shall be the Original Issue Price (the "Conversion Price", subject to adjustment, see below for details). The number of ordinary shares to be converted is determined by dividing the Original Issue Price by the Conversion Price at the time in effect for such Series A Preferred Share.

Additionally each Series A Preferred Share shall automatically be converted into ordinary shares upon the closing of the Company's Qualified IPO.

Conversion price adjustments

If the Company issues shares below the original issue price, the Conversion Price shall automatically and concurrently be adjusted in accordance with the terms of the Share Purchase Agreement with such issuance.

The conversion price is also subject to adjustment, including but not limited to share splits, subdivision, combinations, dividend to ordinary shareholders, other distributions and any other events as specified in the Share Purchase Agreement.

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES – *continued*

Conversion price adjustments – *continued*

On 25 February 2011, the Directors approved to issue 3,684,211 ordinary shares as incentive ("Incentive Shares") for certain employees and to motivate key management personnel and enable the Group to attract and retain individuals with experience and ability and to reward them for their contributions to the Group. Pursuant to the written resolutions of all the Directors of the Company dated on 25 February 2011, the Company has given such Series A Preferred Shares Holders 30 days' prior written notice of the proposed issuance of ordinary shares, describing the amount and type of shares to be issued, and the price and terms upon which such shares are proposed to be issued (the "Company Notice"). The Series A Preferred Shares Holders have waived their right of first offer by giving no subscription notice to the Company within 30 days from the date of Company Notice. As a result, the Conversion Price shall not be adjusted.

Voting rights

Each Series A Preferred Share shall be entitled to such number of votes as equals to the whole number of ordinary shares into which such Series A Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Company's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's members is first solicited. Except as otherwise provided in the Memorandum and Articles of Association, or as required by law, the members holding Series A Preferred Shares shall vote together with the members holding ordinary shares, and not as a separate class or series, on all matters put before them.

The Series A Preferred Shares contain conversion option derivative and redemption option derivative. The Company elected to designate the entire hybrid contract as financial liability at FVTPL. The movement of the Series A Preferred Shares is set out below:

	Original currency USD'000	**Shown in the consolidated financial statements as** RMB'000
At 1 January 2010	15,877	108,411
Change in fair value recognised in profit or loss	3,585	24,107
Dividend paid	(1,093)	(7,298)
Exchange gain	—	(3,564)
At 31 December 2010	18,369	121,656
Change in fair value recognised in profit or loss	(500)	(3,288)
Exchange gain	—	(1,212)
Conversion of Series A Preferred Shares	(17,869)	(117,156)
At 31 December 2011	—	—

25. CONVERTIBLE REDEEMABLE PREFERRED SHARES – *continued*

Voting rights – *continued*

During the year ended 31 December 2011, the Series A Preferred Shares Holders signed a share conversion agreement and agreed to exercise their right to convert 28,070,210 Series A Preferred Shares into the same number of ordinary shares par value of USD0.00001 each of the Company on the date of conversion (the "Date of Conversion").

The Series A Preferred Shares were valued at fair value by the Directors with reference to valuation reports carried out by an independent qualified professional valuer, Jones Lang LaSalle Sallmanns Limited, on 31 December 2010 and the Date of Conversion, respectively, at approximately, USD18,369,000 and USD17,869,000 (approximately, RMB121,656,000 and RMB117,156,000 respectively). Jones Lang LaSalle Sallmanns Limited has appropriate qualifications and recent experiences in the valuation of similar instruments. The address of Jones Lang LaSalle Sallmanns Limited is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.

The change in fair value of approximately RMB3,288,000 (2010: RMB24,107,000) has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2011. The difference between carrying amount and amount payable at 31 December 2010 was approximately RMB25,078,000. The maturity amount was approximately RMB96,578,000 as at 31 December 2010.

The assumptions adopted for the valuation of the Series A Preferred Shares using Binomial Option Pricing Model as of the Date of Conversion and 31 December 2010 respectively, are as follows:

	At Date of Conversion	**At 31 December 2010**
Risk-free rate (i)	1.37%	1.20%
Volatility (ii)	24.88%	25.45%
Discount rate (iii)	5.79%	6.11%

(i) The risk-free rates used were PRC treasury bond rates denominated in USD with duration close to the time to expiration.

(ii) The volatility used was by reference to average of comparable companies' historical volatility.

(iii) The discount rates used were by reference to risk-free rates plus corresponding credit spread and risk premium.

26. GOVERNMENT GRANTS

Government grants include subsidies in relation to the acquisition of plant and equipment and the research and development of medical devices. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. The Group recognised income of approximately RMB5,934,000 (2010: RMB360,000) during the year ended 31 December 2011. Government grants are not recognised until there is a reasonable assurance that all the conditions attaching to the grant have been met. The current portion of government grants, which include subsidies in relation to research and development of medical devices that have not yet been recognised in profit or loss, are included in other payables (Note 23). The non-current portion of government grants, which include subsidies in relation to the acquisition of plant and equipment that have not yet been recognised in profit or loss, are included in non-current liability.

27. SHARE CAPITAL

The share capital of the Company at 31 December 2010, comprised the issued and fully paid capital of ordinary shares and Series A Preferred Shares of the Company. The share capital of the Company at 31 December 2011 represented the issued and fully paid capital of ordinary shares of the Company.

Movement of the ordinary shares during the years ended 31 December 2011 and 2010 is set out below:

	Number of shares	**Amount** USD
Ordinary shares		
Authorised:		
At 1 January 2010 and, 31 December 2010 at USD0.00001 each	4,900,000,000	49,000
– Re-designation of share (Note a)	100,000,000	1,000
At 31 December 2011	5,000,000,000	50,000

	Number of shares	**Amount** USD	**Shown in the consolidated financial statements as** RMB'000
Issued and fully paid:			
At 1 January 2010 and 31 December 2010 at USD0.00001 each	45,614,000	456	3
Issuance of shares in February 2011 (Note 32)	3,684,211	37	—
Conversion of Series A Preferred Shares (Note a)	28,070,210	281	2
Capitalisation issue (Note a)	330,131,579	3,301	21
Issued on public floatation (Note b)	92,500,000	925	6
At 31 December 2011 at USD0.00001 each	500,000,000	5,000	32

27. SHARE CAPITAL – *continued*

Movement of the Series A Preferred shares during the years ended 31 December 2011 and 2010 is set out below:

	Number of shares	Amount
		USD
Series A Preferred Shares		
Authorised:		
At 1 January 2010 and 31 December 2010 at US$0.00001 each	100,000,000	1,000
Re-designation of shares (Note a)	(100,000,000)	(1,000)
At 31 December 2011	—	—
Issued and fully paid:		
At 1 January 2010 and 31 December 2010 at US$0.00001 each	28,070,210	281
Conversion of Series A Preferred Shares (Note a)	(28,070,210)	(281)
At 31 December 2011	—	—

Notes:

(a) On 31 March 2011, 28,070,210 Series A Preferred shares were converted into 28,070,210 ordinary shares of a normal value of USD0.00001 each.

Pursuant to a shareholder resolution passed on 8 November 2011, the following took place: (i) 71,929,790 unissued Series A Preferred shares were re-designated as ordinary shares of a normal value of USD0.00001 each and (ii) the directors were authorised to capitalise an aggregate amount of USD3,301 standing to the credit of the share premium of the Company and to appropriate such amount as capital to pay up in full at par 330,131,579 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 10 November 2011 in the proportion to their then exsiting shareholdings in the Company, each ranking pari passu in all respects with the then existing issued shares ("Capitalisation Issue").

(b) On 10 November 2011, 92,500,000 ordinary shares of USD$0.00001 each of the Company were issued ("New Issue") at HK$2 by way of placing and public offer. On the same date, the Company's shares were listed on the Stock Exchange.

28. SUMMARY OF STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31.12.2011	31.12.2010
	RMB'000	RMB'000
Assets and liabilities		
Investments in subsidiaries	**53,784**	53,784
Other receivable	**1,612**	—
Advance to a subsidiary	**—**	10,475
Amounts due from subsidiaries	**12,808**	4,256
Amounts due from shareholders	**—**	78
Bank balances and cash	**133,487**	13,478
Amounts due to shareholders	**(54)**	(1,231)
Amounts due to directors	**(30)**	—
Trade and other payables	**(1,957)**	—
Amount due to a subsidiary	**(1,028)**	—
Convertible redeemable preferred shares	**—**	(121,656)
Total assets less current liabilities	**198,622**	(40,816)
Capital and reserves		
Share capital	**32**	3
Share premium	**251,593**	—
Deficit	**(53,003)**	(40,819)
	198,622	(40,816)

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, the Series A Preferred Shares Holders converted 28,070,210 Series A Preferred Shares into 28,070,210 ordinary shares of par value of US$0.00001 each of the Company amounting to USD17,869,000 (approximately RMB117,156,000).

There was no major non-cash transaction for the year ended 31 December 2010.

30. OPERATING LEASES

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	4,816	3,907

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	1,472	2,904
In the second to fifth years inclusive	386	1,608
	1,858	4,512

Operating lease payments represent rentals payable by the Group for certain properties. Leases are negotiated and rentals are fixed for terms ranging from one to five years.

The Group as lessor

	2011 RMB'000	2010 RMB'000
Property rental income	823	647

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011 RMB'000	2010 RMB'000
Within one year	1,261	374
In the second to fifth years inclusive	2,157	—
	3,418	374

31. CAPITAL COMMITMENTS

	2011	2010
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	**1,674**	1,217

32. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based award scheme

On 25 February 2011, the Company entered into a share purchase agreement with certain employees and issued 3,684,211 ordinary shares for a total consideration of approximately RMB8,875,000. The fair value per share is approximately RMB3.80 and the subscription price per share is approximately RMB2.41. There is no vesting period and the subscription price is paid during the year.

The Group is required to recognise the fair value of the Incentive Shares as share based compensation expenses. For this purpose, the Group has engaged Jones Lang LaSalle Sallmanns Limited to perform valuation of the Incentive Shares. The fair value of the ordinary shares was determined as the difference between the enterprise value over the fair value of Series A Preferred Shares issued. Fair value of enterprise value and Series A Preferred Shares was determinated by using valuation techniques which include discounted cash flow analysis and Binominal Option Pricing Model. The key assumptions of the valuation on the enterprise value and Series A Preferred Shares are as follows:

	2011
Risk-free rate (i)	**1.08%**
Volatility (ii)	**26.00%**
Discount rate (iii)	**5.33%**

(i) The risk-free rates used were PRC treasury bond rates denominated in USD with duration close to the time to expiration.

(ii) The volatility used was by reference to average of comparable companies' historical volatility.

(iii) The discount rates used were by reference to risk-free rates plus corresponding credit spread and risk premium.

For the year ended 31 December 2011, share-based compensation expenses of RMB5,118,000 was recognised in the consolidated statement of comprehensive income. A corresponding amount was credited in share premium in consolidated statement of changes in equity.

32. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 22 October 2011 for the primary purpose of providing incentives to directors, employees and any consultants or advisers, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of the Company's subsidiaries (the "Eligible Participants"), and will expire on 22 October 2021. Under the Scheme, the Directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

For the year ended 31 December 2011, no share options had been granted since the adoption of the Scheme and the Company had no share options outstanding at 31 December 2011.

33. RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute 10% of the total monthly basic salaries of the current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately RMB2,031,000 (2010: RMB761,000) for the year ended 31 December 2011.

34. RELATED PARTY DISCLOSURES

(a) Amounts due from shareholders

The amounts were non-trade related, unsecured, interest-free and repayable on demand.

	2011	2010
	RMB'000	RMB'000
Mr. Xie Yuehui	—	74
Mr. Zeng Min	—	66
	—	140

The maximum amount outstanding in respect of amounts due from shareholders, who are also Directors, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	2011	2010
	RMB'000	RMB'000
Mr. Xie Yuehui	—	3,053
Mr. Zeng Min	—	756
Mr. Wu Jianhui	—	5,911
	—	9,720

34. RELATED PARTY DISCLOSURES – *continued*

(b) Amounts due to shareholders

The amounts are due to shareholders and they are non-trade related, unsecured, interest-free and are repayable on demand.

	2011	2010
	RMB'000	RMB'000
Mr. Wu Jianhui	**—**	568
Mr. Xie Yuehui	**54**	663
	54	1,231

(c) Amount due from a related party

Amount due from a related party are as follows:

	2011	2010
	RMB'000	RMB'000
Lifetech of America Corporation		
– Trade nature	**—**	61

The balances were non-interest bearing and recoverable on demand. Amounts had been fully settled for the year ended 31 December 2011. The Group allowed a credit period of 90 days to 180 days and the balances as at 31 December 2010 were aged over 180 days based on the invoice date. No impairment loss had been recognised throughout the year ended 31 December 2011.

34. RELATED PARTY DISCLOSURES – *continued*

(c) Amount due from a related party – *continued*

The maximum amount outstanding in respect of amount due from a related party disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

	2011	2010
	RMB'000	RMB'000
Lifetech of America Corporation (i)	**—**	3,288

Note:

(i) Mr. Zeng Min, a director of the Company, is a controlling shareholder of Lifetech of America Corporation.

(d) Amount due to directors

The amount due to directors are unsecured, non-interest bearing and repayable on demand.

	2011	2010
	RMB'000	RMB'000
Mr. Liang Xianzhi	**10**	—
Mr.Zhang Xingdong	**10**	—
Mr. Zhou Gengshen	**10**	—
	30	—

(e) Transactions with related companies

Apart from details of the balances and other arrangements with related parties disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following transactions with related parties during the year ended 31 December 2010:

(i) Mr. Xie Yuehui provided a personal financial guarantee to secure banking facilities of the Company.

(ii) The Group had purchased raw materials from Lifetech of America Corporation amounting to approximately RMB1,003,000.

34. RELATED PARTY DISCLOSURES – *continued*

(f) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2011 and 2010 was as follows:

	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**2,710**	2,151
Post employee benefits	**82**	12
Share-based compensation expenses	**4,915**	—
	7,707	2,163

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

35. CONTINGENT LIABILITIES

The Group is currently involved in a litigation in India. In 2008, a company (the "Plaintiff") filed a suit with The High Court of Delhi (the "Court") at New Delhi, India, against (i) Lifetech Shenzhen, (ii) Lifetech Shenzhen's importer in India; and (iii) such importer 's local Indian distributor (individually and collectively referred to as "Defendants"), or, the Defendants on a collective basis. The Plaintiff pleaded to the Court to issue a permanent injunction restraining the Defendants from importing and selling HeartR occluders in India which were accused of infringing the Plaintiff's patent. The Plaintiff also pleaded to order the national importer in India and its local Indian distributor to surrender all the rendition of accounts of profits or a decree of damages of Indian Rupee ("INR") 2,100,000 (equivalent to approximately RMB318,000). As at 31 December 2011 and up to the date of the issue of these consolidated financial statements, the issues of the case have been framed and the Plaintiff has concluded filing its evidence on 9 August 2011, the litigation is still at fact finding and cross examination of evidence stage and the Court conclusion cannot be reasonably estimated.

After seeking legal advice, the Directors of the Company are of the opinion that it is very unlikely that the Court will grant a permanent injunction to the Plaintiff and it is also very unlikely for the Court to award damages to the Plaintiff or direct delivery of infringing devices. Accordingly, the Directors consider that no provision is necessary for any potential liability in the consolidated financial statements.

36. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

Pursuant to an equity transfer agreement between the Company's subsidiary, LifeTech Shenzhen and the non-controlling interests of Shenzhen EnKe Medical Technology Co., Ltd. 深圳市恩科醫療科技有限公司 ("Shenzhen EnKe"), a non-wholly owned subsidiary of the Company, on 13 May 2011, LifeTech Shenzhen acquired the remaining 10% equity interests in Shenzhen EnKe for consideration of RMB150,000. The difference between the fair value of consideration paid for the acquisition of additional equity interests in Shenzhen EnKe and the carrying amount of non-controlling interests acquired amounting to RMB144,000.

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment/ oparation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2011	2010	
New Centre	Hong Kong	HK$1	100%	100%	Investment holding
Lifetech India	India	INR6,573,680	100%*	100%*	Trading of medical devices
Lifetech Scientific (Hong Kong) Co., Ltd 先健科技（香港）有限公司	Hong Kong	HK$1	100%	N/A	Investment holding
Lifetech Scientific (Shenzhen) Co., Ltd 先健科技（深圳）有限公司	The PRC	RMB50,000,000	100%	100%	Developing, manufacturing and trading of medical devices
Beijing PerMed Biomedical engineering Co., Ltd. 北京市普惠生物醫學工程公司	The PRC	RMB15,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices
Shenzhen Shineyard Medical Device Co., Ltd. 深圳市擎源醫療器械有限公司	The PRC	RMB5,000,000	60%*	60%*	Developing, manufacturing and trading of medical devices

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY – *continued*

Name of subsidiaries	Place of incorporation/ establishment/ oparation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2011	2010	
Shenzhen EnKe	The PRC	RMB1,000,000	100%*	90%*	Trading of medical devices
Shenzhen Biological	The PRC	RMB10,000,000	99%*	99%*	Trading of medical devices
LifeTech Scientific (Europe) Coöperatief U. A.	Netherland	EUR2,000	100%*	N/A	Investment holding

* Indirectly held through subsidiaries.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the year.

FINANCIAL SUMMARY

A summary of the Group's results for the last three financial years and the assets and liabilities of the Group as at 31 December 2011, 2010 and 2009, as extracted from the published audited financial statements and the prospectus of the Company dated 31 October 2011. The amounts as set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	Year ended 31 December		
	2011	2010	2009
	RMB'000	RMB'000	RMB'000
RESULTS			
Revenue	**140,324**	104,704	79,736
Cost of sales	**(27,357)**	(21,066)	(21,542)
Gross profit	**112,967**	83,638	58,194
Other income and other gains and losses	**5,018**	3,333	3,135
Selling and distribution expenses	**(34,552)**	(20,057)	(15,684)
Administration expenses	**(31,246)**	(16,771)	(13,161)
Research and development expenses	**(22,762)**	(15,442)	(9,409)
Offering expenses	**(13,634)**	(182)	—
Finance costs	**—**	—	(5)
Profit before tax and change in fair value of convertible redeemable preferred shares	**15,791**	34,519	23,070
Change in fair value of convertible redeemable preferred shares	**3,288**	(24,107)	(23,086)
Profit before tax	**19,079**	10,412	(16)
Income tax expense	**(6,517)**	(6,621)	(4,475)
Profit for the year	**12,562**	3,791	(4,491)
Profit (loss) for the year attributable to:			
Owner of the Company	**11,830**	3,936	(4,710)
Non-controlling interests	**732**	(145)	219
	12,562	3,791	(4,491)

FINANCIAL SUMMARY

	As at 31 December		
	2011	2010	2009
	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES			
TOTAL ASSETS	**313,218**	158,455	148,583
TOTAL LIABILITIES	**45,378**	155,378	137,566
NET ASSETS	**267,840**	3,077	11,017