LifeTech Scientific Corporation
先 健 科 技 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

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Corporate Information

As at 30 March 2015

EXECUTIVE DIRECTORS

XIE Yuehui *(Chairman and Chief Executive Officer)*
LIU Jianxiong *(Chief Financial Officer and company secretary)*

NON-EXECUTIVE DIRECTORS

WU Jianhui
MARTHA Geoffrey Straub
MONAGHAN Shawn Del
JIANG Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph
ZHOU Gengshen
ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

AUTHORIZED REPRESENTATIVES

XIE Yuehui
LIU Jianxiong

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

ZHOU Luming *(Chairman)*
XIE Yuehui
LIANG Hsien Tse Joseph

REMUNERATION COMMITTEE

ZHOU Gengshen *(Chairman)*
MARTHA Geoffrey Straub
LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.lifetechmed.com

STOCK CODE

1302

LISTING DATE ON THE GROWTH ENTERPRISE MARKET

10 November 2011

DATE OF TRANSFER OF LISTING FROM GROWTH ENTERPRISE MARKET TO THE MAIN BOARD

6 November 2013

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 Nanxin Branch
1/F China Construction Bank Building
No. 1 Guankou Road, Nanshan District
Shenzhen, PRC

HONG KONG LEGAL ADVISOR

Brandt Chan & Partners in association with Dentons HK LLP
3201 Jardine House
1 Connaught Place Central
Hong Kong

AUDITOR

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

Cybio Electronic Building,
Langshan 2nd Street,
North Area of High-tech Park,
Nanshan District,
Shenzhen 518057, PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE HONG KONG COMPANIES ORDINANCE

31/F, 148 Electric Road
North Point,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102,
Cayman Islands

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 2014.

FINANCIAL REVIEW

I would like to report that the Group has achieved a significant growth in sales for the year ended 31 December 2014. Revenue of the Group was approximately RMB282.7 million for the year ended 31 December 2014 in comparison with approximately RMB231.0 million for the corresponding period of 2013, representing a growth of approximately 22.4%. Gross profit was approximately RMB230.1 million for 2014 in comparison with approximately RMB188.6 million in 2013, representing a growth of approximately 22.0%. Gross profit margin was approximately 81.4% for 2014 as compared to approximately 81.6% for the year 2013. 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. The operating profit of the Company was approximately RMB49.8 million for 2014, representing a growth of approximately 18.0% as compared with 2013. Net loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB81.2 million as compared to the net loss amounting to approximately RMB65.7 million in year 2013. The net loss was mainly attributable to (i) the continuous record of the fair value loss of conversion option of the First Tranche Convertible Notes (as defined in the circular of the Company dated 6 January 2013) issued on 30 January 2013; and (ii) the increase in administration expenses. The Board is of the opinion that the fair value loss of convertible notes is a non-operating and non-cash flow item. Excluding the influence arised therefrom, the Company would have recorded a net profit attributable to owners of the Company of approximately RMB35.2 million for 2014, representing a high growth as compared with 2013. The Board is of the view that the Group's operating and financial positions are healthy and the Board remains positive on the prospects of the Group.

OPERATION REVIEW

During the year ended 31 December 2014, 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 overseas sales have increased rapidly due to our continuous marketing efforts and our enhanced brand name. The market leading position has been further strengthened through these efforts.

As at 31 December 2014, we have a well-established distribution network for our products consisting of more than 142 distributors in 78 countries in aggregate. We expanded into new international markets including Estonia, Lithuania , Sweden, Norway, Denmark, Finland, Bulgaria, Austria, Latvia, Luxembourg and Saudi Arabia during the year ended 31 December 2014. In 2014, our global sales network witnessed the broadened international image of our product. We successfully launched Ankura Thoracic Aortic Aneurysm ("TAA") stent graft systems and Ankura Abdominal Aortic Aneurysm ("AAA") stent graft systems in Greece and Turkey, expanded our congenital heart diseases business in Korea, Lithuania, Slovakia, Poland, Sweden, Bulgaria, and Cambodia during the year ended 31 December 2014. Our LAmbre™ LAA occluder has successfully been implanted in more patients of the worldwide including China, Europe, Vietnam and Indonesia, etc. as of 31 December 2014. We held a medical seminar with a doctor who is one of our main clinical cooperators on 20 June 2014 and announced this information in Hong Kong in June 2014. Moreover, our LAmbre™ LAA occluder and iron-based bioresorbable drug-eluting coronary scaffold system were approved as innovative medical devices by China Food and Drug Administration of the PRC ("CFDA"), which may speed up the approval of clinical and obtaining of the registration certificate of these products in China. In 2014, we have successfully been granted 4 product certifications in Israel and 1 product certification in Hong Kong. A total of 28 of our products have been granted the CE certification in Europe and 3 products granted the FDA approval in America, moreover a total of 102 product certifications have been granted in other oversea countries or regions including Serbia, Israel, Egypt, India, Iran, etc. as at 31 December 2014. I believe there would be significant opportunities for us to break into more international markets in the next few years.

Since October 2012, Lifetech and Medtronic, Inc. ("Medtronic") signed a series of strategic alliance agreements. In January and June 2014, the Company and Medtronic have entered into a second supplemental services agreement and a second supplemental distribution agreement. To expand this alliance to include pacemaker and cardiac lead products to be manufactured and commercialized in China for the PRC market, the Company, by itself or through its affiliates, entered into several agreements with Medtronic (the "New Transaction Agreements") in July 2014. In particular, Medtronic has purchased approximately 900 CeraFlex occluders from Lifetech and is starting its market launch in Europe according to the distribution agreement entered into on 14 October 2012 and the second supplemental distribution agreement entered into on 13 June 2014 between the Company and Medtronic. We truly believe that our strategic alliance will allow the Company and Medtronic to speed up the progress of growing the global brand and revenue of the Company. The expanded nature of our partnership will lead to demonstrable financial benefits, as well as improved clinical capabilities, additional training and education opportunities, and significantly increased brand awareness. Medtronic's broad distribution channel and marketing capabilities in the territory will enable the Company to quickly increase its revenue of the products described above. The Company will also enjoy additional recognition and success worldwide as a result of further alignment of our brands.

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 Ankura II stent grafts, LAA occluders and iron-based bioresorbable drug-eluting coronary scaffold system.

Having obtained the registration certificate of FuStar Steerable Introducer in China in 2014 has marked a remarkable milestone as we look forward to the continued, accelerated development of innovative technologies which are now available to the Chinese market. With its advanced technology, our sheath products will help us to expand our market share in China and serve the patients better in our country. Also, our LAmbre™ LAA occluder and Iron-Based bioresabable drug-eluting coronary scaffold system were approved by CFDA of the PRC as innovative medical devices, which may speed up the registration procedures of these products in China.

Looking further ahead, the partnership built between the Company and Medtronic will drive us to integrate the advanced expertise to support our continued growth, development pipeline and manufacturing capabilities to better serve patients and clinicians in China and globally.

Medtronic continues to help in our engineering and quality efforts in production of heart valve in 2014 and we prepare to gradually relaunch the heart valve product in the domestic market in 2015. As stipulated in the second supplemental services agreement and the second distribution agreement and the New Transaction Agreements, we are pleased to expand both the scope and nature of the consulting services, know-how and expertise that Medtronic will provide Lifetech through our strategic alliance. In collaborating with leading clinicians, researchers and scientists, Medtronic offers the broadest range of innovative medical technology for the interventional and surgical treatment of cardiovascular disease and cardiac arrhythmias. We expect our future together to be bright so long as each company works to achieve our mutual goals.

In the overseas market, we participated in the global competition with competitive products and more investments as we expect that it will have a more prosperous future. Medtronic is starting its market launch in Europe for our CeraFlex occluders and our CeraFlex occluders will have a more extensive penetration in the European market. Our congenital heart diseases business and peripheral vascular diseases business will be further promoted and grow in Southeast Asia. In 2015, in addition to growing our existing congenital heart diseases business, we are actively exploring sales network for our peripheral products in more international markets.

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 other international markets. Management is confident that it will provide positive contribution to 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. I would also like to take this opportunity to express my appreciation to the management team and staffs for their contributions to the Group during the past year.

XIE Yuehui
Chairman and Chief Executive Officer

Hong Kong, 30 March 2015

BUSINESS OVERVIEW

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

Today, our products are being used in 78 countries across Asia, Africa, North America, South America and Europe, mainly through our network of distributors consisting of 142 distributors worldwide.

China is still our largest market, and sales generated from Chinese market accounted for approximately 69.9% of our total revenue (2013: approximately 70.7%). Our domestic sales realized approximately a 20.9% growth during the year, indicating stronger brand and higher market share in China. Our international market realized approximately a 26.0% growth in sales revenue. In 2014, we strengthened our sales force and improved market penetration which led to an increase in our market share.

Research and development ("R&D")

In 2014, we have made the following achievements in R&D field:

- Lifetech Scientific (Shenzhen) Co., Ltd. ("Lifetech Shenzhen"), a wholly-owned subsidiary of the Company obtained the final approval of the innovative medical device status ("Status") from the Center for Medical Device Evaluation of the CFDA for its iron-based bioresorbable drug-eluting coronary scaffold system (the "Product"). And the Product has been approved as an innovative medical device. Earlier in 2014, the LAmbre™ LAA occluder, another medical device produced by Lifetech Shenzhen, has also obtained the same Status and the Product is now the second medical device of Lifetech Shenzhen which has the Status. As at the date of this annual report, Lifetech Shenzhen is the only company in China which has two products obtaining the Status;
- The registration certificate of FuStar Steerable Introducer was obtained in China in July 2014;
- Lung volume reduction bronchial valve is in the progress of development, and has completed to change the design of Lung bronchial valve from passive volume reduction to the initiative volume reduction warrior circle design;
- Peripheral Stent System and Iliac bifurcation stent graft system started clinical trail in China;
- Clinical implantation of LAmbre™ LAA occluder in Europe and China were completed, and the test results were positive;

Marketing activity

- We expanded our activities in tradeshow marketing, sales network coverage, adopted new focus and commercial trade policies, broadened our reach to global Key Opinion Leaders, and developed more evidenced based medicine studies;
- We had held a total of 23 international communication activities in ten cities of six countries, with around 165 doctors participating through the platform Lifetech Knowledge Exchange Program ("LKEP") as at 31 December 2014. Additionally, we organized Asia First Ventricular Septal Defect Occluder ("VSD Occluder") and Peripheral Products Workshops, respectively. LKEP provided a diversified platform for technology communication and optimization. We also helped to organize the consultation of doctors in many provinces of China and held more than ten regional forums to promote invasive transthoracic device closure surgery. Meanwhile, we worked with the experts to prepare and publish invasive transthoracic device closure relevant literature, scientific articles and surgery videos. Through all these activities, more and more cardiac surgeons have been trained and could operate the invasive transthoracic device closure surgery;
- Lifetech and Medtronic entered into the second supplemental services agreement and the second supplemental distribution agreement, Medtronic opened 21 European countries distribution channel, and our occluders products could be sold in more than 70 countries globally.
- We assisted with the Chinese Pediatric Congenital Heart Disease Consortium ("CHD") to organize two professional forums in Nanning and Changsha, which improved the capability for pediatric CHD diagnosis and constructed the referral treated channels;
- In India, we finished the registration for Ankura series stent graft products in 2014 and organized promotion activities or congresses in over 25 Indian hospitals. Ankura has also entered into the Greek market which is an important territory of the whole European market. In 2014, Ankura thoracic series have occupied more than 50% market share of the entire Greek thoracic stent graft market. We held the first session of China-Greece academic exchange forum, which has led to the improvement of clinical technology;
- We propagandized and promoted FuStar Steerable Introducer in 31 provinces nationwide, which brought FuStar Steerable Introducer into the domestic market as the first and unique product in this field.

FINANCIAL REVIEW

Overview

The Company has kept a high growth rate for the year ended 31 December 2014. With the potent cooperation with Medtronic, we are confident that our business will expand to more countries and have a bright future.

Revenue

Our revenue amounted to approximately RMB282.7 million for the year ended 31 December 2014, with an increase of approximately RMB51.7 million or approximately 22.4% as compared to the year ended 31 December 2013. The growth in revenue was mainly attributable to the rapid increase of sales of stent graft by approximately RMB20.7 million or approximately 39.8% and vena cava filter by approximately RMB14.5 million or approximately 26.5%.

Revenue from congenital heart diseases business

The turnover contributed by the congenital heart diseases business for the year ended 31 December 2014 was approximately RMB137.3 million (2013: approximately RMB120.6 million), realized a growth of 13.8%.

With the diversification of product portfolio, our products cover a wide spectrum of congenital heart defect occluders. There are three series named HeartR, Cera and CeraFlex. During the period from the year ended 31 December 2013 to the year ended 31 December 2014, revenue generated from the sales of HeartR devices increased by approximately 7.3% from approximately RMB65.5 million to approximately RMB70.3 million. Cera devices decreased from approximately RMB27.8 million to approximately RMB27.3 million, which was mainly due to the third generation CeraFlex being launched to the market and replaced part of the market share. CeraFlex devices increased by approximately 236.3% from approximately RMB8.0 million to approximately RMB26.9 million. The ASD occluder, VSD occluder and PDA occluder experienced growth of approximately 23.4%, 27.0% and 9.7% respectively, as compared to the sales revenue for the year ended 31 December 2013. We believe that existing products namely balloon catheter, introducer, snare, associated delivery and supporting devices, as well as the launch of CeraFlex, will also win competitive market share in the future.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2014 was approximately RMB145.4 million (2013: approximately RMB110.2 million), representing approximately a growth of approximately 31.9%.

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 vena cava filter realized approximately 26.5% growth of sales revenue for the year ended 31 December 2014 as compared to the corresponding period of 2013. Our stent graft realized approximately a growth of approximately 39.8% during the year ended 31 December 2014.

Revenue from surgical vascular repair business

The products we offered in the surgical vascular repair business include heart valve. Revenue generated from the sales of surgical vascular repair business was only RMB12,000 for the year ended 31 December 2014 (2013: approximately RMB220,000). The decrease was mainly because Medtronic has been helping with the building of research and technical system in Beijing to improve the quality of heart valve product since 2012, and has paused the sales of it during the period.

Gross profit and gross profit margin

As a result of the increased sales and diversity of our products, gross profit of the Group increased by approximately 22.0% from approximately RMB188.6 million for the year ended 31 December 2013 to approximately RMB230.1 million for the year ended 31 December 2014. Gross profit margin decreased by 0.2% from approximately 81.6% for the year ended 31 December 2013 to approximately 81.4% for the year ended 31 December 2014. The decrease was mainly due to the pause of sales of heart valve product with the help of Medtronic on the building of research and technical system in Beijing to improve the quality of heart valve product since 2012, which led to the increase in production costs, and we had provisioned for an impairment loss of approximately RMB2.8 million for inventories of this product. Excluding the influence of this part, the gross profit margin would increase by 0.8% as compared with 2013.

Selling and distribution expenses

Selling and distribution expenses increased by 32.6% from approximately RMB52.1 million for the year ended 31 December 2013 to approximately RMB69.1 million for the year ended 31 December 2014. The increase was primarily due to (i) an increase of salary, bonus and related expenses for additional personnel engaged in sales and marketing; and (ii) an increase of marketing expenses as a result of the increased attendance at conference and tradeshows for our products promotion.

Administrative expenses

Administrative expenses increased by 19.8% from approximately RMB63.2 million for the year ended 31 December 2013 to approximately RMB75.7 million for the year ended 31 December 2014. The increase was primarily attributable to the service fee of approximately RMB29.0 million payable to Medtronic pursuant to the service agreement between the two companies entered into in 2012 and the second supplemental services agreement entered into in 2014.

Research and development expenses

Research and development expenses increased by 7.4% from approximately RMB31.0 million for the year ended 31 December 2013 to approximately RMB33.3 million for the year ended 31 December 2014. The increase was primarily due to (i) increased expenditure in developing projects; and (ii) an increase of salary, bonus and related expenses for additional staffs in research and development department.

Operating profit

Operating profit increased by approximately 18.0% from approximately RMB42.2 million for the year ended 31 December 2013 to approximately RMB49.8 million for the year ended 31 December 2014. The increase was primarily due to the increase of sales revenue.

Share of results of associates

In order to focus on our main business, the Group disposed of all its equity shares in Broncus Holding Corporation ("Broncus") and its subsidiary Broncus Medical Inc. ("Broncus Medical"). On 23 May 2014, the Group, other noteholders and the Broncus entered into a note restructuring agreement pursuant to which the Group converted the convertible note with consideration of USD2,800,000 into equity shares. And on the same date, the Group and an independent third party entered into a share purchase agreement pursuant to which the Group sold all the equity shares in Broncus with a cash proceed of USD4,000,000. During the year ended 31 December 2014, the Company recorded a profit of approximately RMB14.5 million on the disposal of all the equity shares in the Broncus. The Group's share of loss of the Broncus for the year ended 31 December 2014 was approximately RMB1.8 million (2013: approximately RMB11.1 million). Further details are set out in Note 20 to the consolidated financial statements in this annual report.

The Group's 49% equity interest in Enke Medical Technology Co., Ltd. ("Enke Medical") had been accounted for as interest in an associate. The Group's share of gain Enke Medical was approximately RMB0.3 million for the year ended 31 December 2014 (2013: share of gain approximately RMB0.1 million).

Fair value losses on convertible notes and other financial asset

During the year ended 31 December 2014, the fair value losses on convertible notes and other financial asset were approximately RMB104.6 million, including fair value loss on convertible notes the Company issued to Medtronic of approximately RMB116.4 million, representing an increase of approximately 74.3% as compared with the corresponding period in 2013, and fair value gain on other financial asset Broncus issued to the Company of approximately RMB11.8 million (2013: fair value loss approximately RMB17.0 million).

Impairment loss on a deposit for acquisition of a long term investment

The Group entered into a strategic partnership agreement with an independent third party, which manages and operates an investment fund, on 12 April 2012, to enter into a long-term strategic alliance and equal partnership to collaborate across incubation projects over the period up to 12 April 2014. Deposit for acquisition of long term investment represents the consideration of USD3,000,000 paid by the Group for the acquisition of options, on a priority basis, to invest or co-invest in any and/or all incubation projects and to acquire distribution rights, manufacturing rights and intellectual property licenses with respect to the incubation projects. On 10 April 2014, the Group entered into a supplementary agreement to the strategic partnership agreement to extend the project period from 12 April 2014 to 12 September 2014. During the year ended 31 December 2014, the management determines the recoverable amount of the deposit for acquisition of the long term investment is less than the carrying amount and, accordingly, the deposit for acquisition of the long term investment amounted approximately RMB18.4 million is fully impaired (2013: impairment loss is nil).

Finance income and finance costs

The Company realized approximately RMB2.7 million of interest income in 2014 as compared to approximately RMB4.0 million in 2013.

The finance cost representing effective interest expenses arising from the convertible notes issued to Medtronic was approximately RMB11.2 million in 2014, representing an increase of approximately 24.4% as compared with 2013. No finance cost of bank borrowings was recorded in 2014 (2013: approximately RMB1.1 million).

Net loss

Net loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB81.2 million (corresponding period in 2013: approximately RMB65.7 million). The net loss was mainly attributable to (i) the continuous record of the fair value loss of conversion option of the First Tranche Convertible Notes (as defined in the circular of the Company dated 6 January 2013) issued on 30 January 2013; and (ii) the increase in administration expenses. Based on the fact that fair value loss on convertible notes is a non-operating and non-cash flow item, the Board is of the view that the Group's operating and financial positions are healthy and the Board remains positive on the prospects of the Group.

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 2015. The Group will also actively expand its product offering and strengthen its established market position. We launched Cera occluders to the China market in 2013 of which its sales in China had an outstanding growth in 2014, and strengthen our role to better serve patients in China. In addition, as a competitive product in the international market, we believe CeraFlex occluders will continually stimulate the growth in sales overseas.

We will continue to focus on broadening our product portfolio as well as designing innovative products to help capitalize our growing sales network and infrastructure. We expect our LAmbre™ LAA occluder will be the significant products to our sales in the near future.

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 are actively exploring sales network for our peripheral products in addition to growing our existing congenital heart diseases business in the international market.

We expect that our heart valve product will re-launch in the year 2015 after reforming and qualifying with Medtronic's help and we believe the product will be of growing importance in our product portfolio going forward.

The future activities will be funded by operational income of the Group.

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2015, so as to enhance our competitiveness and market position in current key markets as well as selective new markets.

Strategic cooperation with Medtronic

As stipulated in the second supplemental services agreement and the second supplemental distribution agreement and the New Transaction Agreements, we are pleased to expand both the scope and nature of the consulting services, know-how and expertise that Medtronic will provide Lifetech through our strategic alliance. We expect our future together to be bright so long as each company works to achieve our mutual goals. We prepare to re-launch the heart valve product in 2015. After reforming and qualifying with Medtronic's help, we believe the product will be of growing importance in our product portfolio going forward.

Since this strategic cooperation made between Lifetech and Medtronic, Medtronic opened 21 European countries distribution channel, and our occluders products could be sold in more than 70 countries globally.

To expand this alliance to include pacemaker and cardiac lead products to be manufactured and commercialized in China for the PRC market, the Company, by itself or through its affiliates, entered into the New Transaction Agreements on 25 July 2014. Under the New Transaction Agreements, Medtronic and its affiliates will provide the Company or its affiliates with (i) licenses to know-how and other intellectual property; (ii) certain consulting services; (iii) certain equipments and components; (iv) manufacturing capabilities and (v) marketing, promotion and distribution in connection with certain implantable cardiac rhythm management products to be developed and manufactured by the Company at the Company's facility in Shenzhen, the PRC. For further details, please refer to the announcement of the Company dated 28 July 2014 and the supplemental announcement of the Company dated 7 August 2014.

In collaborating with leading clinicians, researchers and scientists, Medtronic offers a wide range of innovative medical technology for the interventional and surgical treatment of cardiovascular disease and cardiac arrhythmias. The Company will continue its commitment to offering products and services that deliver clinical and economic value to healthcare consumers and providers worldwide.

USE OF PROCEEDS GENERATED 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 (the "Listing"), after deduction of related expenses, amounting to approximately HK$156.6 million. As at 31 December 2014, the net proceeds from issuance of new shares of the Company had been applied as follows:

		Planned use of proceeds as stated in the prospectus from Listing to 31 December 2014 (HK$ million)	Actual use of proceeds from Listing to 31 December 2014 (HK$ million)
1	Enhance market position of core cardiovascular and peripheral vascular devices in key emerging markets	8.0	7.6
2	Continue to develop and commercialize pipeline products	46.0	46.0
3	Expansion into key international markets with current and pipeline products	8.0	7.6
4	Expansion of our manufacturing facilities	88.0	82.4 *(Note 1)*
5	Expansion into complementary product offers and pursue opportunistic acquisitions, partnerships, alliances and licensing opportunities	10.0 *(Note 2)*	9.5

Note 1 On 19 February 2013, Lifetech Shenzhen made a successful bid for the land use right in respect of the land located in Nanshan District, Shenzhen, the PRC at a price of RMB37,020,000 (equivalent to approximately HK$45,697,000) through an open tender organized by the Shenzhen Land Transaction Centre. The deed tax arising from the land acquisition amounts to approximately RMB1.1 million (equivalent to approximately HK$1.4 million). As at 31 December 2014, other accumulative expenses arisen are approximately HK$35.3 million.

Note 2 This represents the amount allocatable to any of the period from November 2011 to 31 December 2014.

The net proceeds applied, as at 31 December 2014, are less than expected primarily due to delayed acquisition of land use right in Nanshan District. As at the date of this annual report, the remaining proceeds of approximately HK$3.5 million had been used in expanding our manufacturing facilities.

USE OF PROCEEDS FROM THE SUBSCRIPTION OF THE FIRST TRANCHE CONVERTIBLE NOTES BY MEDTRONIC

Reference is made to the announcements of the Company dated 15 October 2012, 6 January 2013, and 30 January 2013 and the circular in relation to the subscription of the First Tranche Convertible Notes by Medtronic. The issuance and subscription of the First Tranche Convertible Notes took place on 30 January 2013 (i.e. the First Tranche Completion Date) and the net proceeds from the subscription was approximately HK$146.6 million.

As at 31 December 2014, all the actual use of net proceeds from the subscription of the First Tranche Convertible Notes was approximately HK$146.6 million, which have been applied to their intended uses for the period from the First Tranche Completion Date until 31 December 2014.

As at 31 December 2014, the net proceeds from issuance of convertible notes of the Company had been applied as follows:

Uses of proceeds	Details of Specific Plans	Planned use of proceeds as stated in the circular from the completion of the First Tranche Convertible Notes to 30 January 2015 (HK$ million)	Actual use of proceeds from the completion of the First Tranche Convertible Notes to 31 December 2014 (HK$ million)
1. Internal system upgrade	Establish and promote a culture of quality which permeates to all levels of the Company; improve the quality management system of the Company and purchase appropriate equipment for system upgrade	40.0	41.5
	Establish and promote a culture of compliance which permeates to all levels of the Company and recruit compliance and internal audit talents	15.0	15.6
	Establish a sound management system, including an enterprise resource planning system	13.0	13.5

Uses of proceeds		Details of Specific Plans	Planned use of proceeds as stated in the circular from the completion of the First Tranche Convertible Notes to 30 January 2015 (HK$ million)	Actual use of proceeds from the completion of the First Tranche Convertible Notes to 31 December 2014 (HK$ million)
2.	Expansion of the production capability of PerMed and improvement of the operation level of PerMed	Recruit more workers at the production facilities and conduct training	7.0	4.9 *(Note)*
		Improve the quality management system of PerMed	7.0	20.1 *(Note)*
		Purchase equipment for conducting manufacturing and operational activities and upgrade production facilities	20.0	10.2 *(Note)*
		Recruit management talents	4.0	4.1
3.	Expansion into key international markets with current and pipeline products	Expand the business of the Company in the existing markets, including China, India, Europe, including the recruitment of more sales talents, attending exhibitions, conducting training in respect of the Company's products, etc.	35.0	36.7

Note: The net proceeds of PerMed applied, as at 31 December 2014, are less or more than expected primarily due to delays in the production and the sales plan. The Company focused on enhancing and improving the quality management system of PerMed, as a result, the net proceeds are primarily spent on quality management, the actual use of proceeds of workers at the production facilities and conduct training and equipment for conducting manufacturing are temporarily less than expected.

The directors of the Company (the "Directors", each a "Director") have closely monitored the application of the proceeds and kept the shareholders of the Company informed of the latest developments.

LIQUIDITY AND FINANCIAL RESOURCES

In 2014, the Group mainly financed its operations with its own working capital, proceeds on issue of convertible notes and equity funding.

The Group recorded total current assets of approximately RMB387.9 million as at 31 December 2014 (2013: approximately RMB364.9 million) and total current liabilities of approximately RMB65.5 million as at 31 December 2014 (2013: approximately RMB77.5 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 5.92 as at 31 December 2014 (2013: approximately 4.71).

GEARING RATIO

As at 31 December 2014, the gearing ratio (calculated as a ratio of borrowing consisting of convertible notes to total equity) of the Group is approximately 50.2% (2013: 28.4%).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB151.2 million as at 31 December 2014 as compared to approximately RMB231.5 million as at 31 December 2013. There were no short-term bank borrowings (2013: approximately RMB35.0 million) and interest of bank borrowings (2013: approximately RMB1.1 million) in 2014.

LAND ACQUISITION AND BUILDING CONSTRUCTION

On 19 February 2013, Lifetech Shenzhen made a successful bid for the land use right in respect of the land located at lot T205-0008, Gaoxin South 1st Road, Nanshan Gaoxin District, Shenzhen, the PRC (the "Land") at a price of RMB37,020,000 (equivalent to approximately HK$45,697,000) through an open tender organized by the Shenzhen Land Transaction Centre. For further details, please refer to announcement of the Company dated 5 July 2013. The deed tax arising from the land acquisition amounts to approximately RMB1.1 million (equivalent to approximately HK$1.4 million).

On 19 December 2014, Lifetech Shenzhen entered into the construction contract with the China Construction Fourth Engineering Division the Third Construction & Engineering Co. (中建四局第三建築工程有限公司) (the "Original Construction Contract") pursuant to which the Contractor has agreed to undertake the construction work for the Company at the Contract Price (as defined below). The Original Construction Contract was subsequently supplemented by the supplemental agreement entered into between Lifetech Shenzhen and the Contractor dated 19 December 2014. The contract price for the construction work is up to an aggregate amount of RMB250,000,000 which is subject to up to 18% downward adjustments (the "Contract Price") that is customary within the PRC construction industry and includes but is not limited to the labour cost, material cost, the fees for construction of infrastructure, installation of facilities and construction management, testing fees, inspection fees and other construction cost. The Contract Price was determined after arm's length negotiations with the Contractor and was based on normal commercial terms with reference to the expertise, experience and market position of the Contractor, along with the complexity and amount of the construction work involved. It is intended that the Contract Price will be financed by internal resources of, and the banking facilities available to the Group. For further details, please refer to the announcement of the Company dated 19 December 2014. As at 31 December 2014, the building is in the process of construction.

MATERIAL ACQUISITIONS AND DISPOSAL OF ASSOCIATES

On 23 May 2014, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Group disposed of all the equity shares in the Broncus, an associated company of the Group, for a cash consideration of USD4,000,000 (equivalent to approximately RMB24,624,000) (the "Disposal"). Upon completion of the Disposal, the Group lost significant influence over the Broncus. Further details are set out in Note 20 to the consolidated financial statements in this annual report.

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

The Group is currently involved in a lawsuit issue in India. AGA Medical Corporation ("AGA") has filed a suit with the High Court of New Delhi (the "Court") against our companies, 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 prospectus of the Company dated 31 October 2011 (the "Prospectus"). As at the date of this annual report, the cross-examination of all the witnesses of AGA and of the Group were completed. The cross-examination of the last witness, our IT administrator, has concluded on 25 August 2014 and the final arguments are still awaited in the suit.

After seeking legal advice, the Board 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.

Save as disclosed in this annual report, the Group did not have any other contingent liabilities as of 31 December 2014.

FINANCIAL INSTRUMENT

On 30 January 2013, the Company issued HK$152,000,000 unsecured 1% convertible notes which are due in 2018 ("Convertible Notes") to Medtronic. The Convertible Notes bear interest at 1% per annum and mature on 29 January 2018 ("Maturity Date"). The holder of the Convertible Notes has the right to convert the principal amount of Convertible Notes into shares of the Company at an initial conversion price of HK$3.8 per share. And the initial conversion price was adjusted to HK$0.475 per share upon the share subdivision of the Company effective on 12 January 2015. For further details, please refer to the announcement of the Company dated 5 December 2014, the circular of the Company dated 22 December 2014 and the announcement of the Company dated 9 January 2015. The Company may not redeem the Convertible Notes at its option prior to the Maturity Date. The noteholder will have the right at noteholder's option, to require the Company to redeem all, or only some, of the Convertible Notes prior to the Maturity Date at a price equal to their principal amount and interest accrued to the date fixed for redemption subject to the occurrence of specific events as defined in the terms and conditions of the Convertible Notes Agreement.

On 16 September 2013, the Company entered into a secured convertible note purchase agreement (the "Purchase Agreement") with a related party, Broncus Medical for the purchase of convertible notes in the principal amount of US$2,800,000 (equivalent to RMB17,214,000).

On 23 May 2014, the noteholders, Broncus and Broncus Medical entered into a note restructuring agreement pursuant to which the noteholders contributed, transferred and assigned all their rights and obligation as the holder of the notes to Broncus, and Broncus accepted the notes and assumed the rights and obligations thereunder as the holder thereof (the "Note Contribution"). Broncus Medical consented to the Note Contribution.

Upon and concurrently with the Note Contribution, Broncus issued to each noteholder or their designated affiliate Broncus shares at US$0.83 per share. On the same date, the Company and the purchaser entered into a share purchase agreement pursuant to which the Company disposed of all the equity shares in Broncus with cash proceeds of USD4,000,000 (equivalent to RMB24,624,000). As at 31 December 2014, the Company had no interest in Broncus.

CAPITAL EXPENDITURE

For the year ended 31 December 2014, the capital expenditure of the Group for property, plant and equipment ("PPE"), intangible assets, prepaid lease payments and deposits for PPE amounting to approximately RMB53.5 million (2013: approximately RMB68.1 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 7.3% (2013: approximately 8.1%) 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, and in the Group a portion of the revenue and expenses are denominated in United States Dollars and Euro. Indian Rupees was unstable 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 our financial risk management objectives and policies is included in the section of "Financial risk management objectives and policies" in Note 6b to the consolidated financial statements in this annual report.

CHARGES ON GROUP ASSETS

As at 31 December 2014, the Group did not have any charges on its assets.

LOAN TRANSACTION

On 28 April 2013, Lifetech Shenzhen and Shanghai Pudong Development Bank Shenzhen Branch (the "Lending Agent") entered into the entrusted loan agency agreement, pursuant to which the Lending Agent agreed to act as the lending agent under the entrusted loan agreement (the "Loan Agreement") in return for an agency fee of 0.03% of the loan amount of RMB32.0 million (the "Loan"), subject to and upon the terms and conditions in the announcement of the Company dated 12 July 2013. On the same date, Lifetech Shenzhen entered into the Loan Agreement with an independent third party (the "Borrower") and the Lending Agent, pursuant to which Lifetech Shenzhen agreed to entrust the Loan amount of RMB32.0 million (equivalent to approximately HK$40.0 million) to the Lending Agent, with interest rate of 7% per annum on the Loan amount, for on-lending to the Borrower for a term of one year subject to the terms and conditions under the Loan Agreement. As at 31 December 2014, the Group had received the loan repayment and all the interest receivables from the Lending Agent.

CAPITAL COMMITMENT

As at 31 December 2014, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB255.8 million (2013: approximately RMB14.2 million).

SEGMENT INFORMATION

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 581 (2013: 511) full time employees and 2 executive Directors (2013: 2). Total staff costs, including Directors' emoluments, amounted to approximately RMB70.0 million for the year 2014 (2013: approximately RMB54.5 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2014, the amount of contributions to retirement benefits scheme is approximately RMB5.0 million (2013: approximately RMB4.0 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

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 options to the employees. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges training for the staffs to enhance their skills and knowledge.

EVENT AFTER REPORTING PERIOD

Share Subdivision

On 12 January 2015, upon the share subdivision becoming effective, each of the existing issued and unissued shares of par value of US$0.00001 each in the share capital of the Company be subdivided into eight (8) subdivided shares of par value of US$0.00000125 each. The authorized share capital of the Company become US$50,000 divided into 40,000,000,000 subdivided shares of US$0.00000125 each and the issued share capital become US$5,000 divided into 4,000,000,000 subdivided shares of US$0.00000125 each. For further details, please refer to the announcement of the Company dated 5 December 2014, the circular of the Company dated 22 December 2014 and the announcement of the Company dated 9 January 2015.

Biographical Details of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui (謝粵輝), aged 45, 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. He has become our chief executive officer with effect from 2 March 2015. Mr. XIE has served as the director of Lifetech Scientific (Shenzhen) Co., Ltd. ("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 24 years of experience in business management in the PRC, of which over 12 years was 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.

LIU Jianxiong (劉劍雄), aged 44, is the Chief Financial Officer ("CFO") and company secretary of our Group. He was appointed as a non-executive Director on 2 March 2015 and was subsequently re-designated as an executive Director with effect from 27 March 2015. Mr. LIU joined us in September 2010. Mr. LIU has about 22 years of 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 has been 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.

NON-EXECUTIVE DIRECTORS

WU Jianhui (鄔建輝), aged 44, is our non-executive Director and has been serving as a director of the Company since September 2006. Mr. Wu has over 23 years of experience in accounting and general corporate matters. Mr. WU joined Dahua Certified Public Accountants Firm (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 (Stock Code: 8259) and was subsequently transferred to Main Board (Stock Code: 2218) in January 2011. Mr. WU is a member of the fifth session 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 a council member of Shanghai University of Finance and Economics (上海財經大學) since November 2012. 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 (北京大學光華管理學院) in January 2005.

MARTHA Geoffrey Straub, aged 45, was appointed as a non-executive director of our Company with effect from 30 January 2013. Mr. MARTHA holds a Bachelor of Science in Finance from Pennsylvania State University. Mr. MARTHA has over 22 years of experience in the medical device industry, and is currently the Senior Vice President of Strategy and Business Development at Medtronic. Prior to joining Medtronic, Mr. Martha worked at GE Healthcare, a medical technologies and services provider, where he was responsible for the company's global business development efforts.

Mr. MONAGHAN, aged 53, has been appointed as our non-executive Director on 27 March 2015, currently serves as the Vice President of Business Development and Strategy for Cardiac Rhythm and Heart Failure (CRHF) business of Medtronic, substantial shareholder of the Company. In this role, he is responsible for the CRHF's liaison on the joint venture between Medtronic and the Company. Mr. MONAGHAN leads the CRHF strategic planning, assesses new market opporunities and cross-business strategic initiatives and coordinates CRHF business development initiatives. Prior to his current role, Mr. MONAGHAN was the Vice President & General Manager of Extracorporeal Therapies for Medtronic's Coronary and Structural Heart business from February 2011 to September 2014. From June 2008 to February 2011, Mr. MONAGHAN was the Vice President of International Commercial Operations for Medtronic's Cardio Vascular division for about two years and was the Vice President of Medtronic's Global Operations immediately upon his return from Asia. From January 2002 to June 2008, Mr. MONAGHAN spent six years with Medtronic Asia Pacific during when he was based in Tokyo of Japan, responsible for providing overall financial and operational leadership for all Medtronic businesses in Asia as Chief Financial Officer. Before his role in Asia, he worked in the U.S. Sales organization where he was Vice President of Corporate Accounts and Director of Pricing & Contracting. In these cross business roles, he led Medtronic's channel and pricing strategies focused on key U.S. hospitals and large group purchasing organizations. Prior to this, Mr. MONAGHAN worked on the Corporate Staff as Director of Strategic Planning and Corporate Development and Manager of Financial Planning. He joined Medtronic in September 1990 as a financial analyst. Prior to joining Medtronic, Mr. MONAGHAN worked as a management consultant in Deloitte Touche Tohmatsu and as a senior auditor in Arthur Andersen & Company. Mr. MONAGHAN received his Bachelor's degree of Science in Accounting and Business from the University of Kansas in 1983 and obtained his Master's degree in Business Administration from the University of Chicago in 1988.

JIANG Feng (姜峰), aged 52, was appointed as a non-executive Director of our Company with effect from 1 April 2014. Mr. JIANG is currently standing vice president of China Association for Medical Devices Industry, chairman of China Strategic Alliance of Medical Devices Innovation, deputy director of Biomedical Engineering Education Steering Committee of the Ministry of Education (教育部生物醫學工程專業教育指導委員會), executive director of China Instrument and Control Society and chairman of its medical devices branch, executive director of Chinese Society of Biomedical Engineering, Chinese Society for Biomaterials and China Association for Disaster & Emergency Rescue Medicine, researcher of Zhejiang University and director of Biomedical Technology Assessment Centre of Zhejiang University (浙江大學生物醫學技術評估中心) and president of the magazine China Medical Device Information. Mr. JIANG is an independent non-executive director of Guangdong Biolight Meditech Co., Ltd., Grandhope Biotech Co., Ltd and Zhejiang Tiansong Medical Instrument Co., Ltd, all companies being listed on the Shenzhen Stock Exchange. Mr. JIANG has worked for 12 years as a clinician before he left the hospital in 1997 to establish a business. By reason of his outstanding achievements, Mr. JIANG was introduced as special talent by SASAC to act as a leader of national large medicine and device companies in a long term, including as chairman and general manager of China National Pharmaceutical Group Corporation North West Company and China National Medical Equipment Co., Ltd, during the period he charged or participated in restructuring, mergers and acquisitions and transformation for listing of nearly 40 relevant companies. Mr. JIANG has served as general manager of China National Medical Equipment Co., Ltd for 9 years, during which he accomplished the substantial transformation of the enterprise from exhibition business to production and operation of device by establishing China's first Sino-foreign joint venture medical device distribution company and growing it the largest domestic medical device distributor within 5 years. He has been president and standing vice president of China Association for Medical Devices Industry for 12 years, during which period he visited and studied over a thousand of member enterprises. For around 5 years after acting as chairman of China Strategic Alliance of Medical Devices Innovation, he has assisted the science and technology department and local science and technology bureaus in assessing subjects of hundreds of medical device projects and conducting subsequent management, which involved 863 Program and supporting projects expensing more than RMB1 billion in total. Benefiting from his long term work in the industry, Mr. JIANG is expert at the operation and management of medical companies and understands development trend of the industry, in particular, he is much experienced in industrial innovation and international marketing. Mr. JIANG graduated from the Fourth Military Medical University with a degree of bachelor of medicine in 1985 and received his doctoral degree of clinical surgery in 1995 from the Fourth Military Medical University. He obtained an EMBA degree from Tsinghua University in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph (梁顯治), aged 60, 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 Hong Kong 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 (Stock Code: 751), 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. From October 2009 to September 2011, Mr. LIANG was the managing director of the financial planning and development department at United International College in Zhuhai, PRC, and was responsible for serving financial advisory and human resources management functions. From October 2011 to September 2012, Mr. LIANG served as special consultant on campus development at the College. He was the executive vice president – Finance of TWS Industrial (Holdings) Ltd since 6th October 2011, a private company engaged in battery production. He later acted as consultant in it from August 2013 to December 2013. He returned to full time teaching as associate professor at UIC on September 2013. 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 has been 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. On 19 February 2013, Mr. LIANG was appointed as an independent non-executive Director of North Asia Strategic Holding Limited, a company listed on GEM (Stock Code: 8080) for a term of three years. Mr. Liang was also appointed on 6 June 2014 for a one year term as an independent non-executive director of China Animal Healthcare Limited, a company listed on the main board in Hong Kong (Stock Code: 940).

ZHOU Gengshen (周庚申), aged 48, was appointed as an independent non-executive Director of our Company with effect from 22 October 2011. Mr. ZHOU has over 25 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: 66). 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.

ZHOU Luming (周路明), aged 56, was appointed as an independent non-executive Director of our Company with effect from 1 April 2014. Mr. ZHOU is currently a dean of the Southern Institute of Science and Technology of Space. He was a teacher in South-Central University for Nationalities from July 1984 to May 1992, during which his professional article Systems Science (系统科學) was published with release of certain papers. From May 1992 to September 2001, he served with Shenzhen Technology Bureau (深圳市科技局) as head of the compliance division, director of general office and head of the planning division, taking charge of the formulation of a series of major legislations and research on decision-making work. Mr. ZHOU acted as deputy dean of Research Institute of Tsinghua University in Shenzhen from September 2001 to May 2004. He was deputy director of Shenzhen Technology Bureau from May 2004 to May 2008. During the period from 2005 to 2008, Mr. ZHOU presided over series of study on innovative cities. From 2008 to March 2014, he has established a good number of private-funded research institutes with international advanced level, which involved metamaterial, new energy and precise manufacturing, during the period when he served as chairman of Shenzhen Science and Technology Association. His experience in directing the restructuring of Shenzhen Science and Technology Association was highly regarded by major leaders of China Association of Science and Technology with promotion in the system of the association of science and technology. Mr. ZHOU graduated in 1984 from the Department of Physics, Central China Normal University, and received his EMBA degree after graduating from Tsinghua University in 2005.

SENIOR MANAGEMENT

XIE Yuehui (謝粵輝): Please refer to the section headed "Directors — Executive Director" above for the details of his biography.

ZHANG Deyuan (張德元) aged 51, 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 26 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 (國家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.

LIU Jianxiong (劉劍雄): Please refer to the section headed "Directors — Executive Directors" above for the details of his biography.

ZHAN Guowei (湛國威) aged 38, is our Chief Marketing Officer principally responsible for domestic and oversea marketing of the Group. Mr. ZHAN joined our Group in August 2010 as a sales director, and has more than 15 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 aged 57, 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 29 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 aged 43, 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 14 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.

HAN Jiangbo (韓江波), aged 54, joined the Company in October 2014 as our Chief Operating Officer, and is principally responsible for the Company's daily operation under the Group's strategy, collaboration with Medtronic, and in charge of PerMed, a wholly-owned subsidiary of the Group. He has over 20 years of experience with over 14 years in general and operations management, engineering management, and research and development management with multinational companies and in different countries. These include: (1) Power-One/ABB/Bel Fuse Shenzhen as general manager and plant director, legal representative and chairman of board; (2) EPCOS Singapore as senior director of operations; (3) Sonion Vietnam as director of operations, and (4) Hewlett-Packard Singapore as department head for Technology, Automation, Testing, etc.

Mr. HAN holds a Ph.D. degree in mechanical and production engineering from Nanyang Technological University (Singapore), a master's degree in engineering mechanics from Xi'an Jiaotong University (China), and Bachelor degree in applied mechanics from Henan University of Science and Technology (China). He was also an associate professor in Henan University of Science and Technology and was awarded the outstanding young scientist by Ministry of Machinery Industry of China early of 1990s.

As at the date of this annual report, the current senior management of the Company include Mr. XIE Yuehui, Mr. ZHANG Deyuan, Mr. LIU Jianxiong, Mr. ZHAN Guowei and Mr. HAN Jiangbo.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance and confirms that it has complied with all material code provisions and most of the recommended best practices under the CG Code throughout the year ended 31 December 2014, save for the deviations from certain code provisions which are explained in the relevant paragraphs in this corporate governance report. The Company has committed to making necessary arrangements to comply with all the code provisions.

The Company will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as rules governing the dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2014.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors, and changes to the Board members during 2014 and up to the date of this annual report are as follows:

Executive Directors

XIE Yuehui *(Chairman and Chief Executive Officer)* (appointed as Chief Executive Officer on 2 March 2015)
ZHAO Yiwei Michael *(Chief Executive Officer)* (resigned on 2 March 2015)
LIU Jianxiong *(Chief Financial Officer and company secretary)* (appointed as non-executive Director on 2 March 2015 and re-designated as executive Director on 27 March 2015)

Non-executive Directors

WU Jianhui
MARTHA Geoffrey Straub
LIDDICOAT John Randall (resigned on 27 March 2015)
MONAGHAN Shawn Del (appointed on 27 March 2015)
JIANG Feng (appointed on 1 April 2014)

Independent Non-executive Directors

LIANG Hsien Tse Joseph
ZHANG Xingdong (resigned on 1 April 2014)
ZHOU Gengshen
ZHOU Luming (appointed on 1 April 2014)

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 of developing its business and enhancing 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 ended 31 December 2014, the Board complied at all times with the requirements of the 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 with the Listing Rules as at the date of this annual report.

During the year ended 31 December 2014, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance.

The attendance record of each member of the Board is set out below:

	Attendance/ Number of Board meetings held	**Attendance/ Number of general meetings held**
Name of Director		
EXECUTIVE DIRECTORS		
XIE Yuehui *(Chairman and Chief Executive Officer)* (appointed as Chief Executive Officer on 2 March 2015)	4/4	3/3
ZHAO Yiwei Michael *(Chief Executive Officer)* (resigned on 2 March 2015)	4/4	1/3
LIU Jianxiong *(Chief Financial Officer and company secretary)* (appointed as non-executive Director on 2 March 2015 and re-designated as executive Director on 27 March 2015)	N/A	N/A
NON-EXECUTIVE DIRECTORS		
WU Jianhui	4/4	3/3
MARTHA Geoffrey Straub	4/4	0/3
LIDDICOAT John Randall (resigned on 27 March 2015)	4/4	0/3
MONAGHAN Shawn Del (appointed on 27 March 2015)	N/A	N/A
JIANG Feng (appointed on 1 April 2014)	3/3	1/3
INDEPENDENT NON-EXECUTIVE DIRECTORS		
LIANG Hsien Tse Joseph	4/4	3/3
ZHANG Xingdong (resigned on 1 April 2014)	0/1	N/A
ZHOU Gengshen	4/4	3/3
ZHOU Luming (appointed on 1 April 2014)	3/3	0/3

According to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and developed a balanced understanding of the views of the shareholders.

During the year ended 31 December 2014, three general meetings were held on 3 April 2014, 28 May 2014 and 15 September 2014 respectively. JIANG Feng, non-executive Director, was unable to attend the general meetings held on 3 April 2014 and 28 May 2014 while two non-executive Directors, viz, MARTHA Geoffrey Straub and LIDDICOAT John Randall and an independent non-executive Directors, viz, ZHOU Luming were unable to attend all of the three general meetings due to other business commitments and time difference between China and the countries they were in at the meeting time. The Company will improve its meeting schedule to avoid such non-compliance in the future.

Practices and Conduct of Meetings

Notice of regular Board meetings are served to all Directors at least 14 days before the meetings to give all Directors an opportunity to attend.

For regular Board and committee meetings, all agendas, board papers, together with all applicable, complete and reliable information will be sent to all the Directors or committees at least three days before a meeting is held. All Directors may propose any business to be included in the agenda of the Board or committee meetings and contact the joint company secretaries to ensure full compliance with all of the Board's procedures and applicable regulations.

In general, the senior management members shall attend all the regular Board meetings and, if necessary, other Board and committee meetings to advise on the Company's business development, financial and accounting matters, statutory and regulatory compliance, corporate governance as well as other significant issues. The Board may, if appropriate, authorize the Directors to seek independent and professional advice at the expense of the Company. Matters discussed and resolved at Board meetings will be recorded in detail by the company secretary who shall prepare and file the minutes or resolutions. Generally, draft minutes of Board meeting shall be issued to the Directors within reasonable time for their comments after such meeting is held, and the final version will be open for inspections by the Directors.

The articles of association of the Company (the "Articles of Association") contain provision requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or their associates have a material interest and this provision has always been complied with.

Continuous Professional Development for Directors

During the year ended 31 December 2014, all of the then and current Directors participated in trainings relating to the corporate governance and Listing Rules organized by the Company’s Hong Kong legal advisor either in person or by way of telephone conference, and the Company has kept the relevant training records. On 4 April 2014, the newly appointed Directors, viz Mr. JIANG Feng and Mr. ZHOU Luming, attended a director’s training seminar conducted by the Company’s Hong Kong legal advisor as an introduction to the legal and regulatory regime for Hong Kong listed companies.

A summary of training received by the Directors for the year ended 31 December 2014 according to the records provided by the Directors is as follows:

Name of Director	Participated in continuous professional development[1]
Executive Directors:	
XIE Yuehui	√
ZHAO Yiwei Michael (resigned on 2 March 2015)	√
LIU Jianxiong (appointed as non-executive Director on 2 March 2015 and re-designated as executive Director on 27 March 2015)	N/A
Non-executive Directors:	
WU Jianhui	√
MARTHA Geoffrey Straub	√
LIDDICOAT John Randall (resigned on 27 March 2015)	√
MONAGHAN Shawn Del (appointed on 27 March 2015)	N/A
JIANG Feng (appointed on 1 April 2014)	√
Independent non-executive Directors:	
LIANG Hsien Tse Joseph	√
ZHANG Xingdong (resigned on 1 April 2014)	√
ZHOU Genshen	√
ZHOU Luming (appointed on 1 April 2014)	√

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant material.

Each of the newly appointed Directors, Mr. LIU Jianxiong and Mr. MONAGHAN Shawn Del, attended a director's training seminar conducted by the Company's Hong Kong legal advisor on 27 February 2015 and 24 March 2015 respectively.

Corporate Governance Functions

The Board had approved and adopted the updated Terms of Reference of the Board on Corporate Governance Functions with effect from 8 November 2013. For the year ended 31 December 2014, the Company has complied with code provision D.3.1 of the CG Code.

Chairman and Chief Executive Officer

During the year ended 31 December 2014, the Company has complied with the code provision A.2.1 of the CG Code that the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

Subsequent to the resignation of Mr. ZHAO Yiwei Michael as Chief Executive Officer with effect from 2 March 2015, Mr. XIE Yuehui, Chairman of the Board, has been appointed to act as the Chief Executive Officer. Accordingly, the roles of the Chairman of the Board and the Chief Executive Officer are performed by the same individual.

Although the dual roles of Chairman and Chief Executive Officer is a deviation from the code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. XIE Yuehui provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies.

Under the leadership of Mr. XIE Yuehui, the Board is responsible for the approval and supervision of the Group's general development strategy, the sanction of the annual budget and business plans, the consent of material investment projects related to the Group's business development, the evaluation of the Group's performance and the supervision of the work of the management, and ensures that the Board acts in the best interests of the Group, operates effectively and performs the necessary duties, as well as discuss all the significant and appropriate issues of the Company's business in a timely manner. All the Directors are entitled to propose the inclusion of any item in the agenda of the Board meeting for appropriate discussion. The Chairman will ensure all the Directors are provided with sufficient and reliable information in a timely manner required for necessary analysis based on their expertise.

As the Chief Executive Officer of the Company, Mr. XIE Yuehui has delegated sufficient authority for the operation and management of the Group's business to the senior management members, who shall be in-charge of the daily management of the Group in every aspect, including the consistent implementation of the Board's resolutions, and be accountable to the Chief Executive Officer for the operations of various aspects of the Group's business, while the Chief Executive Officer shall be accountable to the Board for the Group's operations as a whole.

Non-executive Directors and independent non-executive Directors

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. On 9 November 2014, the Company's independent non-executive Directors have been appointed for a term of three years. All of the Company's non-executive Directors and independent non-executive Directors in position as at 31 December 2014 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. The majority of 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

The Company has established an audit committee (the "Audit Committee") on 22 October 2011 in compliance with Rule 5.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange the ("GEM Listing Rules") and with updated written terms of reference adopted on 8 November 2013 in accordance with code provision C.3.3 of the CG Code. As at the date of this annual report, the Audit Committee is in compliance with Rules 3.21 to 3.23 of the Listing Rules and consists of three members, the majority of whom are independent non-executive Directors, namely, Mr. LIANG Hsien Tse Joseph, an independent non-executive Director with appropriate professional qualifications who serves as the chairman of the Audit Committee, Mr. WU Jianhui, non-executive Director and Mr. ZHOU Gengshen, independent non-executive Director.

The primary duties of the Audit Committee are set out in the updated terms of reference which include assisting the Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

During the year ended 31 December 2014, the Audit Committee held three meetings and performed the following duties:

(1) reviewed and commented on the Company's draft annual and interim financial results announcements;

(2) reviewed and commented on the Group's internal control measures; and

(3) met with the external auditors and participated in the re-appointment and assessment of the performance of the external auditors.

The particulars of the attendance of the Audit Committee are set forth as follows:

Name of the members of the Audit Committee	**Number of meetings attended/ convened**
Chairman:	
Mr. LIANG Hsien Tse Jospeh	3/3
Members:	
Mr. WU Jianhui	3/3
Mr. ZHOU Gengshen	3/3

The Group's annual audited results for the year ended 31 December 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results are complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") on 22 October 2011 in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules, with updated written terms of reference adopted on 8 November 2013 in accordance with code provision B.1.2 of the CG Code. As at the date of this annual report, the Remuneration Committee is in compliance with Rules 3.25 to 3.27 of the Listing Rules and consists of three members, the majority of whom are independent non-executive Directors. Mr. ZHOU Gengshen served as the chairman of the Remuneration Committee while Mr. LIANG Hsien Tse Joseph (independent non-executive Director) and Mr. MARTHA Geoffrey Straub (non-executive Director) served as members.

The primary duties of the Remuneration Committee are set out in its terms of reference which include (but without limitation): (i) making recommendations to the Directors on the 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 the grant of share options to eligible participants pursuant to the share option scheme adopted by the Company on 22 October 2011 (the "Share Option Scheme").

The Remuneration Committee held two meetings during the year ended 31 December 2014. The particulars of the attendance of the Remuneration Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings attended/ convened
Chairman:	
Mr. ZHOU Gengshen	2/2
Members:	
Mr. MARTHA Geoffrey Straub	2/2
Mr. LIANG Hsien Tse Jospeh	2/2

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") on 22 October 2011, with updated written terms of reference adopted on 8 November 2013 in accordance with code provision A.5.2 of the CG Code. As at the date of this annual report, the Nomination Committee consists of three members, the majority of whom were independent non-executive Directors, namely Mr. ZHOU Luming (independent non-executive Director) who served as the chairman of the Nomination Committee, Mr. XIE Yuehui (executive Director) and Mr. Mr. LIANG Hsien Tse Joseph (independent non-executive Director). On 1 April 2014, Mr. ZHANG Xingdong resigned as a member of the Nomination Committee, and Mr. ZHOU Luming was appointed as the chairman of the Nomination Committee. Accordingly, Mr. LIANG Hsien Tse Joseph ceased to be the chairman of the Nomination Committee but remained as a member.

The primary functions of the Nomination Committee are set out in its updated terms of reference which include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board on the appointment or re-appointment of Directors.

The Board has adopted a board diversity policy on 19 August 2013. The Company recognizes the benefits of having a diverse Board, and considers diversity at Board level is essential in achieving a sustainable and balance development. For recommending suitable candidates to the Board, the Nomination Committee will take into consideration merit of the candidates, including but not limit to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee held one meeting during the year ended 31 December 2014 to identify and make recommendations to the Board on the selection of individuals nominated for directorship, and considered the qualifications of the retiring Directors standing for re-election at the annual general meeting. The particulars of the attendance of the Nomination Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings attended/ convened
Chairman:	
Mr. ZHOU Luming	1/1
Members:	
Mr. XIE Yuehui	1/1
Mr. LIANG Hsien Tse Jospeh	1/1

The Nomination Committee has recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

REMUNERATION OF EXTERNAL AUDITOR

For the year ended 31 December 2014, the Group's external auditor, Deloitte Touche Tohmatsu, provided annual audit service and the Continuing Connected Transactions ("CCT") report service to the Group, and the total fees paid/payable in respect of annual audit service and CCT report service were RMB1.3 million and RMB0.02 million. There was no non-audit service provided in the year 2014,

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor. Such appointments, re-appointments and removals are subject to the approval of the Board and shareholders at the general meetings of the Company.

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 the maintenance of proper accounting books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

During the year ended 31 December 2014, 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, executive management and the Internal Compliance Coordinators.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2014, which give a true and fair view of the results and financial position of the Group. The Directors consider that in preparing financial statements, the Group ensures to meet statutory requirements and apply appropriate according policies that are consistently adopted and make judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

The Directors are responsible for ensuring that proper accounting records are kept so that the Group could prepare financial statements in accordance with statutory requirements and the Group's accounting policies. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities within the Group.

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.

COMPANY SECRETARY

Mr. LIU Jianxiong was appointed as the Company Secretary of the Company on 22 October 2011. Mr. LIU has over 22 years of experience in the accounting fields. During the year ended 31 December 2014, Mr. LIU undertook over 24 hours of relevant professional training to update his skills and knowledge in corporate governance and compliance issues. The biographical information of Mr. LIU is set out in the "Biographical Details of Directors and Senior Management" section in page 21 of this annual report.

SHAREHOLDERS' RIGHTS

Pursuant to article 12.3 of the Articles of Association, an extraordinary general meeting shall be convened on written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Expect where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

In relation to the proposal of a person for election as a Director, please refer to the procedures available on the website of the Company at www.lifetechmed.com.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at 31/F, 148 Electric Road, North Point, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company updates its shareholders on its latest business developments and financial performance through its annual and interim reports and notices, announcements and circulars. The 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.

ANNUAL GENERAL MEETING

The Company's annual general meeting is one of the principle channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committee together with the external auditor of the Company to attend the annual general meeting to answer shareholders' questions.

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is 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 39 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 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 2014.

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 the Listing, after deduction of related expenses, amounting 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 35.4%, or HK$55.5 million, to support our product offerings to enhance our research and development of new products.
- Approximately 54.9%, or HK$85.9 million, to expand our manufacturing facilities.
- Approximately 9.7%, 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 approximately HK$153.1 million, approximately 97.8% of the net proceeds to research and development, expansion of our sales network and acquisition. As at the date of this annual report, the remaining proceeds of approximately HK$3.5 million had been used in expanding our manufacturing facilities.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 128 of this annual report. The summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, sales to the Group's five largest customers accounted for approximately 21.9% of the Group's total sales and sales to the largest customer included therein amounting to approximately 8.2%.

The aggregate purchases during the year attributable to the Group's five largest suppliers were approximately 37.4% of the Group's total purchases and purchases from the largest supplier included therein amounting to approximately 10.3%.

None of the Directors, their associates or any shareholders (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 or suppliers of the Group.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year of 2014 are set out in Note 32 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2014, the Company's reserves available for distribution to its owners of the Company amounted to approximately RMB82.4 million (2013: RMB169.0 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2014 are set out in Note 15 to the consolidated financial statements in this annual report.

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 annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

DIRECTORS

The Directors during the year and up to the date of this Directors' report are as follows:

Executive Directors

XIE Yuehui *(Chairman and Chief Executive Officer)*
(appointed as Chief Executive Officer on 2 March 2015)
ZHAO Yiwei Michael *(Chief Executive Officer)* (resigned on 2 March 2015)
LIU Jiangxiong *(Chief Financial Officer and company secretary)* (appointed as non-executive Director on 2 March 2015 and re-designated as executive Director on 27 March 2015)

Non-executive Directors

WU Jianhui
MARTHA Geoffrey Straub
LIDDICOAT John Randall (resigned on 27 March 2015)
MONAGHAN Shawn Del (appointed on 27 March 2015)
JIANG Feng (appointed on 1 April 2014)

Independent Non-executive Directors

LIANG Hsien Tse Joseph
ZHANG Xingdong (resigned on 1 April 2014)
ZHOU Gengshen
ZHOU Luming (appointed on 1 April 2014)

Pursuant to article 16.2 of the Articles of Association, Mr. LIU Jianxiong and Mr. MONAGHAN Shawn Del, who were appointed by the Board as Directors on 27 March 2015, shall retire from office as Directors at the forthcoming annual general meeting and, being eligible, offers themselves for re-election at the annual general meeting.

Pursuant to the Articles of Association and code provision A.4.2 of the CG Code, 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 at each annual general meeting of the Company, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. All directors in office at the beginning of the forthcoming AGM will retire and, being eligible, offer themselves for re-election at such AGM.

Board and Senior Management

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

DIRECTOR'S SERVICE CONTRACTS

Mr. XIE Yuehui, executive Director and chairman of the Board 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 forthcoming not less than three months' notice in writing. On 10 November 2014, Mr. XIE Yuehui and the Company renewed the service contract which is subject to manual renewal every three years. Mr. LIU Jianxiong has been appointed as executive Director by way of a service contract with the Company for an initial term of three years commencing from 27 March 2015, which is subject to automatic renewal every three years.

Mr. WU Jianhui 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. Mr. MARTHA Geoffrey Straub has been appointed as a non-executive Director by way of a service contract with the Company for an initial term of three years commencing from 30 January 2013, and Mr. JIANG Feng has been appointed as a non-executive Director by way of a service contract with the Company for an initial term of three years commencing from 1 April 2014, all of which are 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. On 10 November 2014, Mr. WU Jianhui and the Company renewed the service contract which is subject to manual renewal every three years. Mr. MONAGHAN Shawn Del has been appointed as non-executive Director by way of a service contract with the Company for an initial term of three years commencing from 27 March 2015, which is subject to automatic renewal every three years.

Each of Mr. LIANG Hsien Tse Joseph and Mr. ZHOU Gengshen (independent non-executive Directors) has signed a service contract with the Company for an initial term of one year commencing from 10 November 2011, while Mr. ZHOU Luming has been appointed as the independent non-executive Director by way of a service contract with the Company for an initial term of one year commencing from 1 April 2014, all of which are 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. On 10 November 2014, the three independent non-executive Directors and the Company renewed the service contract respectively which is subject to manual renewal every three years.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

During the year ended 31 December 2014, the Remuneration Committee has reviewed the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Company, which are determined with reference to the Group's operating results, individual performance and comparable market practices.

The emoluments of the senior management of the Company were within the following bands:

	2014	2013
Total remuneration on individual basis		
Nil to RMB1,000,000	**2**	4
RMB1,000,001 to RMB2,000,000	**2**	1
RMB2,000,001 to RMB3,000,000	**2**	—

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with the highest emoluments are set out in Note 11 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

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 2014, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long positions in ordinary shares (without adjustment for the subdivision of each share in the Company into eight (8) subdivided shares effective from 12 January 2015) and underlying shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation *(Note 1)*	97,739,366	19.55%
WU Jianhui	Interest of controlled corporation *(Note 2)*	62,453,332	12.49%
ZHAO Yiwei Michael (resigned on 2 March 2015)	Interest of controlled corporation *(Note 3)*	13,583,333	2.72%

Note 1: These shares are held through Xianjian Advanced Technology Limited, a company wholly owned by Mr. XIE Yuehui, our chairman, executive Director and chief executive officer.

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

Note 3: These shares are held through St. Christopher Investment Ltd., a company wholly owned by Mr. ZHAO Yiwei Michael, the former chief executive officer and executive Director.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, 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 of the Company and its associated corporations" above, the interests and short positions of persons in the shares (without adjustment for the subdivision of each share in the Company into eight (8) subdivided shares effective from 12 January 2015) and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company, were as follows:

(a) Long positions in the Company

Name of Shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
Xianjian Advanced Technology Limited	97,739,366	Beneficial owner	19.55%
GE Asia Pacific Investments Ltd.	62,453,332	Beneficial owner	12.49%
Prosperity International *(Note 1)*	28,704,000	Beneficial owner	5.74%
Yi Xiqun *(Note 1)*	28,704,000	Interest of controlled corporation	5.74%
Yu Fan *(Note 1)*	28,704,000	Interest of controlled corporation	5.74%
Themes Investment Partners II, GP. L.P. *(Note 1)*	28,704,000	Interest of controlled corporation	5.74%
Themes Investment Partners II, L.P. *(Note 1)*	28,704,000	Interest of controlled corporation	5.74%
TIP II General Partner Limited *(Note 1)*	28,704,000	Interest of controlled corporation	5.74%
Ally Investment Holdings Limited *(Note 1)*	28,704,000	Interest of controlled corporation	5.74%
Wanhui Limited *(Note 1)*	28,704,000	Interest of controlled corporation	5.74%
Medtronic KL Holdings LLC *(Note 2)*	95,000,000	Beneficial owner	19.00%
Medtronic B.V. *(Note 2)*	95,000,000	Interest of controlled corporation	19.00%
Medtronic Holding Switzerland G.m.b.H. *(Note 2)*	95,000,000	Interest of controlled corporation	19.00%
Medtronic International Technology.Inc *(Note 2)*	95,000,000	Interest of controlled corporation	19.00%
Medtronic, Inc *(Note 2)*	95,000,000	Interest of controlled corporation	19.00%

Note 1: These Shares are held by Prosperity International, which is controlled by Themes Investment Partners II, L.P., which is managed by TIP II General Partner Limited and Themes Investment Partners II GP. L.P.. TIP II General Partner Limited is controlled by Wanhui Limited as to 54% and Ally Investment Holdings Limited as to 41%. Wanhui Limited is wholly-owned by Yi Xiqun and Ally Investment Holdings Limited is wholly-owned by Yu Fan.

Note 2: These Shares are held by Medtronic KL Holdings LLC, which is wholly-owned by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly-owned by Medtronic B.V.. Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which is controlled as to 90.33% by Medtronic, Inc.

(b) Derivative interests

Name of Shareholder	Number of underlying shares	Position	Capacity	Percentage of the Company's issued share capital
Prosperity International *(Note 1)*	24,900,000	Long	Beneficial owner	4.98%
Themes Investment Partners II GP. L.P. *(Note 1)*	24,900,000	Long	Interest of controlled corporation	4.98%
Themes Investment Partners II, L.P. *(Note 1)*	24,900,000	Long	Interest of controlled corporation	4.98%
TIP II General Partner Limited *(Note 1)*	24,900,000	Long	Interest of controlled corporation	4.98%
Yi Xiqun *(Note 1)*	24,900,000	Long	Interest of controlled corporation	4.98%
Yu Fan *(Note 1)*	24,900,000 24,900,000	Long	Interest of controlled corporation	4.98%
Ally Investment Holdings Limited *(Note 1)*	24,900,000	Long	Interest of controlled corporation	4.98%
Wanhui Limited *(Note 1)*	24,900,000	Long	Interest of controlled corporation	4.98%
Medtronic KL Holdings LLC *(Notes 2 and 3)*	378,571,429	Long	Beneficial owner	75.71%
Medtronic B.V. *(Notes 2 and 3)*	378,571,429	Long	Interest of controlled corporation	75.71%
Medtronic Holding Switzerland G.m.b.H. *(Notes 2 and 3)*	378,571,429	Long	Interest of controlled corporation	75.71%
Medtronic International Technology, Inc. *(Notes 2 and 3)*	378,571,429	Long	Interest of controlled corporation	75.71%
Medtronic, Inc. *(Notes 2 and 3)*	378,571,429	Long	Interest of controlled corporation	75.71%

Note 1: These Shares are held by Prosperity International, which is controlled by Themes Investment Partners II, L.P., which is managed by TIP II General Partner Limited and Themes Investment Partners II GP. L.P.. TIP II General Partner Limited is controlled by Wanhui Limited as to 54% and Ally Investment Holdings Limited as to 41%. Wanhui Limited is wholly-owned by Yi Xiqun and Ally Investment Holdings Limited is wholly-owned by Mr. Yu Fan.

Note 2: These Shares are held by Medtronic KL Holdings LLC, which is wholly-owned by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly-owned by Medtronic B.V.. Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which is controlled as to 90.33% by Medtronic, Inc.

Note 3: Capitalized terms used in this paragraph shall have the same meanings as those defined in the circular of the Company dated 6 January 2013. These shares are the underlying shares to be issued upon the full conversion of the First Tranche Convertible Notes and the Second Tranche Convertible Notes pursuant to the terms and conditions under the Investment Agreement dated 14 October 2012. Completion of the subscription of the First Tranche Convertible Notes at the principal amount of HK$152 million, which are convertible into 40,000,000 new shares at the conversion price of HK$3.80, took place on 30 January 2013. The convertible shares is adjusted from 40,000,000 to 320,000,000 and initial conversion price is adjusted from HK$3.80 to HK$0.475 as share subdivision of the Company became effective on 12 January 2015. As at the date of this annual report, the Company has not been notified by the noteholder of its intention to convert the First Tranche Convertible Notes, and the subscription of the Second Tranche Convertible Notes is pending to be completed.

Save as disclosed above, as at 31 December 2014, the Directors 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 positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares 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.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") on 22 October 2011.

1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to full-time or part-time employees, Directors (including executive, non-executive or independent non-executive) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of our Company and/or any of our subsidiaries (the "Eligible Participants") as incentives or rewards for their contribution to the growth of our Group and to provide our Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

2. **Life of the Share Option Scheme**

Subject to the fulfilment of the conditions of the Share Option Scheme and the earlier termination by Shareholders' resolution in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from 22 October 2011, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme

3. **Maximum number of Shares**

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group must not, in aggregate, exceed 10% of the issued share capital of our Company as at the Listing Date (the "Scheme Mandate Limit") (such 10% being equivalent to 50,000,000 Shares based on 500,000,000 Shares expected then to be in issue) unless Shareholders' approval has been obtained. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

4. **Maximum entitlement of each participant**

Unless approved by the Shareholders in the manner set out in the Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.

5. **Offer period and amount payable for options**

An offer of grant of an option shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the 22 October 2011 or after the Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

6. **Minimum period for which an option must be held before it can be exercised**

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

7. **Basis of determining the subscription price**

The subscription price for Shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall be at least the highest of

(i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;

(ii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option; and

(iii) the nominal value of a Share.

During the year ended 31 December 2014, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

DIRECTORS' INTERESTS IN CONTRACTS

On 26 September 2014, a cooperation agreement was entered into between Lifetech Shenzhen, Mr. XIE Yuehui and Mr. WU Jianhui (the "Contract Parties"), pursuant to which the Contract Parties agreed to jointly contribute capital for the construction of the building involving the total capital amount of RMB250 million, which is located at Lot T205-0008, Gaoxin South 1st Road, Nanshan Gaoxin District in Shenzhen, PRC. For further details, please refer to announcement of the Company dated 26 September 2014.

On 8 December 2014, a termination agreement was entered into between the Contract Parties, pursuant to which the Contract Parties agreed to terminate the cooperation agreement dated 26 September 2014. For further details, please refer to announcement of the Company dated 8 December 2014.

Mr. XIE Yuehui and Mr. WU Jianhui, being executive Director and non-executive Director respectively, has abstained from voting in respect of such resolutions of the Board for approving the cooperation agreement and the termination agreement.

Save for the above, the Directors have confirmed that so far as they are aware, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2014.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

As Medtronic is a substantial shareholder of the Company and hence a connected person (as defined in the Listing Rules) of the Company, the transactions as disclosed below constitute connected transaction or continuing connected transaction of the Company as defined under Chapter 14A of the Listing Rules.

On 14 October 2012, Medtronic entered into the Investment Agreement with the Company, pursuant to which Medtronic has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the First Tranche Convertible Notes in the principal amount of HK$152,000,000 and the Second Tranche Convertible Notes in the principal amount of HK$2,031,428,574, subject to the terms and conditions of the Investment Agreement.

The Company has also entered into the Distribution Agreement (entered into on 14 October 2012, supplemented on 5 January 2013, and a second supplemental distribution agreement on 13 June 2014), and the Services Agreement (entered into on 14 October 2012 and supplemented on 5 January 2013 and 24 January 2014) (both as defined in the circular of the Company dated 6 January 2013 and 18 March 2014) with Medtronic.

Distribution Agreements

The Distribution Agreements, which relate to the appointment of Medtronic as distributor, include the "Existing Distribution Agreements" entered into on 14 October 2012 and supplemented on 5 January 2013 among the Company, PerMed and Medtronic and the "Second Supplemental Distribution Agreement" entered into on 13 June 2014 among he Company, Lifetech Shenzhen and Medtronic.

The Distribution Agreement, shall be effective for five years from the First Tranche Completion Date or so long as Medtronic holds at least 15% of the share capital of the Company, whichever is longer. Thereafter, the Distribution Agreement shall, unless terminated pursuant to the terms of the Distribution Agreement or a six-month advance notice of non-renewal is served by either party, be automatically renewed for additional periods of not more than three years each.

Pursuant to the Existing Distribution Agreements, Beijing PerMed Biomedical Engineering Co., Ltd. ("PerMed") appointed Medtronic as the exclusive distributor of PerMed with the exclusive right to advertise, promote, market, distribute and sell products worldwide.

For the year ended 31 December 2014 and 31 December 2013, the transaction amounts under the Existing Distribution Agreements were nil, where the relevant annual cap were RMB39,690,000 and RMB813,000 respectively.

On 13 June 2014, the Company and Medtronic entered into a second supplemental distribution agreement ("Second Supplemental Distribution Agreement") which continues our partnership and expands both the scope and nature of the distribution capabilities. Pursuant to the agreement, the Company appoints Medtronic as (i) the exclusive distributor for all current and future occluder products developed by, manufactured by, licensed to, owned by or otherwise available to the Group and (ii) a non-exclusive distributor for all current and future accessory products developed by, manufactured by, licensed to, owned by or otherwise available to the Group in selected countries in Europe and the Middle East.

Upon the execution of the Second Supplemental Distribution Agreement, pursuant to the terms of the Existing Distribution Agreements and the Second Supplemental Distribution Agreement, the Company, PerMed and Lifetech Shenzhen assigned and delegated their rights and obligations in relation to the Supplemental Products under the Existing Distribution Agreements and the Second Supplemental Distribution Agreement to New Centre International Limited, a wholly-owned subsidiary of the Company on the same day. The rights and obligations under the Existing Distribution Agreements and the Second Supplemental Distribution Agreement to the Group, on a consolidated basis, remain unchanged. For further details, please refer to announcement of the Company dated 15 June 2014, the clarification announcement of the Company dated 12 August 2014 and the circular of the Company dated 21 August 2014.

For the year ended 31 December 2014, the transaction amount under the Second Supplemental Distribution Agreement was USD1,155,000, where the relevant annual cap was USD3,130,000.

Services Agreements

The Services Agreements involve an aggregate service fee of USD5.0 million and an additional fee of USD3.0 million pursuant to the second supplemental services agreement dated 24 January 2014, which was approved by independent shareholders in the extraordinary general meeting held on 3 April 2014, with term of two years from the First Tranche Completion Date. Pursuant to the Services Agreement, Medtronic will provide the Company with the services, which comprise, among other things, consultative services with respect to certain internal operations, quality systems and product development processes of the Company.

The Company shall pay to Medtronic, on a semi-annual basis, a royalty equal to 4% of the incremental sales revenue achieved by the Group, subject to a cumulative cap of RMB300,000,000 provided, however, that, in the event any person other than Medtronic holds an interest of 50% or more in the Shares in the Company, such cumulative cap shall be increased to RMB600,000,000. The Company' s obligation to pay the royalty shall terminate upon Medtronic holding more than 50% in the issued share capital of the Company on a fully-diluted basis.

The actual payment amount of service fee under the Services Agreement was RMB21,450,000 and USD3,000,000 for the year ended 31 December 2014, which did not exceed the relevant cap of RMB22,050,000 and the proposed annual cap for 2014 under the Second Supplemental Services Agreement of USD 3,000,000. For the year ended 31 December 2014, the royalty fee under the Services Agreement was approximately RMB4,048,000 (2013: approximately RMB1,982,000) and, as at 31 December 2014, the cumulative royalty fee under the Services Agreement was approximately RMB6,030,000, which did not exceed the relevant cumulative cap of RMB300,000,000.

New Transaction Agreements

To expand this alliance to include pacemaker and cardiac lead products to be manufactured and commercialized in China for the China market, the Company, by itself or through its affiliates, entered into the "New Transaction Agreements". Under the New Transaction Agreements, Medtronic and its affiliates will provide the Company or its affiliates with (i) licenses to know-how and other intellectual property; (ii) certain consulting services; (iii) certain equipment and components; (iv) manufacturing capabilities and (v) marketing, promotion and distribution in connection with certain implantable cardiac rhythm management products to be developed and manufactured by the Company at the Company's facility in Shenzhen, the PRC. For further details, please refer to the announcement of the Company dated 28 July 2014 and the supplemental announcement of the Company dated 7 August 2014.

As at the date of this annual report, the New Transaction Agreements are still in process of preparing circular and expecting approval from the Stock Exchange and shareholders of the Company.

Related party transaction

In 2014, the related party transactions as set out in the Note 37 to the consolidated financial statements in this annual report (other than the above-mentioned) are not "connected transactions" or "continuing connected transactions" of the Company. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

Annual reviewed

The independent non-executive Directors have reviewed the continuing connected transactions under the Distribution Agreements and the Services Agreements and they confirm that the transactions in 2014 were entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company, Deloitte Touche Tohmatsu, was engaged to report on the continuing connected transactions under the Distribution Agreements and the Services Agreements disclosed above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed the relevant matters stated in Rule 14A.56 of the Listing Rules and a copy of the relevant confirmation letter has been provided to the Board and the Stock Exchange.

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

During the year ended 31 December 2014, 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 2014 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 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.

In order to restrict competition activities with the Company, Mr. XIE Yuehui, Mr. WU Jianhui, Xianjian Advanced Technology Limited and GE Asia Pacific Investments Ltd. (collectively, the "Covenantors") have entered into a deed of non-competition in favour of the Company dated 22 October 2011 (the "Non-Competition Deed").

The undertakings and covenants stipulated under the Non-Competition Deed cover any business which involves the business of the Group as described in the Prospectus and any other business from time to time conducted by any member of the Group in Hong Kong, the PRC and such other parts of the world where by any of the Group carries on business from time to time.

In determining whether the Covenantors had fully complied with the non-competition undertakings during the year ended 31 December 2014 for the annual assessment, the Company noted that (a) the Covenantors declared that they had fully complied with the non-competition undertakings in the Non-Competition Deed as at 31 December 2014, (b) no new competing business was reported by the Covenantors as at 31 December 2014, (c) there was no particular situation rendering the full compliance of the non-competition undertakings being questionable, and (d) the independent non-executive Directors had reviewed the compliance of non-competition undertakings by the Covenantors as the part of the annual reviewed process.

In view of the above, the Company confirmed that all of the non-competition undertakings in the Non-Competition Deed have been complied with by the Covenantors for the year ended 31 December 2014, and the Directors were not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined under the Listing Rules) and the Covenantors 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 during the year ended 31 December 2014.

BANK BORROWINGS

The Group has no bank borrowings of the Group as at 31 December 2014 (2013: Nil).

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as rules governing the dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2014.

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.

AUDITOR

The consolidated financial statements in this annual report have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditor of the Company during the year ended 31 December 2014. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
XIE Yuehui
Chairman and Chief Executive Officer

30 March 2015

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 56 to 127, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 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 2014, and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards 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

30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	7	**282,679**	231,035
Cost of sales		**(52,544)**	(42,399)
Gross profit		**230,135**	188,636
Other income and other gains and losses	8	**(2,289)**	(48)
Selling and distribution expenses		**(69,083)**	(52,123)
Administration expenses		**(75,671)**	(63,221)
Research and development expenses		**(33,308)**	(31,039)
Operating profit		**49,784**	42,205
Finance income	9	**2,690**	4,037
Finance costs	9	**(11,245)**	(10,145)
Finance costs, net	9	**(8,555)**	(6,108)
Share of results of associates	20	**(1,458)**	(11,018)
Gain on disposal of an associate	20	**14,538**	—
Loss on disposal of a subsidiary		**—**	(806)
Net exchange gain on convertible notes and other financial asset	21&31	**869**	6,360
Fair value losses on convertible notes and other financial asset	21&31	**(104,635)**	(83,826)
Impairment loss on a deposit for acquisition of a long term investment	22(i)	**(18,354)**	—
Loss before tax	10	**(67,811)**	(53,193)
Income tax expense	12	**(12,921)**	(12,187)
Loss for the year		**(80,732)**	(65,380)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation foreign operations		**936**	671
Share of exchange gain (loss) of an associate		**54**	(54)
Other comprehensive income for the year		**990**	617
Total comprehensive expense for the year		**(79,742)**	(64,763)

	NOTE	2014 RMB'000	2013 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(81,244)**	(65,666)
Non-controlling interests		**512**	286
		(80,732)	(65,380)
Total comprehensive expense attributable to:			
Owners of the Company		**(80,254)**	(65,049)
Non-controlling interests		**512**	286
		(79,742)	(64,763)
Loss per share	14		
– Basic (RMB)		**(0.020)**	(0.016)
– Diluted (RMB)		**(0.020)**	(0.016)

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**55,434**	34,044
Investment properties	16	**1,693**	1,766
Intangible assets	17	**53,095**	31,757
Prepaid lease payments	18	**34,529**	35,800
Deposits for acquisition of property, plant and equipment		**5,795**	2,340
Deferred tax assets	19	**14,156**	17,350
Interests in associates	20	**1,109**	1,126
Other financial asset	21	**—**	—
Deposits for acquisition of long term investment/intangible asset	22	**12,600**	30,887
		178,411	155,070
Current assets			
Inventories	23	**30,860**	32,559
Trade receivables	24	**64,873**	49,166
Other receivables and prepayments	25	**25,114**	17,942
Loan receivable	26	**—**	32,000
Prepaid lease payments	18	**1,271**	1,271
Structured deposits	27	**9,440**	6,500
Bank balances and cash	28	**256,322**	225,468
		387,880	364,906
Current liabilities			
Trade and other payables	29	**51,407**	59,428
Tax payables		**14,106**	18,050
		65,513	77,478
Net current assets		**322,367**	287,428
Total assets less current liabilities		**500,778**	442,498
Non-current liabilities			
Government grants	30	**29,395**	18,192
Convertible notes	31	**78,483**	67,058
Conversion option derivative liability	31	**236,595**	121,201
		344,473	206,451
Net assets		**156,305**	236,047

	NOTE	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	32	**32**	32
Share premium and reserves		**151,232**	231,486
Equity attributable to owners of the Company		**151,264**	231,518
Non-controlling interests		**5,041**	4,529
Total equity		**156,305**	236,047

The consolidated financial statements on pages 56 to 127 were approved and authorised for issue by the board of directors on 30 March 2015 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	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 losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	32	251,593	792	19,244	(277)	32,531	(7,348)	296,567	4,243	300,810
Loss for the year	–	–	–	–	–	–	(65,666)	(65,666)	286	(65,380)
Other comprehensive income for the year	–	–	617	–	–	–	–	617	–	617
Total comprehensive income (expense) for the year	–	–	617	–	–	–	(65,666)	(65,049)	286	(64,763)
Realised on disposal of a subsidiary	–	–	–	(118)	(144)	–	262	–	–	–
Appropriations	–	–	–	9,858	–	–	(9,858)	–	–	–
At 31 December 2013	32	251,593	1,409	28,984	(421)	32,531	(82,610)	231,518	4,529	236,047
At 1 January 2014	32	251,593	1,409	28,984	(421)	32,531	(82,610)	231,518	4,529	236,047
Loss for the year	–	–	–	–	–	–	(81,244)	(81,244)	512	(80,732)
Other comprehensive income for the year	–	–	990	–	–	–	–	990	–	990
Total comprehensive income (expense) for the year	–	–	990	–	–	–	(81,244)	(80,254)	512	(79,742)
Appropriations	–	–	–	5,389	–	–	(5,389)	–	–	–
At 31 December 2014	**32**	**251,593**	**2,399**	**34,373**	**(421)**	**32,531**	**(169,243)**	**151,264**	**5,041**	**156,305**

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) Contribution reserve represents the difference between 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(67,811)**	(53,193)
Adjustments for:		
Depreciation of property, plant and equipment	**6,011**	5,789
Gain on disposal of property, plant and equipment	**—**	(15)
Amortisation of intangible assets	**1,223**	1,099
Depreciation of investment properties	**73**	73
Release of prepaid lease payments	**1,271**	1,059
Write-down on inventories	**6,849**	2,008
Impairment loss recognised on trade receivables, net	**178**	1,474
Impairment loss recognised on other receivables	**25**	—
Loss on disposal of a subsidiary	**—**	806
Government grants	**(4,809)**	(5,656)
Finance income	**(2,690)**	(4,037)
Finance costs	**11,245**	10,145
Share of results of associates	**1,458**	11,018
Gain on disposal of an associate	**(14,538)**	—
Net loss on other financial asset and convertible notes	**103,766**	77,466
Impairment loss on a deposit for acquisition of a long term investment	**18,354**	—
Operating cash flows before movements in working capital	**60,605**	48,036
Increase in inventories	**(5,150)**	(9,865)
Increase in trade receivables	**(24,628)**	(13,742)
Increase in other receivables and prepayments	**(8,034)**	(5,318)
Increase in trade and other payables	**8,623**	21,982
Increase in government grants received for operating activities	**1,782**	6,348
Cash generated from operations	**33,198**	47,441
Income taxes paid	**(13,671)**	(12,478)
NET CASH FROM OPERATING ACTIVITIES	**19,527**	34,963

	NOTE	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Interest received from bank deposits		**758**	2,040
Interest received from structured deposits		**620**	485
Interest received from loan receivable		**1,312**	1,512
Purchase of other financial asset		**—**	(17,214)
Proceeds from disposal of property, plant and equipment		**22**	259
Deposits paid for and purchase of property, plant and equipment		**(30,944)**	(14,273)
Payments for intangible assets		**(387)**	(116)
Purchases of prepaid lease payments		**—**	(38,130)
Deposits paid for acquisition of long term investment/intangible asset		**—**	(12,034)
Development costs paid		**(22,174)**	(15,595)
Government grants received for acquisition of plant and equipment		**7,500**	700
Loan advanced		**—**	(32,000)
Receipt of loan repayment		**32,000**	—
Structured deposits placed		**(80,280)**	(45,750)
Release of structured deposits		**77,340**	43,500
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed)		**—**	218
Proceeds from disposal of an associate	20	**24,624**	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**10,391**	(126,398)
FINANCING ACTIVITIES			
Net proceeds from issue of convertible notes		**—**	118,990
Bank borrowings raised		**—**	35,000
Repayments of bank borrowings		**—**	(35,000)
Interest paid		**—**	(1,128)
NET CASH FROM FINANCING ACTIVITIES		**—**	117,862
NET INCREASE IN CASH AND CASH EQUIVALENTS		**29,918**	26,427
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**225,468**	198,443
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**936**	598
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**256,322**	225,468

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 "HKSE") until 5 November 2013 when its shares were delisted from the Growth Enterprise Market of HKSE and listed on the Main Board of HKSE by way of transfer of listing. Its ultimate controlling shareholders are Mr. Xie Yuehui, Mr. Wu Jianhui and Medtronic, Inc. ("Medtronic"). A controlling shareholder, Mr. Xie Yuehui, is also the Chairman and Managing Director of the Company. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands, and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, 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 ("IFRSs")

Application of new and revised IFRSs

The Group has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board ("IASB") for the first time in the current year.

The application of the amendment to IFRSs and a new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

New and revised IFRSs issued but not yet effective – *continued*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at 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 reporting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 consolidated income statement. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to consolidated income statement. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

New and revised IFRSs issued but not yet effective – *continued*

IFRS 9 Financial Instruments – continued

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 HKSE and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of goods

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

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.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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 lease term.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing – *continued*

Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing financial statements of each individual group entity, 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange difference on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange difference on transactions entered into in order to hedge certain foreign currency risks (see the accounting polices below); and
- exchange difference on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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*

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 on a systematic and rational basis 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.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

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

Current tax

The tax currently payable is based on taxable profit or loss for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other 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

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 and associates, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative 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.

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.

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.

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 recognised in 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 profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets

Intangible assets acquired separately

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).

Internally-generated intangible assets - 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its investments in associates, tangible and intangible assets with finite useful lives 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 (or cash-generating unit) 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 years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets and financial liabilities are recognised 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified 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 IAS 39 "Financial Instruments: Recognition and Measurement" 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. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

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, loan receivable and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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.
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – *continued*

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 (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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 and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

Debt 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 entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Convertible notes

Convertible notes issued by the Company that contain both liability and conversion option components are classified separately into respective items on initial recognition. 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 is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

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.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The key assumptions 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.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Deposits for acquisition of long term investment/intangible asset

The directors of the Company have reviewed the Group’s deposits for acquisition of long term investment/intangible asset in the light of its capital investments, intention for strategic alliance partnership and liquidity requirements and have confirmed the Group’s positive intention and ability to invest in long term projects.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY – *continued*

Deposits for acquisition of long term investment/intangible asset – *continued*

The Group determines whether or not the deposits paid for long term investment/intangible asset for strategic alliance partnership to collaborate across incubation projects is impaired. Deposits paid to an independent third party are based on the agreed terms as stipulated in the relevant agreements. Impairment losses are recognised for the deposits where events or changes in circumstances indicate that the acquisition may not be completed or materialised by end of the agreements. The management has delegated a team responsible for monitoring progress of the acquisition to ensure proper investment projects are engaged and relevant due diligence works have been conducted in making sure the deposits will be materialised before expiry of the agreements. Whenever the recoverable amounts from the investment/intangible asset to be acquired is less than the carrying amounts of the deposits paid, impairment losses are recognised. During the year ended 31 December 2014, the management determines the recoverable amount of the deposit for acquisition of a long term investment is less than the carrying amount and, accordingly, the deposit for acquisition of the long term investment is fully impaired.

The carrying amounts of deposits for acquisition of long term investment/intangible asset at 31 December 2014 are RMB12,600,000 (2013: RMB30,887,000). Further details are set out in note 22.

Useful lives of internal-generated intangible assets

As at 31 December 2014, the carrying amount of the Group's internal-generated intangible assets with definite useful lives is RMB45,594,000 (2013: RMB28,045,000). The estimated useful lives of the assets reflect the directors' estimate of the periods over which the internal-generated intangible assets are expected to generate net cash flows for the Group based on certain assumptions of prevailing market conditions. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expenses and impairment losses in future years. Details of the intangible assets are set out in note 17.

Estimated impairment loss of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as 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 2014, the carrying amount of trade receivables of the Group, net of allowance for the doubtful debts, is RMB64,873,000 (2013: RMB49,166,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY – *continued*

Estimated useful lives and impairment 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 2014, the carrying amount of property, plant and equipment is RMB55,434,000 (2013: RMB34,044,000).

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 2014, the carrying amount of inventories of the Group is RMB30,860,000 (2013: RMB32,559,000).

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 prior year.

The capital structure of the Group consists of net debt, which includes convertible notes issued by the Company disclosed in note 31, net of cash and cash equivalents, and equity, comprising issued share capital and various 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

	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**332,772**	310,975
Designated at FVTPL - structured deposits	**9,440**	6,500
Financial liabilities		
Amortised cost	**120,031**	109,528
Conversion option derivative liability	**236,595**	121,201

6. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, loan receivable, structured deposits, bank balances and cash, trade and other payables and convertible notes (including both liability and derivative components). 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, trade and other payables and convertible notes (including both liability and derivative components) 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:

	2014 RMB'000	2013 RMB'000
Assets		
United States Dollars ("USD")	**67,621**	32,348
Euro ("EUR")	**15,793**	16,463
Hong Kong Dollars ("HKD")	**2,997**	6,216
India Rupees ("INR")	**11,554**	8,604
Liabilities		
USD	**1,002**	12,711
EUR	**1,298**	520
HKD	**315,078**	188,258
INR	**96**	370

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 a decrease (an increase) in loss for the year ended 31 December 2014 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 loss for the year.

	2014	2013
	RMB'000	RMB'000
USD		
Profit or loss	**(2,498)**	(736)
EUR		
Profit or loss	**(544)**	(598)
HKD		
Profit or loss	**11,703**	6,827
INR		
Profit or loss	**(430)**	(309)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure 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 and structured deposits. For structured deposits, interest varies depending on the movements of the RMB Benchmark Loan Rates issued by the People's Bank of China. As the bank balances interest rates and RMB Benchmark Loan Rates had limited fluctuations 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 due to short maturity of these financial instruments. Accordingly, no sensitivity analysis is presented for bank balances and structured deposits.

The Group's fair value interest rate risk relates primarily to its convertible notes (see note 31). The management will consider hedging significant interest rate exposure should the needs arise.

Credit risk

As at 31 December 2014, 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 debt 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 45% (2013: 31%) of the total trade receivables was due from the Group's five largest customers within the congenital heart diseases and peripheral vascular diseases business segments. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 47% (2013: 61%) of the total debtors as at 31 December 2014.

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.

The following table details the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The table has 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 maturity dates for convertible notes are based on the agreed repayment date.

The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

Liquidity and interest risk tables

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1year RMB'000	1-5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	—	7,493	31,263	2,792	—	41,548	41,548
Convertible notes	16.64%	—	—	—	126,030	126,030	78,483
		7,493	31,263	2,792	126,030	167,578	120,031
Derivatives financial liability							
Conversion option derivative liability	—	236,595	—	—	—	236,595	236,595

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	3 months to 1year RMB'000	1-5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2013							
Non-derivative financial liabilities							
Trade and other payables	—	1,687	27,644	13,139	—	42,470	42,470
Convertible notes	16.64%	—	—	—	125,598	125,598	67,058
		1,687	27,644	13,139	125,598	168,068	109,528
Derivatives financial liability							
Conversion option derivative liability	—	121,201	—	—	—	121,201	121,201

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

6. FINANCIAL INSTRUMENTS – *continued*

(c) Fair value measurements of financial instruments – *continued*

Financial assets/ financial liability	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2014 RMB'000	31 December 2013 RMB'000				
Financial assets						
Structured deposits (classified as financial asset in the statement of financial position)	**9,440**	6,500	Level 2	Discounted cash flow. Market price of underlying financial instruments, including listed shares and debentures.	N/A	N/A
Private equity convertible notes (classified as FVTPL in the statement of financial position)	**—**	—	Level 3 (Note i)	Liquidation value basis. Liquidation value is the net amount that would be realised if the business is terminated and the assets are sold. The key inputs are the residual amounts of the issuer.	N/A	N/A
Financial liability						
Conversion option derivative liability (classified as financial liability in the statement of financial position)	**236,595**	121,201	Level 3 (Note i)	The Binomial Option Pricing Model. The key inputs are risk free rate for the yields to maturity of respective Hong Kong Exchange Fund Note and volatility of the share price from the comparable companies.	Volatility (Note ii)	The higher the volatility, the higher the fair value.

Notes:

(i) Details of reconciliation of level 3 fair value measurement of private equity convertible notes and conversion option of derivative liability are set out in notes 21 and 31, respectively. There were no transfers between the different levels of the fair value hierarchy for the year.

(ii) If the volatility to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the conversion option derivative liability would increase/decrease by RMB3,569,000 and RMB458,000 respectively.

6. FINANCIAL INSTRUMENTS – *continued*

(c) Fair value measurements of financial instruments – *continued*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments in the year.

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 executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating segments under IFRS 8 are 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 2014

	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	137,259	145,408	12	282,679
Segment profit (loss)	110,154	123,947	(3,966)	230,135
Unallocated income				
- Finance income				2,690
- Net exchange gain on convertible note and other financial asset				869
- Share of results of associates				(1,458)
- Gain on disposal of an associate				14,538
Unallocated expense				
- Other income and other gains and losses				(2,289)
- Selling and distribution expenses				(69,083)
- Administration expenses				(75,671)
- Research and development expenses				(33,308)
- Finance costs				(11,245)
- Fair value losses on convertible notes and other financial asset				(104,635)
- Impairment loss on a deposit for acquisition of a long term investment				(18,354)
Loss before tax				(67,811)

7. SEGMENT INFORMATION – *continued*

(a) Segment revenue and results – *continued*

For the year ended 31 December 2013

	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	120,600	110,215	220	231,035
Segment profit (loss)	96,065	92,800	(229)	188,636
Unallocated income				
- Finance income				4,037
- Net exchange gain on other financial asset and convertible notes				6,360
Unallocated expense				
- Other income and other gains and losses				(48)
- Selling and distribution expenses				(52,123)
- Administration expenses				(63,221)
- Research and development expenses				(31,039)
- Finance costs				(10,145)
- Loss on disposal of a subsidiary				(806)
- Share of loss of associates				(11,018)
- Fair value losses on other financial asset and convertible notes				(83,826)
Loss before tax				(53,193)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the gross profit (loss) earned (incurred) by each segment without allocation of all other items of income and expenses, as set out above. This is the measure reported to the chief operating decision maker, the executive directors 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

	2014 RMB'000	2013 RMB'000
Operating segments:		
Congenital heart diseases business	**141,139**	102,557
Peripheral vascular diseases business	**123,389**	94,625
Surgical vascular repair business	**5,392**	4,816
Total segment assets	**269,920**	201,998
Unallocated assets		
Property, plant and equipment	**1,030**	544
Investment properties	**1,693**	1,766
Deferred tax assets	**14,156**	17,350
Interests in associates	**1,109**	1,126
Deposits for acquisition of long term investment/intangible asset	**12,600**	30,887
Other receivables and prepayments	**21**	2,337
Loan receivable	**—**	32,000
Structured deposits	**9,440**	6,500
Bank balances and cash	**256,322**	225,468
Consolidated assets	**566,291**	519,976

7. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities – *continued*

Segment liabilities

	2014	2013
	RMB'000	RMB'000
Operating segments:		
Congenital heart diseases business	**2,270**	1,778
Peripheral vascular diseases business	**3,350**	1,922
Surgical vascular repair business	**8**	133
Total segment liabilities	**5,628**	3,833
Unallocated liabilities		
Other payables	**41,915**	45,001
Tax payables	**14,106**	18,050
Government grants	**33,259**	28,786
Convertible notes	**78,483**	67,058
Conversion option derivative liability	**236,595**	121,201
Consolidated liabilities	**409,986**	283,929

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 properties, certain other receivables and prepayments, loan receivable, contain property, plant and equipment, interests in associates and deposits for acquisition of long term investment/intangible asset, and
- only trade payables are allocated to operating segments in arriving at segment liabilities, which therefore exclude government grants (include current portion under other payables and non-current portion), tax payables, other payables, convertible notes and conversion option derivative liability.

7. SEGMENT INFORMATION – *continued*

(c) Other segment information

For the year ended 31 December 2014

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Unallocated RMB'000	`Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	25,702	27,228	2	573	53,505
Depreciation of property, plant and equipment	2,876	3,047	—	88	6,011
Amortisation of intangible assets	594	629	—	—	1,223
Write-down on inventories	3,326	3,523	—	—	6,849

For the year ended 31 December 2013

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Unallocated RMB'000	`Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	35,268	32,230	64	552	68,114
Depreciation of property, plant and equipment	3,018	2,758	5	8	5,789
Amortisation of intangible assets	574	524	1	—	1,099
Write-down on inventories	1,048	958	2	—	2,008

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets, prepaid lease payments and deposits for property, plant and equipment.

7. SEGMENT INFORMATION – *continued*

(d) Geographical information

The Group operates in three principal geographical areas including the PRC, Europe 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (country of domicile)	**197,520**	163,422	**149,325**	104,962
Europe	**25,754**	18,105	**545**	—
India	**20,672**	18,756	**177**	194
Asia, excluding PRC and India	**21,394**	16,634	**—**	—
South America	**14,395**	10,936	**—**	—
Africa	**1,444**	1,214	**—**	—
Others	**1,500**	1,968	**499**	551
Total	**282,679**	231,035	**150,546**	105,707

Note: Non-current assets excluded deferred tax assets, interests in associates and deposits for acquisition of long term investment/intangible asset.

(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 2014 and 2013.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Government grants (note 30)	**4,809**	5,656
Rental income	**1,032**	1,203
Gain on disposal of property, plant and equipment	**—**	15
Net foreign exchange loss	**(7,865)**	(6,456)
Others	**(265)**	(466)
	(2,289)	(48)

9. FINANCE INCOME AND COSTS

	2014 RMB'000	2013 RMB'000
Finance income from:		
Interest income on bank deposits	**758**	2,040
Interest income on structured deposits	**620**	485
Interest income on loan receivable	**1,312**	1,512
Finance income	**2,690**	4,037
Interest expense on:		
Interest expense on bank borrowings	**—**	(1,128)
Effective interest expense on convertible notes (note 31)	**(11,245)**	(9,017)
Financial costs	**(11,245)**	(10,145)
Financial costs, net	**(8,555)**	(6,108)

10. LOSS BEFORE TAX

	2014 RMB'000	2013 RMB'000
Loss before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note 11)		
Directors' fee	**198**	180
Salaries, wages and other benefits	**63,169**	51,685
Performance related bonus	**9,897**	5,401
Retirement benefits scheme contributions	**4,994**	3,982
Less: capitalised in development costs	**(8,257)**	(6,736)
	70,001	54,512
Auditor's remuneration	**1,503**	1,980
Impairment loss on trade receivables, net	**178**	1,474
Impairment loss on other receivables	**25**	—
Impairment loss on a deposit for acquisition of a long term investment	**18,354**	—
Cost of inventories recognised as expenses (Note)	**52,544**	42,399
Depreciation of property, plant and equipment	**6,011**	5,789
Depreciation of investment properties	**73**	73
Amortisation of intangible assets	**1,223**	1,099
Release of prepaid lease payments	**1,271**	1,059
Gross rental income from investment properties	**(1,032)**	(1,203)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**73**	73
	(959)	(1,130)

Note: For the year ended 31 December 2014, cost of inventories recognised as expenses included write-down on inventories of RMB6,849,000 (2013: RMB2,008,000).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 10 (2013: 10) directors and the chief executive were as follows:

For the year ended 31 December 2014

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Incentive performance bonus RMB'000	Total RMB'000
Executive Directors:					
Mr. Xie Yuehui	—	548	39	44	631
Mr. Zhao Yiwei (Note (i))	—	755	—	594	1,349
Non-Executive Directors:					
Mr. Wu Jianhui	—	—	—	—	—
Mr. Liang Xianzhi	66	—	—	—	66
Mr. Zhang Xingdong (Note (ii))	15	—	—	—	15
Mr. Zhou Gengshen	66	—	—	—	66
Mr. Martha Geoffrey Straub	—	—	—	—	—
Mr. Liddicoat John Randall	—	—	—	—	—
Mr. Jiang Feng (Note (iii))	—	—	—	—	—
Mr. Zhou Luming (Note (iii))	51	—	—	—	51
	198	1,303	39	638	2,178

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

For the year ended 31 December 2013

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Incentive performance bonus RMB'000	Total RMB'000
Executive Directors:					
Mr. Xie Yuehui	—	480	36	40	556
Mr. Zhao Yiwei (Note (i))	—	682	—	—	682
Non-Executive Directors:					
Ms. Cong Ning (Note (iv))	—	—	—	—	—
Mr. Li Gabriel (Note (iv))	—	—	—	—	—
Mr. Wu Jianhui	—	—	—	—	—
Mr. Liang Xianzhi	60	—	—	—	60
Mr. Zhang Xingdong	60	—	—	—	60
Mr. Zhou Gengshen	60	—	—	—	60
Mr. Martha Geoffrey Straub	—	—	—	—	—
Mr. Liddicoat John Randall	—	—	—	—	—
	180	1,162	36	40	1,418

Notes:

(i) Mr. Zhao Yiwei was the Chief Executive Officer ("CEO") of the Company and his emoluments disclosed above include those for services rendered by him as the CEO. On 2 March 2015, Mr. Zhao Yiwei resigned as an executive director, the CEO and other positions of the Group.

(ii) Mr. Zhang Xingdong resigned as non-executive directors on 1 April 2014.

(iii) Mr. Jiang Feng and Mr. Zhou Luming were appointed as non-executive directors on 1 April 2014.

(iv) Ms. Cong Ning and Mr. Li Gabriel resigned as non-executive directors on 22 January 2013.

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

Of the five individuals with the highest emoluments in the Group, one (2013: nil) director and the chief executive of the Company whose emolument is included above. The emoluments of the four (2013: five) individuals were as follows:

	2014 **RMB'000**	2013 RMB'000
Employees		
- salaries and other benefits	**3,647**	4,229
- performance related bonus	**4,972**	627
- contributions to retirement benefits scheme	**119**	129
	8,738	4,985

Their emoluments were within the following bands:

	2014 **Number of employees**	2013 Number of employees
HKD1,000,001 to HKD1,500,000	**—**	4
HKD1,500,001 to HKD2,000,000	**1**	1
HKD2,000,001 to HKD2,500,000	**1**	—
HKD2,500,001 to HKD3,000,000	**—**	—
HKD3,000,001 to HKD3,500,000	**2**	—
	4	5

For each of the two years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors and the chief executive 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 nor the chief executive waived any emoluments for any of the two years ended 31 December 2014 and 2013.

12. INCOME TAX EXPENSE

	2014 **RMB'000**	2013 RMB'000
Current tax charge (credit):		
PRC Enterprise Income Tax ("PRC EIT")	**9,727**	22,770
Overprovision in prior years	**—**	(2)
Deferred tax credit (note 19):		
Current year	**3,194**	(10,581)
	12,921	12,187

12. 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, a subsidiary of the Company, is subject to Hong Kong Profits Tax rate of 16.5% on assessable profits earned in 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 two major operating subsidiaries in the PRC were qualified as High and New Technology Enterprises since 2009, and are entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprises is subject to review once every three years and the two major operating subsidiaries continued to be recognised as a hi-tech enterprise for the years ended 31 December 2014 and 2013.

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2014 **RMB'000**	2013 RMB'000
Loss before tax	**(67,811)**	(53,193)
Tax at the applicable tax rate of 25% (2013: 25%) (Note)	**(16,953)**	(13,298)
Tax effect of share of result of an associate	**365**	2,755
Tax effect of expenses not deductible for tax purpose	**26,388**	33,570
Tax effect of tax losses not recognised	**14,434**	1,923
Tax effect of additional deductible research and development expenditure	**(2,350)**	(1,136)
Tax effect of income not taxable for tax purpose	**(3,635)**	—
Overprovision in prior years	**—**	(2)
Effect of income under tax concessions	**(5,328)**	(11,625)
Income tax expense for the year	**12,921**	12,187

Note: The tax rate of 25% represents the prevail income tax rate of the subsidiary in the PRC which constitute the substantial part of the Group's operations for the years ended 31 December 2014 and 2013.

13. DIVIDENDS

No final dividend was paid or proposed during the years ended 31 December 2014 and 2013, nor any dividend proposed since the end of the reporting period.

14. LOSS PER SHARE

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

	2014	2013
	RMB'000	RMB'000
Loss:		
Loss for the purpose of basic earnings per share	**81,244**	65,666

	2014	2013
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,000,000**	4,000,000

The computations of diluted loss per share for the year ended 31 December 2014 and 2013 do not assume the conversion of convertible notes because the conversion of convertible notes would result in decrease in loss per share.

The calculation of the basic and diluted loss per share for the year ended 31 December 2014 and 2013 have been adjusted as a result of the share subdivision effective on 12 January 2015 (note 40).

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2013	250	30,154	8,769	5,349	3,829	48,351
Exchange realignment	—	(27)	—	(77)	—	(104)
Additions	4,241	4,158	1,560	2,312	1,054	13,325
Transfer	(241)	241	—	—	—	—
Disposals	—	—	(1,205)	(61)	(58)	(1,324)
Disposal of a subsidiary	—	—	(188)	(9)	—	(197)
At 31 December 2013	4,250	34,526	8,936	7,514	4,825	60,051
Exchange realignment	—	(12)	—	(11)	(58)	(81)
Additions	20,010	3,246	1,264	2,031	938	27,489
Disposals	—	(33)	(168)	(31)	—	(232)
At 31 December 2014	**24,260**	**37,727**	**10,032**	**9,503**	**5,705**	**87,227**
ACCUMULATED DEPRECIATION						
At 1 January 2013	—	12,130	5,702	2,594	1,095	21,521
Exchange realignment	—	(8)	—	(23)	—	(31)
Provided for the year	—	2,803	1,574	973	439	5,789
Eliminated on disposals	—	—	(977)	(45)	(58)	(1,080)
Disposal of a subsidiary	—	—	(188)	(4)	—	(192)
At 31 December 2013	—	14,925	6,111	3,495	1,476	26,007
Exchange realignment	—	(4)	—	(7)	(4)	(15)
Provided for the year	—	3,068	1,112	1,340	491	6,011
Eliminated on disposals	—	(25)	(158)	(27)	—	(210)
At 31 December 2014	**—**	**17,964**	**7,065**	**4,801**	**1,963**	**31,793**
CARRYING VALUES						
At 31 December 2014	**24,260**	**19,763**	**2,967**	**4,702**	**3,742**	**55,434**
At 31 December 2013	4,250	19,601	2,825	4,019	3,349	34,044

15. 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:

Plant and machinery	10% - 20%
Leasehold improvement	20% - 33.3%
Furniture, fixtures and equipment	20%
Motor vehicles	10%

16. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2013, 31 December 2013 and 2014	2,601
DEPRECIATION	
At 1 January 2013	762
Provided for the year	73
At 31 December 2013	835
Provided for the year	73
At 31 December 2014	908
CARRYING VALUES	
At 31 December 2014	1,693
At 31 December 2013	1,766

The estimated fair value of the Group's investment properties at 31 December 2014 was RMB25,290,000 (2013: RMB29,162,000). The estimated fair value has been arrived at on the basis of a valuation carried out on the respective dates by 深圳市中天和資產評估有限公司, an independent qualified professional valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use and the fair value measurements for all of the Group's properties are categorised as Level 3 (see note 3 for details). There has been no change from the valuation technique used in the prior year.

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

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

17. INTANGIBLE ASSETS

	Patents	Licences	Computer software	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2013	4,420	5,631	1,341	12,450	23,842
Additions	—	—	116	15,595	15,711
At 31 December 2013	4,420	5,631	1,457	28,045	39,553
Additions	—	—	387	22,174	22,561
Transfer	4,625	—	—	(4,625)	—
At 31 December 2014	**9,045**	**5,631**	**1,844**	**45,594**	**62,114**
ACCUMULATED AMORTISATION					
At 1 January 2013	2,489	4,035	173	—	6,697
Provided for the year	553	303	243	—	1,099
At 31 December 2013	3,042	4,338	416	—	7,796
Provided for the year	682	303	238	—	1,223
At 31 December 2014	**3,724**	**4,641**	**654**	**—**	**9,019**
CARRYING VALUES					
At 31 December 2014	**5,321**	**990**	**1,190**	**45,594**	**53,095**
At 31 December 2013	1,378	1,293	1,041	28,045	31,757

The intangible assets are amortised on a straight-line basis over the estimated useful lives:

Patent	8 - 10 years
Licences	8 - 10 years
Computer software	3 - 10 years

All of the Group's computer software was acquired from third parties. Licences and certain of the above patents were purchased as part of a business combination in prior years. During the year ended 31 December 2014, RMB4,625,000 (2013: nil) patents was internally generated.

Development costs are internally generated. The development costs represent design, development, production of certain congenital heart diseases and peripheral vascular diseases products. The estimated useful lives of these projects are determined based on expected period of time to generate probable future economic benefits for the Group from the projects.

18. PREPAID LEASE PAYMENTS

	2014 **RMB'000**	2013 RMB'000
Analysed for reporting purposes as:		
Current asset	**1,271**	1,271
Non-current asset	**34,529**	35,800
	35,800	37,071

The Group's prepaid lease payments represent payment for land use rights in the PRC which are held under medium-term leases.

19. DEFERRED TAXATION ASSETS

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

	Government grant RMB'000	**Impairment loss on trade receivables** RMB'000	**Impairment loss on inventories** RMB'000	**Unrealised profit on inventories** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2013	3,992	260	347	2,170	—	6,769
Credit to profit or loss	208	221	4	10,148	—	10,581
At 31 December 2013 and 1 January 2014	4,200	481	351	12,318	—	17,350
Credit (charge) to profit or loss	827	23	(273)	(4,694)	923	(3,194)
At 31 December 2014	**5,027**	**504**	**78**	**7,624**	**923**	**14,156**

At the end of the reporting period, the Group has unused tax losses of approximately RMB77,240,000 (2013: RMB21,479,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are approximately RMB52,316,000 (2013: RMB2,428,000) that may be carried forward indefinitely. The remaining unrecognised tax losses are approximately RMB24,924,000 (2013: RMB19,051,000) that will be expired as followings:

	2014 **RMB'000**	2013 RMB'000
Unrecognised tax losses with expiry in:		
2014	**—**	1,971
2015	**2,417**	2,417
2016	**4,089**	4,089
2017	**4,060**	4,060
2018	**6,514**	6,514
2019	**7,844**	—
	24,924	19,051

19. DEFERRED TAXATION ASSETS – *continued*

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 RMB274,286,000 (2013: RMB224,780,000). 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.

20. INTERESTS IN ASSOCIATES

	2014	2013
	RMB'000	RMB'000
Cost of investments, unlisted	**1,126**	22,686
Share of post-acquisition reserves	**(17)**	(21,560)
	1,109	1,126

Details of each of the Group's associates at the end of the reporting periods are as follows:

Name of entity	Proportion of Ownership interest and voting rights held by the Group		Place of establishment/ operation	Share capital	Principal activity
	2014	2013			
Broncus Holding Corporation ("Broncus") (Note)	**—**	40%	Cayman Islands/ United States of America	USD1,000	Investment holding and developing and commercialising solutions for diagnosing and treating lung diseases
Shenzhen EnKe Medical Technology Co., Ltd. ("Enke Medical") 深圳市恩科醫療科技有限公司	**49%**	49%	The PRC	RMB1,000,000	Trading of medical devices

All the above associates are accounted for using the equity method in these consolidated financial statements. The financial information of the Group's associates is prepared using uniform accounting policies in conformity with the accounting policies adopted by the Group.

20. INTERESTS IN ASSOCIATES – *continued*

Information of an associate that is not individually material as below:

Broncus

	2013 RMB'000
Current assets	4,001
Non-current assets	48,811
Current liabilities	(7,564)
Non-current liabilities	(67,130)

	2014 RMB'000 (Up to disposal date)	2013 RMB'000
Revenue	**2,227**	4,243
Loss and total comprehensive expense for the period/year	**(19,366)**	(50,377)

The unrecognised share of loss of Broncus is as follows:

	2013 RMB'000
The unrecognised share of loss for the year	(8,961)
Cumulative unrecognised share of loss	(8,961)

Information of an associate that is not individually material as below:

Enke Medical

	2014 RMB'000	2013 RMB'000
The Group's share of profit income of Enke Medical	**318**	118
The Group's share of other comprehensive income of Enke Medical	**—**	—
The Group's share of total comprehensive Income of Enke Medical	**318**	118
Carrying amount of the Group's interest in Enke Medical	**1,109**	1,126

20. INTERESTS IN ASSOCIATES – *continued*

Note: On 23 May 2014, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Group disposed of all the equity shares in Broncus with cash proceeds of USD4,000,000 (equivalent to RMB24,624,000) (the "Disposal"). Upon the completion of the Disposal, the Group lost significant influence over Broncus.

	2014 RMB'000
Cash proceeds	24,624
Less: – carrying amount of investment cost of Broncus upon Note Contribution (as defined in note 21)	(11,808)
– share of loss of Broncus from Note Contribution to completion of the Disposal	1,776
– reclassification of cumulative translation reserve upon disposal of Broncus to profit or loss	(54)
Gain on disposal of Broncus	14,538

21. OTHER FINANCIAL ASSET

On 16 September 2013, the Company entered into the secured convertible note purchase agreement (the "Purchase Agreement") with Broncus Medical, a wholly-owned subsidiary of Broncus, for the purchase of convertible notes of Broncus Medical in the principal amount of USD2,800,000 (equivalent to RMB17,214,000).

The financial asset of private equity convertible notes purchased above was designated at FVTPL at a purchase price which was higher than the fair value at inception at that date using a valuation technique and resulted in a loss on fair value of RMB13,443,000 on initial recognition of the private equity convertible notes.

On 23 May 2014, the noteholders, Broncus and Broncus Medical entered into a note restructuring agreement pursuant to which the noteholders contributed, transferred and assigned all their rights and obligation as the holder of the notes to Broncus, and Broncus accepted the notes and assumed the rights and obligations thereunder as the holder thereof (the "Note Contribution"). Broncus Medical consented to the Note Contribution.

Upon and concurrently with the Note Contribution, Broncus issues to each noteholder or their designated affiliate Broncus shares at US$0.83 per share. On the same date, the Company and the purchaser entered into a share purchase agreement pursuant to which the Company disposed of all the equity shares in Broncus with cash proceeds of USD4,000,000 (equivalent to RMB24,624,000) (note 20). As at 31 December 2014, the Company had no interest in Broncus.

21. OTHER FINANCIAL ASSET – *continued*

The movement of the financial assets designated as at FVTPL during current and prior year is set out as below:

	RMB'000
At initial recognition	3,771
Exchange realignment	(143)
Fair value loss	(3,628)
At 31 December 2013	—
Fair value gain upon the Note Contribution	11,808
Transferred to interests in associates (note 20)	(11,808)
At 31 December 2014	—

22. DEPOSITS FOR ACQUISITION OF LONG TERM INVESTMENT/INANGIBLE ASSET

(i) The Group entered into a strategic partnership agreement with an independent third party, which manages and operates an investment fund, on 12 April 2012, to enter into a long-term strategic alliance and equal partnership to collaborate across incubation projects over the period up to 12 April 2014. Deposit for acquisition of long term investment represents the consideration of USD3,000,000 paid by the Group for the acquisition of options, on a priority basis, to invest or co-invest in any and/or all incubation projects and to acquire distribution rights, manufacturing rights and intellectual property licenses with respect to the incubation projects. The Group has the right to join and be a member of the investment committee of the investment fund. Further, the Group has the rights to request for all or a portion of the deposit to be converted to one or more incubation projects investments. The deposit is non-refundable. On 10 April 2014, the Group entered into a supplementary agreement to the strategic partnership agreement to extend the project period from 12 April 2014 to 12 September 2014. During the year ended 31 December 2014, the management determines the recoverable amount of the deposit for acquisition of the long term investment is less than the carrying amount and, accordingly, the deposit for acquisition of the long term investment is fully impaired. As at 31 December 2013, none of the deposit monies have been used by the investment fund on any incubation projects yet.

(ii) As at 31 December 2014, the deposits also include a deposit for acquisition of intangible asset of RMB12,600,000. On 28 March 2013, the Group advanced RMB12,600,000 to the same independent third party in order to obtain the priority for acquiring the exclusive distribution right to sell the designated products in the event of the successful of application of licenses of the designated products within a predetermined period as defined in the agreement over the period up to 27 March 2016. The deposit is refundable subject to the occurrence of specific events as defined in the agreement signed between the Company and the independent third party.

23. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**15,263**	16,536
Work in progress	**2,459**	4,583
Finished goods	**13,138**	11,440
	30,860	32,559

24. TRADE RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**68,229**	52,381
Less: allowance for doubtful debts	**(3,356)**	(3,215)
	64,873	49,166

Included in trade receivables are trade balances with a shareholder of RMB7,069,000 (2013: nil) and an associate of RMB2,009,000 (2013: nil). Details of the relevant transactions are set out in note 37(a).

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, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2014 RMB'000	2013 RMB'000
1 to 90 days	**51,207**	41,569
91 to 180 days	**5,308**	5,667
181 to 365 days	**4,816**	1,421
Over 365 days	**3,542**	509
	64,873	49,166

24. TRADE RECEIVABLES – *continued*

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 regularly.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately RMB13,241,000 (2013: RMB11,572,000) 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

	2014	2013
	RMB'000	RMB'000
Age:		
Within 90 days	**4,751**	6,985
91 - 180 days	**4,491**	2,911
181 - 365 days	**3,760**	1,367
Over 365 days	**239**	309
	13,241	11,572

Movement in the allowance for doubtful debts

	2014	2013
	RMB'000	RMB'000
At 1 January	**3,215**	1,741
Impairment losses recognised on receivables	**178**	1,484
Amount written off during the year as uncollectible	**(37)**	—
Impairment losses reversed	**—**	(10)
At 31 December	**3,356**	3,215

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,356,000 (2013: RMB3,215,000) of which the debtors were in financial difficulties.

25. OTHER RECEIVABLES AND PREPAYMENTS

	2014 RMB'000	2013 RMB'000
Other debtors (Note)	12,206	4,970
Less: allowance for doubtful debts	(629)	(629)
	11,577	4,341
Prepayments	6,057	5,162
Other tax recoverable	825	561
Advance to employees	4,838	6,214
Rental deposits	1,378	1,309
Other deposits	439	355
	25,114	17,942

Movement in the allowance for doubtful debts

	2014 RMB'000	2013 RMB'000
At 1 January	629	629
Impairment losses recognised on other receivables	25	—
Amount written off during the year as uncollectible	(25)	—
At 31 December	629	629

Note: Amount is unsecured and interest-free. 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.

26. LOAN RECEIVABLE

On 28 April 2013, the Group and Shanghai Pudong Development Bank Shenzhen Branch (the "Lending Agent") entered into an Entrusted Loan Agency Agreement, pursuant to which the Lending Agent agreed to act as the lending agent under the Entrusted Loan Agreement in return for an agency fee of 0.03% of the loan amount, subject to and upon the terms and conditions therein. On the same date, the Group entered into the Entrusted Loan Agreement with an independent third party (the "Borrower") and the Lending Agent, pursuant to which the Group agreed to entrust the amount of RMB32,000,000 to the Lending Agent, for on-lending to the Borrower for a term of one year subject to the terms and conditions under the Entrusted Loan Agency Agreement. The loan receivable bears interests at 7% per annum, unsecured and is repayable on 28 April 2014. As at 31 December 2014, the Group has received the loan repayment and all the interest receivables from the Lending Agent.

27. STRUCTURED DEPOSITS

As at 31 December 2014, the structured deposits consist of financial products of RMB9,440,000 (2013: RMB6,500,000) issued by banks in the PRC, with an expected but not guaranteed return of 5.4% per annum (2013: 4.9% per annum), depending on the market price of underlying financial instruments, including listed shares and debentures. 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 provided by the counterparty banks which represented the prices they would pay to redeem the deposits at the end of reporting period, approximate to their carrying values at the same day. The fair value of the embedded derivatives is insignificant.

The structured deposits have been fully redeemed in January 2015 at the principal amount together with returns which approximated the expected return.

28. BANK BALANCES AND CASH

The Group's bank balances carry interest at market rates which range from 0.01% to 0.35% (2013: 0.01% to 0.385%) per annum.

29. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	RMB'000
Trade payables	**5,628**	15,997
Other payables:		
Government grants (note 30)	**3,864**	10,594
Accrued payroll and bonus	**16,615**	13,212
Other payables	**7,494**	1,687
Accrued expenses	**10,473**	10,104
Value-added tax payables	**3,903**	3,588
Receipt in advance from customers	**942**	1,235
Other tax payables	**1,150**	1,541
Others	**1,338**	1,470
	45,779	43,431
	51,407	59,428

Included in trade payables is trade balances with a shareholder of RMB2,250,000 (2013: RMB12,164,000). Details of the relevant transactions are set out in note 37(a).

29. TRADE AND OTHER PAYABLES – *continued*

The credit period granted by suppliers to the Group ranged from 30 to 120 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014	2013
	RMB'000	RMB'000
0 - 30 days	**2,699**	13,975
31 - 60 days	**1,285**	1,047
61 - 90 days	**212**	158
91 - 120 days	**610**	69
Over 120 days	**822**	748
	5,628	15,997

30. 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. During the year ended 31 December 2014, approximately RMB1,782,000 (2013: RMB6,348,000) and RMB7,500,000 (2013: RMB700,000) subsidies relating to research and development of medical devices and the acquisition of plant and equipment, respectively, have been received. The Group recognised income of approximately RMB4,809,000 (2013: RMB5,656,000) during the year ended 31 December 2014.

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 29). 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.

31. CONVERTIBLE NOTES

On 30 January 2013, the Company issued HKD152,000,000 unsecured 1% convertible notes due 2018 ("Convertible Notes"). The Convertible Notes bear interest at 1% per annum and will mature on 29 January 2018 ("Maturity Date"). The holder of the Convertible Notes has the right to convert the principal amount of Convertible Notes into shares of the Company at an initial conversion price of HKD3.8 per share (adjusted to HKD0.475 per share upon the share subdivision effective from 12 January 2015 as described in note 40). The noteholder will have the right at noteholder's option, to require the Company to redeem all, or only some, of the Convertible Notes prior to the Maturity Date at a price equal to their principal amount and interest accrued to the date fixed for redemption subject to the occurrence of specific events as defined in the terms and conditions of the convertible notes agreement.

The Convertible Notes contain two components, liability component and conversion option derivative. The effective interest rate of the liability component is 16.64% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss. On initial recognition, the total fair value of Convertible Notes is RMB208,351,000, which is higher than the principal amount of the Convertible Notes of HKD152,000,000 (equivalent to RMB123,348,000) and resulted in a loss on fair value of RMB85,003,000 on initial recognition of the Convertible Notes. The transaction cost for the issuance of Convertible Notes is approximately RMB4,358,000.

The movement of the liability component and conversion option derivative of the Convertible Notes for the year is set out as below:

	Liability component RMB'000	**Conversion option derivative RMB'000**
At initial recognition	60,057	143,936
Exchange realignment	(2,016)	(4,487)
Interest charge	9,017	—
Fair value gain	—	(18,248)
At 31 December 2013	67,058	121,201
Exchange realignment	**180**	**(1,049)**
Interest charge (note 9)	**11,245**	**—**
Fair value loss	**—**	**116,443**
At 31 December 2014	**78,483**	**236,595**

31. CONVERTIBLE NOTES – *continued*

The fair value of the conversion option derivative component of the Convertible Notes is estimated using a Binomial Option Pricing Model. The key inputs to the Binomial Option Pricing Model as of 31 December 2014 were as follows:

	31 December 2014	31 December 2013
Risk-free interest rate (i)	**1.016%**	1.065%
Expected volatility (ii)	**51.40%**	50.19%

Notes:

(i) Risk-free interest rate used was by reference to Hong Kong Exchange Fund Note at the valuation date.

(ii) Expected volatility was calculated by reference to annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies.

The fair values were determined by the directors with reference to valuation report carried out by an independent qualified professional valuer, Asset Appraisal Limited, an independent firm of professional valuer not connected with the Group.

32. SHARE CAPITAL

	Number of shares	**Amount USD**
Ordinary shares		
Authorised:		
At 1 January 2013, 31 December 2013 and 2014 at USD0.00001 each	5,000,000,000	50,000

	Number of shares	**Amount USD**	**Shown in the consolidated statements of financial position as RMB'000**
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 2014 at USD0.00001 each	500,000,000	5,000	32

There was no movement in share capital of the Company during any of the two years ended 31 December 2014. With effective from 12 January 2015, every 1 share in the capital of the Company (including every issued and unissued ordinary share of US$0.00001) was subdivided into 8 subdivided shares of US$0.00000125 each, further details of share subdivision are set out in note 40.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Non-current assets		
Property, plant and equipment	**494**	544
Interests in subsidiaries	**103,784**	103,784
Deposit for acquisition of long term investment	**—**	18,287
	104,278	122,615
Current assets		
Other receivables	**21**	1,199
Amounts due from subsidiaries	**121,655**	137,075
Bank balances and cash	**39,469**	30,675
	161,145	168,949
Current liabilities		
Amount due to a shareholder	**—**	12,164
Other payables	**955**	360
	955	12,524
Net current assets	**160,190**	156,425
Total assets less current liabilities	**264,468**	279,040
Non-current liabilities		
Convertible notes	**78,483**	67,058
Conversion option derivative liability	**236,595**	121,201
	315,078	188,259
Net (liabilities) assets	**(50,610)**	90,781
Capital and Reserves		
Share capital	**32**	32
Share premium and reserves	**(50,642)**	90,749
Total equity	**(50,610)**	90,781

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

	2014 RMB'000	2013 RMB'000
Movement in share premium and reserves:		
1 January	**90,749**	192,596
Loss for the year	**(141,391)**	(101,847)
31 December	**(50,642)**	90,749

34. OPERATING LEASES

The Group as lessee

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	**7,524**	7,647

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:

	2014 RMB'000	2013 RMB'000
Within one year	**3,293**	1,574
In the second to fifth years inclusive	**1,673**	627
	4,966	2,201

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.

34. OPERATING LEASES – *continued*

The Group as lessor

	2014 RMB'000	2013 RMB'000
Properties rental income	**1,032**	1,203

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

	2014 RMB'000	2013 RMB'000
Within one year	**1,270**	958
In the second to fifth years inclusive	**2,451**	—
	3,721	958

35. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	**255,838**	14,162

36. RETIREMENT BENEFITS SCHEME

The Group operates numbers of defined contribution plans across its geographies, the PRC retirement benefit scheme is the retirement arrangement of material size. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs 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 profit or loss of approximately RMB4,994,000 for the year ended 31 December 2014 (2013: RMB3,982,000).

37. RELATED PARTY DISCLOSURES

(a) Transactions and trade balances

The amount is unsecured, interest-free and trade in nature with a credit period of 60-90 days. The amount is aged within 90 days at the end of the reporting period.

	2014	2013
	RMB'000	RMB'000
Amount due from a shareholder:		
Medtronic	**7,069**	—
Amount due from an associate:		
Enke Medical	**2,009**	—
Amount due to a shareholder:		
Medtronic	**2,250**	12,164

The Group entered into the following transactions with related parties during the year:

Nature of transactions	**2014**	2013
	RMB'000	RMB'000
Proceeds from issue of convertible notes to Medtronic (note 31)	**—**	123,348
Service fee paid and payable to Medtronic	**28,977**	20,529
Royalty fee paid and payable to Medtronic	**4,048**	1,982
Revenue from sales of goods to Medtronic Vascular Galway (subsidiary of Medtronic)	**7,100**	—
Revenue from sales of goods to Enke Medical	**2,145**	351
Purchase of other financial asset from Broncus Medical (note 21)	**—**	17,214
Revenue from sales of goods to Broncus Medical	**28**	—

(b) Non-trade balances

Details of the Group's non-trade balances with related parties are set out on the consolidated statement of financial position and in notes 21 and 31.

37. RELATED PARTY DISCLOSURES – *continued*

(c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended 31 December 2014 and 2013 was as follows:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**11,422**	5,052
Post-employment benefits	**157**	197
	11,579	5,249

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. 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 New Delhi (the "Court") at New Delhi, India, against (i) Lifetech Scientific (Shenzhen) Co., Ltd. ("Lifetech Shenzhen"), (ii) Lifetech Shenzhen's importer in India; and (iii) such importer's local Indian distributor (individually and collectively referred to as "Defendants"). 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 RMB206,000). As at 31 December 2014 and up to the date of the issuance of these consolidated financial statements, the cross-examinations of all the witnesses of the Plaintiff and of the Group were completed; the final arguments are still awaited in the suit.

After seeking legal advice, the directors of the Company are of the opinion that it is not probable that the Court will grant a permanent injunction to the Plaintiff and it is also not probable 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.

39. INTERESTS IN SUBSIDIARIES

Name of subsidiaries	Place of incorporation/ establishment/ operation	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
			2014	2013	
New Centre International Ltd.	Hong Kong	HKD1	**100%**	100%	Trading of medical devices
Lifetech Scientific India Private Ltd.	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	HKD1	**100%**	100%	Investment holding
∆#Lifetech Scientific (Shenzhen) Co., Ltd. 先健科技(深圳)有限公司	The PRC	RMB100,000,000	**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
∆Shenzhen Lifetech Material Biological Technology Co., Ltd. 深圳市先健生物材料技術有限公司	The PRC	RMB10,000,000	**99%***	99%*	Trading of medical devices
LifeTech Scientific (Europe) Coöperatief U. A.	Netherlands	EUR2,000	**100%***	100%*	Investment holding
Lios Investment Corporation	British Virgin Islands	USD10	**70%***	70%*	Investment holding
LifeTech Scientific (Netherlands) B.V.	Netherlands	EUR18,000	**100%***	100%*	Trading of medical devices
Lifetech Scientific (France) SARL	France	EUR5,000	**90%***	90%*	Trading of medical devices
Lios Russia LLC	Russia	RUB10,000	**70%***	70%*	Trading of medical devices
LifeTech Scientific (Slovakia) s.r.o.	Slovakia	EUR5,000	**100%***	100%*	Trading of medical devices
∆ 先監醫療科技(上海)有限公司	The PRC	RMB1,000,000	**100%***	100%*	Trading of medical devices

39. INTERESTS IN SUBSIDIARIES – *continued*

* Indirectly held through subsidiaries.

A wholly foreign owned enterprise.

Δ Limited liability company established in the PRC.

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

The directors consider none of the non-wholly owned subsidiaries of the Group has a material non-controlling interest, and accordingly, no summarised financial information in respect of any of these subsidiaries has been presented.

40. EVENT AFTER THE REPORTING PERIOD

On 9 January 2015, the Company announced that the ordinary resolution of share subdivision was duly passed by the shareholders by way of poll at the extraordinary general meeting on that date. With effective from 12 January 2015, every 1 share in the capital of the Company (including every issued and unissued ordinary share of US$0.00001) was subdivided into 8 subdivided shares of US$0.00000125 each, and such subdivided share ranked pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the memorandum and articles of association of the Company.

Pursuant to the terms and conditions of the First Tranche Convertible Notes, the conversion price of the First Tranche Convertible Notes was adjusted from HK$3.80 per share to HK$0.475 per share as a result of the share subdivision. Based on the issued and outstanding First Tranche Convertible Notes in the principal amount of HK$152,000,000 as at 9 January 2015, the number of shares to be allotted and issued to the holder of the outstanding First Tranche Convertible Notes was adjusted from 40,000,000 shares to 320,000,000 shares as a result of the share subdivision. As a result of the share subdivision, the initial conversion price of the Second Tranche Convertible Notes was adjusted from HK$6.00 to HK$0.75, the lower reference of the floating conversion price was adjusted from HK$4.56 to HK$0.57, and the fixed conversion price was adjusted from HK$8.00 to HK$1.00. The number of conversion shares to be issued upon full conversion of the Second Tranche Convertible Notes was adjusted from 338,571,429 shares to 2,708,571,432 shares. Upon the share subdivision having become effective, the total number of shares of the Company in issue will be 4,000,000,000 and adjustments are required to be made to the convertible notes (note 31) consequently.

Further details of the share subdivision and the adjustments to the convertible notes are set out in the announcements of the Company dated 9 January 2015.

Financial Summary

A summary of the Group' s results for the last five financial years and the assets and liabilities of the Group as at 31 December 2014, 2013, 2012, 2011 and 2010, 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				
RESULT	**2014**	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**282,679**	231,035	181,475	140,324	104,704
Cost of sales	**(52,544)**	(42,399)	(36,175)	(27,357)	(21,066)
Gross profit	**230,135**	188,636	145,300	112,967	83,638
Other income and other gains and losses	**(2,289)**	(48)	7,246	4,036	2,941
Selling and distribution expenses	**(69,083)**	(52,123)	(41,221)	(34,552)	(20,057)
Administration expenses	**(75,671)**	(63,221)	(37,898)	(31,246)	(16,771)
Research and development expenses	**(33,308)**	(31,039)	(23,608)	(22,762)	(15,442)
Operating profit	**49,784**	42,205	49,819	28,443	34,309
Offering expenses		—	—	(13,634)	(182)
Finance (costs) income, net	**(8,555)**	(6,108)	2,352	982	392
Share of results of associates	**(1,458)**	(11,018)	(10,488)	—	—
Gain on disposal of an associate	**14,538**	—	—	—	—
Loss on partial disposal of a subsidiary	**—**	(806)	—	—	—
Net exchange gain on convertible notes and other financial asset	**869**	6,360	—	—	—
Fair value losses on convertible notes and other financial asset	**(104,635)**	(83,826)	—	—	—
Impairment loss on a deposit for acquisition of a long term investment	**(18,354)**	—	—	—	—
Change in fair value of convertible redeemable preferred shares	**—**	—	—	3,288	(24,107)
(Loss) profit before tax	**(67,811)**	(53,193)	41,683	19,079	10,412
Income tax expense	**(12,921)**	(12,187)	(8,821)	(6,517)	(6,621)
(Loss) profit for the year	**(80,732)**	(65,380)	32,862	12,562	3,791
(Loss)profit for the year attributable to					
Owners of the Company	**(81,244)**	(65,666)	32,352	11,830	3,936
Non-controlling interests	**512**	286	510	732	(145)
	(80,732)	(65,380)	32,862	12,562	3,791
ASSETS AND LIABILITIES					
Total Assets	**566,291**	519,976	364,146	313,218	158,455
Total Liabilities	**409,986**	283,929	63,336	45,378	155,378
Net Assets	**156,305**	236,047	300,810	267,840	3,077