LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

2015
ANNUAL REPORT

CONTENT

Corporate Information

As at 29 March 2016

EXECUTIVE DIRECTORS

XIE Yuehui
(Chairman and Chief Executive Officer)
(appointed as Chief Executive Officer on 2 March 2015)

ZHAO Yiwei Michael
(resigned as executive Director and Chief Executive Officer 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)

XIAO Ying (appointed on 28 March 2016)

NON-EXECUTIVE DIRECTORS

WU Jianhui (resigned on 28 March 2016)
MARTHA Geoffrey Straub (resigned on 27 August 2015)
CLEARY Christopher Michael
(appointed on 27 August 2015)
LIDDICOAT John Randall (resigned on 27 March 2015)
MONAGHAN Shawn Del (appointed on 27 March 2015)
JIANG Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph
ZHOU Gengshen (resigned on 29 January 2016)
WANG Wansong (appointed on 29 January 2016)
ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

AUTHORIZED REPRESENTATIVES

XIE Yuehui
LIU Jianxiong

AUDIT COMMITTEE

LIANG Hsien Tse Joseph *(Chairman)*
WU Jianhui (resigned on 28 March 2016)
ZHOU Luming (appointed on 28 March 2016)
ZHOU Gengshen (resigned on 29 January 2016)
WANG Wansong (appointed on 29 January 2016)

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

ZHOU Gengshen
(resigned on 29 January 2016)
WANG Wansong *(Chairman)*
(appointed on 29 January 2016)
MARTHA Geoffrey Straub (resigned on 27 August 2015)
CLEARY Christopher Michael
(appointed on 27 August 2015)
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

Dentons Hong Kong
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 (the "Board") of directors (the "Directors, each a "Director") of LifeTech Scientific Corporation (the "Company" or "Lifetech"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

FINANCIAL REVIEW

I would like to report that the Group has achieved a continuing growth in sales for the year ended 31 December 2015. Revenue of the Group was approximately RMB311.6 million for the year ended 31 December 2015 in comparison with approximately RMB282.7 million for the corresponding period of 2014, representing a growth of approximately 10.2%. Gross profit was approximately RMB252.6 million for the year 2015 in comparison with approximately RMB230.1 million in 2014, representing a growth of approximately 9.8%. Gross profit margin was approximately 81.1% for the year 2015 as compared to approximately 81.4% for the year 2014. The increase in revenue was mainly attributable to the growth of sales volume of our primary products along with the expansion of our sales network, more market penetration and increasing market share in the People's Republic of China ("PRC" or "China"). The operating profit of the Company was approximately RMB94.5 million for the year 2015, representing a growth of approximately 89.8% as compared with the year 2014. The growth was primarily attributable to the growth of sales, increase of income recognition of the government grants, and also the decrease of the administration expenses as there was a service fee of approximately RMB29.0 million recorded in the corresponding period in 2014 which was payable to Medtronic pursuant to the services agreement entered into in 2012 and the second supplemental services agreement entered into in 2014. Net profit attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB2.4 million as compared to the net loss amounting to approximately RMB81.2 million in 2014. The net profit was mainly attributable to (i) the decrease 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 of operating profit. In consideration of the fair value loss of 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 very healthy and the Board is positive on the prospects of the Group.

OPERATION REVIEW

During the year ended 31 December 2015, 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. The domestic sales have been increased continuously due to our continuous marketing efforts and our enhanced brand name. The market leading position has been further strengthened through these efforts.

In 2015, our global sales network witnessed the broadened international image of our product, we continued to strengthen our sales force and improve market penetration. We have participated in a number of domestic and overseas exhibitions to promote our products, especially for our new product LAmbre™ left atrial appendage ("LAA") occluder. Hospitals and patients were benefited from the high quality and affordable price of our products. Meanwhile we have made product training, promotion plan and collected feedbacks from doctors which bring us more and more recognition from end experts.

We are also achieving remarkable results in research and development field. The Group has completed the construction of its first preclinical cathlab (the "Preclinical Cathlab") in Shenzhen of the PRC, which will accelerate the development process of new products, and promote international exchanges and cooperation and clinical training. Our products Absnow™ absorbable occluder system was awarded the Silver Award of 2015 China Red Star Design Award. So far, multi-phase animal experiment research has been completed for absorbable occlusion system of Lifetech, which is now making the pre-clinical preparation. The launching of such product shall not only bring about the complete revolution in the field of interventional treatment for congenital heart disease, but raise the medical technology level in China to a brand new level. Clinical trial of Ankura II Thoracic Aortic Aneurysm ("TAA") stent graft system was finished and we successfully completed the primary endpoint report and submitted the registration application for China Food and Drug Administration ("CFDA") approval in December 2015. We had completed the clinical trial reports in Europe and twelve-month follow-up visit in China for LAmbre™ LAA occluder, we have submitted the registration application for CE approval in Europe and will submit the registration application for CFDA approval in China. I believe there would be significant opportunities for us to break into more international markets in the next few years.

Lifetech had been selected as a Constituent Stock of the Hang Seng Index, including HSBCI, HSMCGI, HSGCI, HSCI, HSCII—Consumer Goods and HSSI, with effect from March 9, 2015. This is a recognition of our past performance and development prospects in the international capital market. We will spare no efforts in the independent innovation and development of the most cutting-edge cardiovascular intervention medical devices, continue to make our contributions to the development of global medical treatment, and bring ideal returns for our shareholders and investors.

2015 marked another milestone year in our strategic alliance with Medtronic via pacemaker project. Since October 2012, the Company or its affiliates and Medtronic, Inc. or its affiliates ("Medtronic") signed a series of strategic alliance agreements. 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, and the entering into of the New Transaction Agreements has been approved by the independent shareholders of the Company on 7 May 2015. The entering into of the New Transaction Agreements is in line with the long-established goal of the Group to commercialize the Pacing Products under its own name and thus enter into the PRC pacemaker market to seize market share. In 2015, we set up a sterile cleanroom for the purpose of manufacturing pacemaker productors, and pacemaker product will be started to do clinical trials and apply for CFDA approval in 2016. Lifetech, Beijing PerMed Biomedical Engineering Co., Ltd ("PerMed") and Medtronic entered into the third supplemental agreement (the "Third Supplemental Agreement") on 2 November 2015, pursuant to which, we have terminated the distribution rights of Medtronic in relation to all current and future heart valve products (the "Termination"). The Company believes that the termination pursuant to the Third Supplemental Agreement, which allows the Company to distribute the valve products of improved quality directly to its external customers, is beneficial to the Company and will enable the Company to generate more profit in the valve products market. In addition, Medtronic, our exclusive distributor for CeraFlex occluders in selected countries in Europe and the Middle East, had expanded promotion about CeraFlex product in Europe. 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. 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, new products Cardiac Pacing and Electrophysiology and other implants products, including Ankura II stent grafts, Iron-Based bioresorbable drug-eluting coronary scaffold system and Pacemaker.

In 2016, we are expecting to make a new step. Our LAmbre™ LAA occluder is expected to be granted with the CE approval in Europe in 2016 and to obtain the CFDA approval in China follow on. Compared to the traditional anticoagulant therapy, LAmbre™ LAA occluder avoids the risk of poor adherence and bleeding, which is the clear alternative therapy in the future. Lifetech products are designed ahead of the competitor, which can be applied widely, easy operated and have obvious advantages such as low risk. Once granted the CE certification approval, LAmbre™ LAA occluder is expected to occupy the mainstream market of Europe and other areas and will open the large market space. Also, our LAmbre™ LAA occluder and Iron-Based bioresabable drug-eluting coronary scaffold system ("Absorbable Iron Stent") were approved by CFDA of the PRC as innovative medical devices, which may speed up the registration procedures of these products in China. The Absorbable Iron Stent has the potential of guiding the technology of the absorbable material. Lifetech researched and developed the Absorbable Iron Stent of starting from scratch, now can let the materials degrade rapidly under the premise of keeping the same mechanical properties between materials and mental stents. The Absorbable Iron Stent is an innovative product of the absorbable stents, which has high potential in the future.

From looking currently sustained and rapid development of innovation and technology of Chinese market, we believe that the domestic sales will continue to increase. We will through a series of academic activities to continue to establish a good image of the brand of Lifetech and further expand our market share in China by optimizing the combination of multiple product lines. We will continue to promote Cera occluder to improve the market share, continue to fix and improve the high market share of filter and stent graft, which will help Lifetech to become the optimal supplier, provide the best services to patients and doctors.

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 has been promoting its market launch in Europe for our CeraFlex occluders and our CeraFlex occluders is experiencing more and more extensive penetration in the European market. Our congenital heart diseases business and peripheral vascular diseases business will be further promoted and grown in global market.

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.

Lifetech-Medtronic joint pacemaker project is to transfer Medtronic pacemaker technology to Lifetech via technology transfer, to enable Lifetech to make own branded pacemaker for serving Chinese patients. This pacemaker project positioned Lifetech as one major local company engaging development of pacemaker for local market. The project also enables Lifetech to access relevant pacemaker technology of world-class and with long term clinical data proving its safety and efficacy. Lifetech is expected to finish the localization of high quality pacemakers through the pacemaker production lines built with help form Medtronic, opening a huge domestic market of pacemakers. We believe our future together to be bright so long as each company works to achieve our mutual goals.

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 China, Europe 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, 29 March 2016

Management Discussion and Analysis

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 (the "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 76 countries across Asia, Africa, North America, South America and Europe, mainly through our network of distributors consisting of 164 distributors worldwide.

Annual performances

Faced with the uncertain global economic environment, continuous depreciation of worldwide currency against United States Dollar ("US Dollar") and on-going market weakness, coupled with revolution of medical devices bidding process in China, our business is full of challenge during the year 2015. China is still our largest market, and sales generated from Chinese market accounted for approximately 76.9% of our total revenue for the year ended 31 December 2015 (2014: approximately 69.9%). Our domestic sales enjoyed a steady growth of approximately 21.2% during the year ended 31 December 2015 as compared to the corresponding period in 2014, indicating our stronger brand and greater market share in China. Due to the depreciation of worldwide currency against US Dollar and uncertain global economic environment, our international market recorded approximately a 15.3% decrease in sales revenue for the year ended 31 December 2015 as compared to the corresponding period in 2014, which was mainly due to sales revenue decrease from our European and Latin American market. In 2015, we have adopted a series of practicable and effective actions in order to maintain our business growth and market share.

Pacemaker project

The implantable pacemaker products, as set out in the New Transaction Agreements entered into with Medtronic, will be manufactured and commercialized under the Company's brand with help and guidance from Medtronic. The project has been implementing according to the plan so far. For the purpose of manufacturing pacemaker products in the future, we had set up a dedicated cleanroom. By the end of 2015, the construction of the cleanroom for pacemaker product has been completed and is in acceptance inspection according to international standards. With assistance of Medtronic, all production equipments and quality control instruments have been purchased and arrived at Lifetech Scientific (Shenzhen) Co., Ltd ("Lifetech (Shenzhen)"), and the installation of all equipments and instruments have also been completed. This pacemaker project positioned Lifetech (Shenzhen) as one of major local companies engaging development of pacemaker for local market, which at present is almost 100% occupied by imported products. The project also enables Lifetech to access relevant pacemaker technology of world-class and with long term clinical data proving its safety and efficacy. In 2016, pacemaker product will start its clinical trials and registration application for CFDA approval.

Research and development ("R&D")

In 2015, we have made the following achievements in R&D field:

- The Group has completed the construction of the Preclinical Cathlab in Shenzhen of the PRC. The Preclinical Cathlab is the first laboratory fully-equipped for animal experiment in the southern PRC and one of the high-level domestic animal experiment platform in the PRC. The laboratory is also the only laboratory in the PRC which can be used for device-implantation experiments, pathology evaluation and pharmacokinetics testing, as well as physical and chemical testing, failure analysis, packaging, sterilization and regulatory consultation and preparation of registration documents at the same time. Based on the laboratory, the Company will accelerate the development process of new products, and promote international communication and cooperation and clinical training;

- On 9 January 2015, "New Equipment, New Technology and Clinical Application of Ventricular Septal Defect Intervention Therapy" developed and invented by Lifetech team with a help of clinical experts for more than a decade won the second prize of national award for technological invention in 2014;

- Our products Absnow™ absorbable occluder system was awarded the Silver Award of 2015 China Red Star Design Award. Absnow™ absorbable occluder system is made by biological absorbable materials, realizing ideal treatment effects. So far, Absnow™ absorbable occluder system has completed multistage animal experiment and we are making the pre-clinical preparation;

- On 30 October 2015, the first in man ("FIM") clinical trial of the Group's GoldenFlow™ peripheral stents ("GoldenFlow™") was successfully implanted in two patients in the Prince of Wales Hospital in Hong Kong. This was the first time GoldenFlow™ has been implanted into human body wordwide. The implantation of GoldenFlow™ and the related surgeries conducted during the clinical trial were all smooth and successful. And the GoldenFlow™ implantation were all accurately positioned and stably released, which demonstrated GoldenFlow™ have a high safety degree. The clinical trail registry of GoldenFlow™ in China was approved by the ethic committee of some clinical centres and will start the first clinical implantation. It has been granted the CE certification in February 2016 as the clinical trial is exempted in Europe;

- On 3 November 2015, the first clinical trial of the Group's FIM aortic single branch stentgraft system (the "Aortic Stentgraft System") was successfully implanted into the human body in the PRC. The Aortic Stentgraft System implantation was smooth and successful and accurately positioned;

- Clinical trial of Ankura II TAA stent graft system was finished, we successfully completed the primary endpoint report and submitted the registration application for CFDA approval in December 2015;

- We had completed the clinical trial reports in Europe and twelve-month follow-up visit in China for our new product of LAmbre™ LAA occluder. We have submitted the registration application for CE approval in Europe and will submit the registration application CFDA approval in China. In early 2014, LAmbre™ LAA occluder was approved by CFDA of the PRC as innovative medical devices, which may speed up the registration procedures of these products in China;

- Lung volume reduction bronchial valve is in the progress of development, the design has been changed from passive lung volume reduction into active model. Accordingly the name of product was changed to volume reduction warrior circle. So far, the design has been finalize;
- Iliac Branch Stent Graft System had successfully completed the 11 clinical implantation in China;
- FemoFlow™ Drug Eluting Peripheral Balloon Catheter has got the ethic approval from Shanghai Zhongshan hospital and expects its first clinical implantation;

Marketing activity

In 2015, we continuously strengthen the distribution system by choosing quality distributors, and have achieved the realization of a fantastic product distribution line, of which the Company has made solid steps toward reaching out to new consumers and markets. 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;

- In 2015, as a leading company in this field, Lifetech was invited to attend the LAA CSI Focus as the only exhibitor from China and the LAmbre™ LAA occluder set the trend in the industry and received much praise and was highly regarded from numerous doctors. As the leading products attracting tremendous attention in the industry, the LAmbre™ LAA occluder of Lifetech was widely recognized at the meeting and was published on the homepage of the meeting agenda and the official website of the meeting. First of all, in the feature column of Lifetech LAmbre™ LAA, three doctors from Germany, Hong Kong and Wuhan delivered a speech on LAmbre™ LAA feature, operation technique and clinical outcome in Europe and China. These three experts said that the LAmbre™ LAA occluder had the advantages of instant occlusion and zero apparatus falling-off in the current clinical application in Europe and China. In addition, in the new technology column of LAA occluder, a Hong Kong doctor made a concluding speech on product features and clinical advantages. He affirmed that LAmbre™ LAA was capable of adapting to LAA occlusion in multiple structures; its unique design can greatly reduce the risks of apparatus falling off; the application of nano-titanium nitride coating technique effectively inhibits the release of nickel ion and accelerates the endothelialization; safe recovery and repositioning can be easily realized during operation. During LAA CSI Focus, the booth and product demonstration training room of Lifetech attracted many foreign doctors and agents to visit and consult. Many experts and doctors were looking forward to the launching of LAmbre™ LAA products.
- Three innovative apparatuses of Lifetech, including the LAmbre™ LAA occluder, PFO occluder (IrisFit™ PFO) and iron alloy biodegradable stent (IBS) independently appeared in the Transcatheter Cardiovascular Therapeutics (TCT) Conference 2015, and have drawn great attention of the global medical community. Invited by the conference, Dr. Zhang Deyuan, Chief Technology Officer (CTO) of the Lifetech, introduced the design progress of the iron alloy biodegradable stent in TCT: the mechanical properties superiorly designed are equivalent to that of the best permanent stent available, with the full absorption cycle being controlled to be about 1 year. As the only iron alloy biodegradable stent in the world, the product features brand new material design, brand new absorbable principle and positive animal experiment results, which has drawn much

attention from doctors globally. The appearance of LAmbre™ LAA occluder, IrisFit™ PFO occluder and iron alloy biodegradable stent (IBS) in TCT Conference 2015 fully demonstrated the advanced innovative results, forward-looking international strategy and overall enhancement of the product research design and enterprise overall strength of Lifetech in recent years.

- For further improving market recognition of Fustar™ Steerable Introducer ("Fustar™"), a medical journal of Lifetech "Fustar™ case sharing special edition" was made which showed excellent usage cases of Fustar™ such as visceral artery, carotid artery, lower extremity artery, Vena Cava Filter retrieval, electrophysiology and Endovascular Aortic Repair. Till now this journal had received high praise. Henceforth, beside typical indications, Fustar™ can challenge more complex cases and it can be devoted to become one preferred medical device product for peripheral disease treatment.
- In 2015, We have organized seven Lifetech Knowledge Exchange Program ("LKEP") activities in respect of structural heart diseases, congenital heart diseases and peripheral vascular diseases. For instance, the doctors from Russia, Thailand and Indonesia, etc, who visited China to exchange and study the Occlusion Procedure of Congenital Heart disease; the doctors from China were invited to visit Athens to exchange and study the TEVAR and EVAR surgery. The LKEP will help the doctors to get trained and to start the new procedure in their local hospitals, and will benefit more patients as well. In the future, Lifetech will keep working on innovative product design and making its best effort to medical device and medical treatment development.
- We have attended many international exhibitions and performed the operation live broadcast in the countries such as Vietnam, Germany and China. These actions not only reflected our acceptance at the international level but also strengthened recognition of our capabilities.

OUR PRINCIPAL NEW PRODUCTS

— **LAmbre™ LAA occluder:**

The new product LAmbre™ LAA occluder is expected to obtain the CE approval in 2016 and will then be listed on the market. It is also expected to obtain the CFDA approval in the near future and will launch the FDA's clinical trials. LAmbre™ LAA occluder will bring the Company to a new stage in 2016. LAmbre™ shows distinctive design features as compared to the existing LAA occluders in the market:

1. The operation is simple, with a short learning curve;
2. It can adapt to LAA anatomic structures of different shapes (including single-chamber and multi-chamber) and different sizes;
3. It can be stably fixed in the LAA with unique foot hook design, to reduce apparatus embolism and ensure total retrieval and repositioning at any time before release;
4. The double-disc structure ensures the complete closure without leakage, avoiding thrombosis in the zone;
5. Rapid endothelialization in the sealed position, and no thrombosis in such position after long-term implantation;
6. The minimum delivery sheath size ensures smaller injury to atrial septum and blood vessels.

— **Pacemaker product:**

The first battery-powered, wearable pacemaker was developed in 1950s for those patients with irregular heartbeat resulting from malfunction in the heart's conduction system. A pacing system consists of three basic components namely, a pamaker, a lead, and a programmer. A pacemaker is a small implantable metal case which contains electronic circuitry and a battery sending a tiny electrical stimulus to the heart at a specific time so as to adjust the heart rhythm back to normal. There are two types of pacemakers, namely single chamber pacemaker and dual chamber pacemaker to be produced by Lifetech (Shenzhen) with the assistance and guidance given by Medtronic in terms of the set-up of the production line, the supply of components specifically used and the design and patented technology involved in the production of the pacemakers, and distribution network of the pacemakers in the PRC under the New Transaction Agreements.

PATENTS AND BRANDING

In 2015, we filed 117 patents applications, including 92 applications in the PRC and 15 applications overseas, such as the European Union, United States, India, Australia, Korea and Japan and 10 applications in Patent Cooperation Treaty ("PCT"). 27 patents have been approved during the year of 2015. As at 31 December 2015, we have filed a total of 295 patents applications and of which 105 patents have been approved.

FINANCIAL REVIEW

Overview

The Company has maintained a steady growth rate for the year ended 31 December 2015. We are confident that our business will keep continuing growth and have a bright future.

Revenue

Our revenue amounted to approximately RMB311.6 million for the year ended 31 December 2015, with an increase of approximately RMB28.9 million or approximately 10.2% as compared to the year ended 31 December 2014. The growth in revenue was mainly attributable to the increase of sales of stent graft by approximately RMB13.7 million or approximately 18.5% and vena cava filter by approximately RMB9.0 million or approximately 13.1%.

Revenue from congenital heart diseases business

The turnover contributed by the congenital heart diseases business for the year ended 31 December 2015 was approximately RMB142.4 million (2014: approximately RMB137.3 million), realized a growth of 3.7%.

With the diversification of product portfolio, our products cover a wide spectrum of congenital heart defect occluders. There are three generations named HeartR, Cera and CeraFlex. As compared to the corresponding period of 2014, the revenue generated from the sales of HeartR devices increased by approximately 10.2% and Cera devices increased by approximately 14.4% for the year ended 31 December 2015. CeraFlex devices decreased by approximately 20.2%, which was mainly due to the uncertain global economic environment. In particular, markets in Greece, Middle and East Europe, and Latin America accounted for the revenue reduction. The ASD occluder reduced of approximately 6.7%, the VSD occluder and PDA occluder experienced growth of approximately 16.8% and 18.6%, respectively, as compared to the sales revenue for the year ended 31 December 2014. We believe that other existing products named introducer, snare system, associated delivery and supporting devices, as well as the upcoming LAmbre™ LAA occluder, 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 2015 was approximately RMB169.0 million (2014: approximately RMB145.4 million), representing approximately a growth of approximately 16.2%.

The products we offered in the peripheral vascular diseases business include vena cava filter, TAA and Abdominal Aortic Aneurysm (“AAA”) stent graft, vascular plug and Fustar™ . The vena cava filter realized approximately 13.1% growth of sales revenue for the year ended 31 December 2015 as compared to the corresponding period of 2014. Our stent graft realized approximately a growth of approximately 18.5% during the year ended 31 December 2015.

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 RMB275,000 for the year ended 31 December 2015 (2014: approximately RMB12,000). The increase resulted from the Termination pursuant to the Third Supplemental Agreement, which allows the Company to distribute the Valve of improved quality directly to its external customers.

Gross profit and gross profit margin

As a result of the increased sales, gross profit of the Group increased by approximately 9.8% from approximately RMB230.1 million for the year ended 31 December 2014 to approximately RMB252.6 million for the year ended 31 December 2015. Gross profit margin decreased by 0.4% from approximately 81.4% for the year ended 31 December 2014 to approximately 81.1% for the year ended 31 December 2015.

Selling and distribution expenses

Selling and distribution expenses increased by 6.5% from approximately RMB69.1 million for the year ended 31 December 2014 to approximately RMB73.6 million for the year ended 31 December 2015. The increase was primarily due to (i) an increase of share option expenses; and (ii) a decrease of logistic expenses because of the reasonable control of inventory in our European customer service center.

Administration expenses

Administration expenses decreased by 37.1% from approximately RMB75.7 million for the year ended 31 December 2014 to approximately RMB47.6 million for the year ended 31 December 2015. The decrease was primarily attributable to the service fee of approximately RMB29.0 million payable to Medtronic in the year 2014 pursuant to the services agreement between Medtronic and the Company entered into in 2012 and the second supplemental services agreement (the “Second Supplemental Services Agreement”).

Research and development expenses

Research and development expenses increased by 41.7% from approximately RMB33.3 million for the year ended 31 December 2014 to approximately RMB47.2 million for the year ended 31 December 2015. The increase was primarily due to (i) an increase of developing projects expenditure; and (ii) an increase of salary, bonus, share-based payment incentive and related expenses for staffs in research and development department.

Operating profit

Operating profit increased by approximately 89.8% from approximately RMB49.8 million for the year ended 31 December 2014 to approximately RMB94.5 million for the year ended 31 December 2015. The increase was primarily due to (i) the growth of sales and the increase of income recognition of government grants; and (ii) the decrease of the administration expenses resulting mainly from the decrease of the service fee of approximately RMB29.0 million recorded in the corresponding period in 2014 which was payable to Medtronic pursuant to the services agreement between Medtronic and the Company entered into in 2012 and the Second Supplemental Services Agreement.

Share of results of associates

The Group’s 49% equity interest in Enke Medical Technology Co., Ltd. (“Enke Medical”) had been accounted as interest in an associate. The Group’s share of gain in Enke Medical was approximately RMB0.1 million for the year ended 31 December 2015 (2014: share of gain of approximately RMB0.3 million).

Fair value losses on convertible notes and other financial asset

During the year ended 31 December 2015, the fair value losses on convertible notes and other financial asset were approximately RMB43.7 million, representing a decrease of approximately 58.2% as compared with the corresponding period in 2014.

Finance income and finance costs

The Company realized an interest income of approximately RMB1.8 million for the year ended 31 December 2015 as compared to approximately RMB2.7 million for the corresponding period in 2014.

The finance cost representing effective interest expenses arising from the convertible notes issued to Medtronic was approximately RMB13.3 million for the year ended 31 December 2015, representing an increase of approximately 18.8% as compared with the corresponding period in 2014. Finance cost pursuant to the liability component of the convertible notes is carried at amortised cost using the effective interest method.

Income Tax

Income tax increased from approximately RMB12.9 million for the year ended 31 December 2014 to approximately RMB22.4 million for the year ended 31 Deecmber 2015. The increase in the Company's income tax was primarily due to the increase of profit before tax of the PRC subsidiaries, resulting from the growth of sales, the increase of recorded income of government grants and also the decrease of the administration expenses.

Net profit and loss

Net profit attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB2.4 million (corresponding period in 2014: net loss of approximately RMB81.2 million). The net profit was mainly attributable to (i) the decrease 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 of operating profit. In consideration of the 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 very healthy and the Board is positive on the prospects of the Group.

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 2015, 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 2015 (HK$ million)	Actual use of proceeds from Listing to 31 December 2015 (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	85.9 *(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 2015, other accumulative expenses arisen are approximately HK$38.8 million.

Note 2 This represents the amount which can be allocated to any of the period from November 2011 to 31 December 2015.

As at the date of this annual report, all the remaining proceeds have been used up.

LIQUIDITY AND FINANCIAL RESOURCES

In 2015, the Group mainly financed its operations with its own working capital, bank loan and equity funding.

The Group recorded total current assets of approximately RMB400.9 million as at 31 December 2015 (2014: approximately RMB387.9 million) and total current liabilities of approximately RMB121.2 million as at 31 December 2015 (2014: approximately RMB65.5 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.31 as at 31 December 2015 (2014: approximately 5.92).

BORROWINGS

On 8 June 2015, Lifetech (Shenzhen), being one of our key operating subsidiaries in the PRC, and China Construction Bank Co., Ltd. Shenzhen branch (the "Lender") entered into the loan agreement (the "Loan Agreement") and pledge agreement (the "Pledge Agreement"), pursuant to which the Lender agreed to lend the loan amount of RMB200 million (equivalent to approximately HK$253.6 million) to Lifetech (Shenzhen), with interest rate of the benchmark interest rate commencing on the day the loan money is drawn from the bank and adjusted 10% below to 60% rise benchmark interest rate, for a term of five years subject to the terms and conditions under the Loan Agreement. Under the Loan Agreement, Lifetech (Shenzhen) had pledged its land use right held for own use with a net book value of approximately RMB34.5 million and headquarters building which is in the process of construction for the purpose of securing the bank borrowing. The mortgage procedure of the land use right has been completed in August 2015 and the building mortgage application will start to conduct upon completion of the construction. As at 31 December 2015, the bank loan was approximately RMB48.0 million.

GEARING RATIO

As at 31 December 2015, the gearing ratio (calculated as a ratio of borrowing consisting of convertible notes and bank loan to total equity) of the Group is approximately 80.6% (2014: 50.2%).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB180.3 million as at 31 December 2015 as compared to approximately RMB151.2 million as at 31 December 2014. There were long-term bank borrowings amounting approximately RMB48.0 million in 2015 (2014: nil) and interest of bank borrowings amounting to approximately RMB0.4 million in 2015 (2014: nil).

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 (the "Original 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 "Contractor") 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 dated 19 December 2014 (the "Construction Contract") entered into between Lifetech (Shenzhen) and the Contractor. The contract price (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 that is customary within the PRC construction industry based on their previous understanding on construction projects conducted in the PRC. The Contract Price is determined based on the labour cost, material cost, the fees for construction of infrastructure, facilities installation fees and inspection fees. 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 capacity the construction work involved. It was intended that the Contract Price will be financed by internal resources of, and the banking facilities available to the Group. The entering into of the Construction Contract has been approved by the shareholders of the Company on 7 May 2015. For further details, please refer to the announcements of the Company dated 19 December 2014 and 29 October 2015, the circular of the Company dated 21 April 2015 and the poll results announcement of the Company dated 7 May 2015. As at 31 December 2015, the main body construction of the building has been completed. As at the date of this annual report, the building has been topped out to 28 floors and is in the process of decoration.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there were no significant investments held by the Company for the year ended 31 December 2015, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 14 August 2015, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Company agreed to dispose all of its 60% equity interests held in Shenzhen Shineyard Medical Device Co., Ltd. (深圳市擎源醫療器械有限公司) ("Shineyard"), which was a non-wholly owned subsidiary of the Company before completion, to the Purchaser at a cash consideration of RMB17,300,000 (the "Disposal"). Upon completion of the Disposal, the Group lost all the control over Shineyard. Further details are set out in Note 35 to the consolidated financial statements in this annual report.

Save as disclosed in this annual report, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2015.

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-examinations of all the witnesses of AGA and of the Group were completed 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 2015.

FINANCIAL INSTRUMENT

On 30 January 2013, the Company issued HK$152,000,000 unsecured 1% convertible notes which are due in 2018 (the "Convertible Notes") to Medtronic. The Convertible Notes bear interest at 1% per annum and will be mature on 29 January 2018 (the "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.

As at 31 December 2015, save as disclosed above, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the year ended 31 December 2015, the capital expenditure of the Group for property, plant and equipment (the "PPE"), construction in progress, intangible assets, prepaid lease payments and deposits for PPE amounted to approximately RMB241.7 million (2014: approximately RMB53.5 million).

FOREIGN EXCHANGE RISK

During the year ended 31 December 2015, the Group's operations are primarily based in the PRC and India. The revenue derived from India accounted for approximately 6.7% (2014: approximately 7.3%) 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. 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 headed "Financial risk management objectives and policies" in Note 6(b) to the consolidated financial statements in this annual report.

CHARGES ON GROUP ASSETS

As at 31 December 2015, the Group had, under the Loan Agreement, pledged its land use right held for own use with a net book value of approximately RMB34.5 million and headquarters building which is in the process of construction for the purpose of securing the bank borrowing.

Save as disclosed above, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2015, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB132.5 million (2014: approximately RMB255.8 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.

SHARE SUBDIVISION

On 12 January 2015, upon the share subdivision become effective, each of the issued and unissued shares of par value of US$0.00001 each in the share capital of the Company was 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 557 (2014: 581) full time employees and 2 executive Directors (2014: 2). Total staff costs, including Directors' emoluments, amounted to approximately RMB93.0 million for the year 2015 (2014: approximately RMB70.0 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2015, the amount of contributions to retirement benefits scheme is approximately RMB6.7 million (2014: approximately RMB5.0 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. A share option scheme (the "Share Option Scheme") has also been adopted for employees of the Group on 22 October 2011 which was subsequently amended by an unanimous written resolutions of the Board on 5 May 2015. In order to ensure that the Group's employees remain competitive in the industry, the Group also arranges its staff for training to enhance their skills and knowledge.

"Innovation, Cooperation, Responsibility, Execution and Recognition" are the essence of corporate culture of Lifetech. Lifetech considers its employees the key to sustainable business growth. We are committed to providing all employees a safe and harassmentfree working environment with equal opportunities in relation to employment, reward management, training and career development. Workplace safety is a priority of the Company that, with due awareness of all employees throughout the year, the Company was able to maintain a high standard of health and safety measures in all company activities. The holding of Outward Bound Training and Lifetech Family Day activities strengthened the effective communication and cooperation between colleagues. We have in place a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For talent acquisition and continuous development, the Company offers graduate trainee programs as well as leadership and talent development programs for fresh talent of different academic backgrounds. Furthermore, to improve employees' health awareness, the Company arranges annual sessions on personal health care and encourages employees to engage in sports activities at two conveniently located sports centers.

The Company believes direct and effective communication is essential to building up a good relationship between management and employees. A Joint Staff Council is in place as one of the important means of communication. In addition to newsletters and communications through the intranet and suggestion box, the Company holds regular meetings and forums to brief employees on company developments and obtain their feedback and suggestions.

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 2016. The Group will also actively expand its product offering and strengthen its established market position. We will continue to gain growth market share of Cera occluders, 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 are actively exploring sales network for our peripheral products in the international market.

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 coming year.

In the future, besides conducting development experiments of internal products of the company, the Animal Laboratory of Lifetech that has filled in the blanks in South China will also be planned to provide experimental platform and professional and high-quality compete set of services for companies developing cardiovascular implantable apparatus, companies developing orthopedics implantable apparatus, universities/hospitals and research institutes, projects of subcontracting biotechnical companies, and pharmaceutical enterprises, etc., to promote the industrial development.

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 will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2016, so as to enhance our competitiveness and market position in current key markets as well as selective new markets.

Strategic cooperation with Medtronic

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. The New Transaction Agreements have been approved by the independent shareholders of the Company on 7 May 2015. 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, the supplemental announcement of the Company dated 7 August 2014 and 17 April 2015, the circular of the Company dated 20 April 2015 and the poll results announcement of the Company dated 7 May 2015.

The Board believes that such expansion of the Company's strategic alliance with Medtronic will enable the Company to achieve synergies in collaboration with Medtronic and to become a world-class leading medical device player. Medtronic, being a globally recognized and well-regarded market player in the medical device industry, will bring in technical, operational and management expertise with a view to improving the internal system, business operation, research and development, production and sales operation of the Company; while the Company, being an emerging player in the medical devices industry in the PRC, will benefit from the cutting edge industry expertise of Medtronic for product development and brand-building. As such, the entering into of the New Transaction Agreements is in line with the long-established goal of the Group to commercialize the Pacemaker Products and the Lead Products under its own name and thus enters into the PRC pacemaker market to seize market share.

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.

ENVIRONMENT AND SUSTAINABILITY

We are committed to creating a successful business that is not achieved at the expense of the environment. The Company is dedicated to creating an environmentally friendly and sustainable operation. Our biggest environmental impact is created within our properties and manufacturing facilities, and through the use of raw materials, electricity, gas, paper, and waste generation. We therefore invest in the latest technology to reduce our carbon emissions through energy efficient equipment. Internally, we are proactive in addressing our waste and recycling issues.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Biographical Details of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui (謝粵輝), aged 46, 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 (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 about 25 years of experience in business management in the PRC, including over 13 years in the medical device industry. In June 2015, Mr. XIE was appointed as representative of the Sixth Shenzhen Municipal People's Congress. 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 45, is the Chief Financial Officer ("CFO") and Company Secretary of our Group. He has been 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 23 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.

XIAO Ying (肖穎), aged 40, has been a appointed as an executive Director on 28 March 2016. Ms. Xiao is the chief compliance officer and the human resources director of the Group, taking charge of the Group's legal and compliance controlling, information technology management, human resources affairs. Ms. Xiao joined our Group in April 2011 as financial manager and information technology manager. In February 2015, she was promoted as chief compliance officer. In January 2016, Ms. Xiao was appointed as the Group's human resources director. Ms. Xiao has more than 18 years' management experience in financial accounting, financial analysis, budget planning and internal controlling. Prior to joining the Group, Ms. Xiao had served in several famous multinational companies including Shenzhen Mindray Bio-Medical Electronics Co., Ltd.* (深圳邁瑞生物醫療電子股份公司), Kingdee Software (China) Co., Ltd.* (金蝶軟件 (中國) 有限公司) and Shenzhen GKI Electronics Co., Ltd.* (長科國際電子有限公司), a joint venture entity of International Business Machines Corporation (IBM). Ms. Xiao obtained professional accountant qualification in middle level in 2005 from the Ministry of Finance of the People's Republic of China. She graduated from Shanghai University of Finance & Economics in June 1998 with a bachelor degree in Accounting and minoring in Finance and Security.

NON-EXECUTIVE DIRECTORS

CLEARY Christopher Michael, aged 55, has been appointed as a non-executive Director on 27 August 2015. Mr. CLEARY has over 20 years of experience in capital market investment, merger and acquisitions, corporate management and business development. He is currently the Vice President of Corporate Development at Medtronic plc. ("Medtronic"), a substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company. Prior to joining Medtronic, Mr. CLEARY worked at Alesia Capital Services LLC from 2011 to 2014 providing advisory and financial analysis services to Fortune 500 companies including Medtronic. From 1995 to 2011, Mr. CLEARY worked at GE Capital Corporation ("GE Capital") leading merger & acquisition teams that closed acquisitions across more than 200 global transactions. Mr. CLEARY received the GE Capital Chairman's Award for M&A excellence in 2005, and was a member of the General Electric Business Development Senior Leadership Council. Mr. CLEARY holds a bachelor degree in Biology from The Colorado College.

MONAGHAN Shawn Del, aged 54, has been appointed as a non-executive Director on 27 March 2015 and currently serves as the Vice President of Business Development and Strategy for Cardiac Rhythm and Heart Failure (CRHF) business of Medtronic, a 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 opportunities 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 53, has been appointed as a non-executive Director on 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. Since December 2010, Mr. JIANG has been appointed as an independent non-executvie director of Changchun Dirui Medical Technology Co., Ltd. (長春迪瑞醫療科技股份有限公司). 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 61, has been appointed as an independent non-executive Director 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, a company listed on the Main Board of the Stock Exchange (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 of Finance of TWS Industrial (Holdings) Ltd since 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 of the Stock Exchange (Stock Code: 940). On 26 June 2015, Mr. LIANG ceased to be an independent non-executive director of China Animal Healthcare Limited.

WANG Wansong (王皖松), aged 46, has been appointed as an independent non-executive Director on 29 January 2016. Mr. WANG has extensive experiences in plans establishment, and policies formulation and implementation for the HighTech industrial development and construction in Shenzhen, and also in technological innovation, achievements transformation, and projects implementation and co-ordination for high-tech bio-pharmaceutical industry and medical device industry. He is currently working as a senior researcher at the State High-Tech Industrial Innovation Center, Shenzhen (深圳市國家高技術產業創新中心) and is acting as the deputy director of The Technology and Economy Committee for Shenzhen Committee of the Jiu San (Sept 3rd) Society (九三學社深圳市委員會科技經濟專門委員會). Prior to that, from 1997 to 2014, Mr. WANG worked at National Development and Reform Commission, Shenzhen city (深圳市發展改革委) as the deputy director and the department head of the High Technology Office (高技術處) since 2006 and 2013 respectively. Prior to that, Mr. WANG worked at the Engineering Department of Shenzhen Xinhuayu Marine Environmental Technology Engineering Co., Ltd.* (深圳新華宇海洋環境技術工程公司工程部) from 1992 to 1997, and at General Section of JiuJiang Environmental Protection Bureau, JiangXi province (江西省九江市環境保護局綜合科) from 1991 to 1992. Mr. WANG holds a bachelor degree in Biology from the Peking University.

ZHOU Luming (周路明), aged 57, has been appointed as an independent non-executive Director 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 52, 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 the 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 the 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.

HAN Jiangbo (韓江波), aged 55, 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 21 years of experience with over 15 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 in the early 1990s.

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 Listing Rules 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 2015, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in the listed securities of the Company by the Directors.

Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code during the year ended 31 December 2015. Details of the shareholding interests held by the Directors as at 31 December 2015 are set out in page 47 of this annual report.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2015.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors, and changes to the Board members during 2015 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 (resigned as executive Director and Chief Executive Officer 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)
XIAO Ying (appointed as executive Director on 28 March 2016)

Non-executive Directors

WU Jianhui (resigned as non-executive Director on 28 March 2016)
MARTHA Geoffrey Straub (resigned as non-executive Director on 27 August 2015)
CLEARY Christopher Michael (appointed as non-executive Director on 27 August 2015)
LIDDICOAT John Randall (resigned as non-executive Director on 27 March 2015)
MONAGHAN Shawn Del (appointed as non-executive Director on 27 March 2015)
JIANG Feng

Independent Non-executive Directors

LIANG Hsien Tse Joseph
ZHOU Gengshen (resigned as independent non-executive Director on 29 January 2016)
WANG Wansong (appointed as independent non-executive Director on 29 January 2016)
ZHOU Luming

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 headed "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 2015, 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 2015, five regular Board meetings were held for reviewing and approving the financial and operating performance and four of them were held at approximately quarterly intervals.

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

Name of Director	Attendance/ Number of Board meetings held	Attendance/ Number of general meetings held
EXECUTIVE DIRECTORS		
XIE Yuehui *(Chairman and Chief Executive Officer)* (appointed as Chief Executive Officer on 2 March 2015)	5/5	6/6
ZHAO Yiwei Michael (resigned as executive Director and Chief Executive Officer on 2 March 2015)	N/A	0/1
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)	5/5	6/6
XIAO Ying (appointed as executive Director on 28 March 2016)	N/A	N/A
NON-EXECUTIVE DIRECTORS		
WU Jianhui (resigned as non-executive Director on 28 March 2016)	5/5	6/6
MARTHA Geoffrey Straub (resigned as non-executive Director on 27 August 2015)	3/3	0/6
CLEARY Christopher Michael (appointed as non-executive Director on 27 August 2015)	2/2	N/A
LIDDICOAT John Randall (resigned as non-executive Director on 27 March 2015)	N/A	0/1
MONAGHAN Shawn Del (appointed as non-executive Director on 27 March 2015)	5/5	2/5
JIANG Feng	5/5	0/6
INDEPENDENT NON-EXECUTIVE DIRECTORS		
LIANG Hsien Tse Joseph	5/5	6/6
ZHOU Gengshen (resigned as independent non-executive Director on 29 January 2016)	5/5	1/6
WANG Wansong (appointed as independent non-executive Director on 29 January 2016)	N/A	N/A
ZHOU Luming	5/5	1/6

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 Company Secretary 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 2015, the Directors participated in trainings relating to the corporate governance and Listing Rules organized by the Company's Hong Kong legal advisor by way of telephone conference, and the Company has kept the relevant training records.

A summary of training received by the Directors for the year ended 31 December 2015 according to the records provided by the Directors is as follows:

Name of Director	Participated in continuous professional development[1]
Executive Directors:	
XIE Yuehui *(Chairman and Chief Executive Officer)* (appointed as Chief Executive Officer on 2 March 2015)	√
ZHAO Yiwei Michael (resigned as executive Director and Chief Executive Officer on 2 March 2015)	N/A
LIU Jianxiong (appointed as non-executive Director on 2 March 2015 and re-designated as executive Director on 27 March 2015)	√
XIAO Ying (appointed as executive Director on 28 March 2016)	N/A
Non-executive Directors:	
WU Jianhui (resigned as non-executive Director on 28 March 2016)	√
MARTHA Geoffrey Straub (resigned as non-executive Director on 27 August 2015)	N/A
CLEARY Christopher Michael (appointed as non-executive Director on 27 August 2015)	√
LIDDICOAT John Randall (resigned as non-executive Director on 27 March 2015)	N/A
MONAGHAN Shawn Del (appointed as non-executive Director on 27 March 2015)	√
JIANG Feng	√
Independent non-executive Directors:	
LIANG Hsien Tse Joseph	√
ZHOU Gengshen (resigned as independent non-executive Director on 29 January 2016)	√
WANG Wansong (appointed as independent non-executive Director on 29 January 2016)	N/A
ZHOU Luming	√

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

During the year ended 31 December 2015, each of the newly appointed Directors, Mr. LIU Jianxiong, Mr. MONAGHAN Shawn Del and Mr. CLEARY Christopher Michael, attended director's training seminars conducted by the Company's Hong Kong legal advisor as an introduction to the legal and regulatory regime for Hong Kong listed companies.

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 2015, the Company has complied with code provision D.3.1 of the CG Code.

Chairman and Chief Executive Officer

Prior to the resignation of Mr. ZHAO Yiwei Michael as Chief Executive Officer with effect from 2 March 2015, the Company was in compliance 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, Mr. XIE Yuehui, Chairman of the Board, has been appointed to act as the Chief Executive Officer. Since then, the roles of the Chairman of the Board and the Chief Executive Officer have been 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 2015 are subject to re-election.

COMMITTEES

As part of the corporate governance practices, the Board has established an audit committee, a remuneration committee and a nomination 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 Board 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. In view of the recent amendments to the CG Code effective for the accounting period beginning on 1 January 2016, the Company has adopted a revised terms of reference of the Audit Committee on 30 December 2015 in order to comply with certain changes relating to the risk management and internal control section 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, all of whom are independent non-executive Directors, namely, Mr. LIANG Hsien Tse Joseph, with appropriate professional qualifications who serves as the chairman of the Audit Committee, Mr. ZHOU Luming and Mr. WANG Wansong. On 29 January 2016, Mr. ZHOU Gengshen resigned as a member of the Audit Committee, and Mr. WANG Wansong was appointed as the member of the Audit Committee. On 28 March 2016, Mr. WU Jianhui resigned as the member of the Audit Committee, and Mr. ZHOU Luming was appointed as the member of the Audit Committee.

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, risk management and internal control systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

During the year ended 31 December 2015, the Audit Committee held two 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 Joseph	2/2
Members:	
Mr. WU Jianhui (resigned on 28 March 2016)	2/2
Mr. ZHOU Luming (appointed on 28 March 2016)	N/A
Mr. ZHOU Gengshen (resigned on 29 January 2016)	2/2
Mr. WANG Wansong (appointed on 29 January 2016)	N/A

The Group's annual audited results for the year ended 31 December 2015 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 Board 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. WANG Wansong, an independent non-executive Director, served as the chairman of the Remuneration Committee while Mr. LIANG Hsien Tse Joseph, an independent non-executive Director, and Mr. CLEARY Christopher Michael, a non-executive Director, served as members of the Remuneration Committee. On 27 August 2015, Mr. MARTHA Geoffrey Straub resigned as a member of the Remuneration Committee, and Mr. CLEARY Christopher Michael was appointed as the member of the Remuneration Committee. On 29 January 2016, Mr. ZHOU Gengshen resigned as the chairman of the Remuneration Committee, and Mr. WANG Wansong was appointed as the chairman of the Remuneration Committee.

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.

The Remuneration Committee held two meetings during the year ended 31 December 2015. 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 (resigned on 29 January 2016)	2/2
Mr. WANG Wansong (appointed on 29 January 2016)	N/A
Members:	
Mr. MARTHA Geoffrey Straub (resigned on 27 August 2015)	2/2
Mr. CLEARY Christopher Michael (appointed on 27 August 2015)	N/A
Mr. LIANG Hsien Tse Joseph	2/2

Nomination Committee

The Board 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, an independent non-executive Director, who served as the chairman of the Nomination Committee, Mr. XIE Yuehui, an executive Director, and Mr. LIANG Hsien Tse Joseph, an independent non-executive Director.

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 2015 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 Nomination Committee	Number of meeting attended/ convened
Chairman:	
Mr. ZHOU Luming	1/1
Members:	
Mr. XIE Yuehui	1/1
Mr. LIANG Hsien Tse Joseph	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 2015, 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 RMB1.6 million and RMB0.02 million. There was no non-audit service provided in the year 2015.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective risk management and internal control systems 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 2015, the Board has discussed and reviewed the risk management and internal control systems and the relevant proposal made by senior management in order to ensure an adequate and effective systems of risk management and internal control. The Board will continue to assess the effectiveness of risk management and 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 2015, 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 applies appropriate according policies that are consistently adopted and makes 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.

The statement of the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 59 and 60 of this annual report.

COMPANY SECRETARY

Mr. LIU Jianxiong was appointed as the Company Secretary of the Company on 22 October 2011. Mr. LIU has over 23 years of experience in the accounting fields. During the year ended 31 December 2015, 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 24 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.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2015, the Company has not made any changes to its Memorandum and Articles of Association.

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 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 41 to the consolidated financial statements.

Details of the activities during the year ended 31 December 2015 as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are set out under the section "Management Discussion and Analysis" on pages 8 to 23 of this annual report.

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the sections headed "Management Discussion and Analysis" respectively on pages 8 to 23 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the section "Management Discussion and Analysis" on pages 19 to 20 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the year 2015, if any, can also be found in the abovementioned sections and the Notes to the consolidated financial statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 4 to 7 of this annual report. An account of the Company's relationships with its key stakeholders is included in the section headed "Employees And Remuneration Policy" on page 21 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 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 2015.

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 major emerging markets and major international markets.

The Company has used HK$156.6 million, all of the net proceeds to research and development, expansion of our sales network and expansion of 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 138 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 2015, sales to the Group's five largest customers accounted for approximately 23.4% of the Group's total sales and sales to the largest customer included therein amounting to approximately 9.6%.

The aggregate purchases during the year attributable to the Group's five largest suppliers were approximately 43.9% of the Group's total purchases and purchases from the largest supplier included therein amounting to approximately 12.9%.

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 2015 are set out in Note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution to its owners of the Company amounted to approximately RMB74.5 million (2014: RMB82.4 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2015 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 or appointment letters 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 (resigned as executive Director and Chief Executive Officer 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)
XIAO Ying (appointed as executive Director on 28 March 2016)

Non-executive Directors

WU Jianhui (resigned as non-executive Director on 28 March 2016)
MARTHA Geoffrey Straub (resigned as non-executive Director on 27 August 2015)
CLEARY Christopher Michael (appointed as non-executive Director on 27 August 2015)
LIDDICOAT John Randall (resigned as non-executive Director on 27 March 2015)
MONAGHAN Shawn Del (appointed as non-executive Director on 27 March 2015)
JIANG Feng

Independent Non-executive Directors

LIANG Hsien Tse Joseph
ZHOU Gengshen (resigned as independent non-executive Director on 29 January 2016)
WANG Wansong (appointed as independent non-executive Director on 29 January 2016)
ZHOU Luming

Pursuant to article 16.2 of the Articles of Association, Mr. CLEARY Christopher Michael, Mr. WANG Wansong and Ms. XIAO Ying who were appointed by the Board as Directors on 27 August 2015, 29 January 2016 and 28 March 2016 respectively, 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.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTOR'S SERVICE CONTRACTS OR APPOINTMENT LETTERS

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

Mr. LIU Jianxiong has been appointed as an executive Director and entered into 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 on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Ms. XIAO Ying has been appointed as an executive Director and entered into a service contract with the Company for an initial term of three years commencing from 28 March 2016.

Mr. JIANG Feng has been appointed as a non-executive Director and entered into a service contract with the Company for an initial term of three years commencing from 1 April 2014, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Mr. MONAGHAN Shawn Del has been appointed as a non-executive Director and entered into 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 on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Mr. CLEARY Christopher Michael has been appointed as a non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 27 August 2015.

Mr. LIANG Hsien Tse Joseph has been appointed as an independent non-executive Director and entered into 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 an independent non-executive Director and entered into 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, each of Mr. LIANG and Mr. ZHOU renewed the service contracts with the Company respectively which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Mr. WANG Wansong has been appointed as an independent non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 29 January 2016.

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

EMOLUMENT POLICY

During the year ended 31 December 2015, 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:

	2015	2014
Total remuneration on individual basis		
Nil to RMB1,000,000	**—**	2
RMB1,000,001 to RMB2,000,000	**1**	2
RMB2,000,001 to RMB3,000,000	**—**	2
RMB3,000,001 to RMB4,000,000	**—**	—
RMB4,000,001 to RMB5,000,000	**1**	—
RMB5,000,001 to RMB6,000,000	**3**	—

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 letter to confirm their compliance with the independence requirement under 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the Directors and chief executive 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 (a) 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 (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise 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 and underlying shares of the Company

Name of Directors/ chief executive	Nature of interest	Number of shares	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation and beneficial owner	801,514,928[1]	20.04%
WU Jianhui (resigned on 28 March 2016)	Interest of controlled corporation	417,626,656[2]	10.44%
LIU Jianxiong	Beneficial owner	24,800,000[3]	0.62%

1: These interests represented:

(a) 781,914,928 shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director; and

(b) 19,600,000 options granted to Mr. XIE Yuehui, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

2: These shares are held through GE Asia Pacific Investments Ltd., which is wholly owned by Mr. WU Jianhui, the former non-executive Director of the Company.

3: These interests represented:

(a) 8,000,000 shares held by Mr. LIU Jianxiong, our executive Director, chief financial officer and company secretary; and

(b) 16,800,000 options granted to Mr. LIU Jianxiong, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

Save as disclosed above, as at 31 December 2015, so far as is known to any Directors or chief executives of the Company, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 (b) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) were 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 2015, 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 and underlying shares of the Company which would fall to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or 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 shares of the Company

Name of Shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
Xianjian Advanced Technology Limited *(Note 1)*	781,914,928	Beneficial owner	19.55%
GE Asia Pacific Investments Ltd. *(Note 2)*	417,626,656	Beneficial owner	10.44%
Medtronic KL Holdings LLC *(Note 3)*	760,000,000	Beneficial owner	19.00%
Medtronic Holding Switzerland G.m.b.H. *(Note 3)*	760,000,000	Interest of controlled corporation	19.00%
Medtronic B.V. *(Note 3)*	760,000,000	Interest of controlled corporation	19.00%
Medtronic International Technology, Inc. *(Note 3)*	760,000,000	Interest of controlled corporation	19.00%
Medtronic, Inc. *(Note 3)*	760,000,000	Interest of controlled corporation	19.00%
Medtronic Holding, Inc. *(Note 3)*	760,000,000	Interest of controlled corporation	19.00%
Medtronic Group Holding, Inc. *(Note 3)*	760,000,000	Interest of controlled corporation	19.00%
Medtronic plc *(Note 3)*	760,000,000	Interest of controlled corporation	19.00%

Note 1: The entire issued share capital of Xianjian Advanced Technology Limited is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director.

Note 2: The entire issued share capital of GE Asia Pacific Investments Ltd. is wholly owned by Mr. WU Jianhui, the former non-executive Director of the Company.

Note 3: The entire issued share capital of Medtronic KL Holdings LLC is controlled as to 90.33% 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 in turn is wholly-owned by Medtronic, Inc.. Medtronic, Inc. is wholly owned by Medtronic Holding, Inc., which in turn is wholly owned by Medtronic Group Holding, Inc.. Medtronic Group Holding, Inc. is wholly owned by Medtronic plc.

(b) Derivative interests

Name of Shareholder	Number of underlying shares	Capacity	Percentage of the Company's issued share capital
Medtronic KL Holdings LLC *(Notes 1 and 2)*	3,028,571,432	Beneficial owner	75.71%
Medtronic Holding Switzerland G.m.b.H. *(Notes 1 and 2)*	3,028,571,432	Interest of controlled corporation	75.71%
Medtronic B.V. *(Notes 1 and 2)*	3,028,571,432	Interest of controlled corporation	75.71%
Medtronic International Technology, Inc. *(Notes 1 and 2)*	3,028,571,432	Interest of controlled corporation	75.71%
Medtronic, Inc. *(Notes 1 and 2)*	3,028,571,432	Interest of controlled corporation	75.71%
Medtronic Holding, Inc. *(Notes 1 and 2)*	3,028,571,432	Interest of controlled corporation	75.71%
Medtronic Group Holding, Inc. *(Notes 1 and 2)*	3,028,571,432	Interest of controlled corporation	75.71%
Medtronic plc *(Notes 1 and 2)*	3,028,571,432	Interest of controlled corporation	75.71%

Note 1: The entire issued share capital of Medtronic KL Holdings LLC is controlled as to 90.33% 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 in turn is wholly-owned by Medtronic, Inc.. Medtronic, Inc. is wholly owned by Medtronic Holding, Inc., which in turn is wholly owned by Medtronic Group Holding, Inc.. Medtronic Group Holding, Inc. is wholly owned by Medtronic plc.

Note 2: 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 initial conversion price of HK$3.80, took place on 30 January 2013. The convertible shares are 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 2015, the Directors have not been notified by 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 adopted the Share Option Scheme on 22 October 2011 and the Share Option Scheme has been amended by an unanimous written resolutions of the Board on 5 May 2015. Such amendment to the Share Option Scheme was made due to the transfer of listing of the shares of the Company from GEM of the Stock Exchange to the Main Board of the Stock Exchange and in order to ensure that the references and margin notes quoted and referred to therein are in compliance and consistent with the Listing Rules.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the Eligible Participants (as defined below) 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. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant options to any 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 (collectively the "Eligible Participants").

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") 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.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 400,000,000 shares, being 10% of the total issued shares of the Company as at the date of this annual report.

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.

8. **Remaining 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

During the year ended 31 December 2015, an aggregate of 160,000,000 shares, which represented approximately 4.00% of the shares in issue as at 31 December 2015, were granted subject to certain vesting conditions pursuant to the Share Option Scheme to certain eligible participants (the "Grantees"), including grant of 19,600,000 shares and 16,800,000 shares made to two executive Directors, namely Mr. XIE Yuehui and Mr. LIU Jianxiong respectively. As at 31 December 2015, 160,000,000 shares granted pursuant to the Share Option Scheme, which represented approximately 4.00% of the shares in issue as at 31 December 2015, remained unvested.

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Share Option Scheme and movements during the period from the date of grant to 31 December 2015:

							Number of Shares		
Name	**Date of Grant**	**Vesting schedule**	**Option period**	**Exercise price**	**Granted on the date of grant**	**Outstanding as at 1/1/2015**	**Exercised during the twelve months ended 31/12/2015**	**Cancelled/ Lapsed during the twelve months ended 31/12/2015**	**Outstanding as at 31/12/2015**
Directors/chief executive									
Mr. XIE Yuehui	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	19,600,000	—	—	—	19,600,000
Mr. LIU Jianxiong	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	16,800,000	—	—	—	16,800,000
Other Grantees									
Aggregate of other Grantees	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	123,600,000	—	—	(19,248,000)	104,352,000

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the year ended 31 December 2015.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2015 or at any time during the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

During the year ended 31 December 2015, permitted indemnity provision as defined in the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) was in force for indemnity against liability incurred by Directors, to a third party.

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.

New Transaction Agreements

To expand the 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, the supplemental announcement of the Company dated 7 August 2014 and 17 April 2015, the circular of the Company dated 20 April 2015 and the poll results announcement of the Company dated 7 May 2015.

On 7 May 2015, the New Transaction Agreements were approved by the independent shareholders of the Company.

Third Supplemental Agreement Relating to (i) Distribution Agreement and (ii) Services Agreement

On 14 October 2012, the Company, PerMed and Medtronic entered into the supply and exclusive distribution agreement (the "Original Distribution Agreement"), which is supplemented by the supplemental agreement to the supply and exclusive distribution agreement dated 5 January 2013 entered into between the Company, PerMed and Medtronic (the "First Supplemental Distribution Agreement") and the second supplemental agreement to the supply and exclusive distribution agreement dated 13 June 2014 entered into between the Company, PerMed, Lifetech (Shenzhen) and Medtronic (the "Second Supplemental Distribution Agreement", together with the Original Distribution Agreement and the First Supplemental Distribution Agreement, the "Distribution Agreements").

On 2 November 2015, the Company, PerMed and Medtronic further entered into the Third Supplemental Agreement pursuant to which the terms of the Distribution Agreements have been modified by terminating the arrangements relating to the Valve (as defined in the Company's announcement dated 2 November 2015) only with effect from the date of the Third Supplemental Agreement. As termination of the Distribution Agreements would result in automatic termination of the Services Agreements according to the original terms of the Services Agreement, the Services Agreements have also been modified to the extent that only that part of the Services Agreements as to the Valve will be automatically terminated after completion of the continuing services. For further details, please refer to the Company's announcement dated 2 November 2015.

As at 2 November 2015, the transaction amount under the First Supplemental Distribution Agreement was RMB17,000, where the relevant annual cap was RMB56,270,000 (2014: RMB39,690,000).

Distribution Agreements

Pursuant to the Second Supplemental Distribution Agreement, Lifetech (Shenzhen) appoints Medtronic as (i) the exclusive distributor of Lifetech (Shenzhen) with the exclusive right to advertise, promote, market, distribute and sell supplemental occluder products in selected countries in Europe and the Middle East; and (ii) a non-exclusive distributor with the right to advertise, promote, market, distribute and sell the supplemental accessory products in selected countries in Europe and the Middle East.

The Second Supplemental Distribution Agreement shall be effective for a term of five years from the Supplemental Start Date (as defined in the Company's circular dated 21 August 2014). Thereafter, the term shall be automatically renewed for additional periods of not more three years each unless the Second Supplemental Distribution Agreement is terminated pursuant to the terms of the terms therein or a six-month advance notice of non-renewal is served by either party.

For the year ended 31 December 2015, the transaction amount under the Second Supplemental Distribution Agreement was USD1,329,000, where the relevant annual cap was USD7,950,000 (2014: 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, 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 (as defined in the Company's circular dated 18 March 2014). Pursuant to the Services Agreements, 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. As at 31 December 2015, all the above service fees have been paid to Medtronic.

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.

For the year ended 31 December 2015, the royalty fee under the Services Agreements was approximately RMB5,205,000 (2014: approximately RMB4,048,000) and, as at 31 December 2015, the cumulative royalty fee under the Services Agreement was approximately RMB11,235,000, which did not exceed the relevant cumulative cap of RMB300,000,000.

Related party transaction

In 2015, the related party transactions as set out in the Note 38 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 Review

The independent non-executive Directors have reviewed the continuing connected transactions under the New Transaction Agreements, the Distribution Agreements and the Services Agreements and they confirm that the transactions in 2015 were entered into:

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

(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 (Revised) "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 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2015 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 2015 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 2015, (b) no new competing business was reported by the Covenantors as at 31 December 2015, (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 review 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 2015, 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 2015.

BANK BORROWINGS

The Group has recorded bank borrowings of approximately RMB48.0 million as at 31 December 2015 (2014: Nil).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conducts for 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 has complied with the required standard as set out in the Model Code during the year ended 31 December 2015.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2015.

CORPORATE GOVERNANCE

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

AUDITORS

The consolidated financial statements in this annual report have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditors of the Company during the year ended 31 December 2015. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

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

29 March 2016

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 61 to 137, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Revenue	7	**311,606**	282,679
Cost of sales		**(59,030)**	(52,544)
Gross profit		**252,576**	230,135
Other income and other gains and losses	8	**10,265**	(2,289)
Selling and distribution expenses		**(73,600)**	(69,083)
Administration expenses		**(47,567)**	(75,671)
Research and development expenses		**(47,222)**	(33,308)
Operating profit		**94,452**	49,784
Finance income	9	**1,825**	2,690
Finance costs	9	**(13,251)**	(11,245)
Finance costs, net	9	**(11,426)**	(8,555)
Share of results of associates	20	**91**	(1,458)
Gain on disposal of an associate	20	**—**	14,538
Impairment loss on a deposit for acquisition of a long term investment	21(i)	**—**	(18,354)
Net exchange (loss) gain on convertible notes	29&32	**(21,927)**	869
Fair value losses on convertible notes and other financial asset	29&32	**(43,717)**	(104,635)
Gain on disposal of a subsidiary	35	**8,923**	—
Profit (loss) before tax	10	**26,396**	(67,811)
Income tax expense	12	**(22,371)**	(12,921)
Profit (loss) for the year		**4,025**	(80,732)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**72**	936
Reclassification of reserve upon disposal of subsidiary		**421**	—
Share of exchange gain of an associate		**—**	54
Other comprehensive income for the year		**493**	990
Total comprehensive income (expense) for the year		**4,518**	(79,742)

	NOTE	2015 RMB'000	2014 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**2,359**	(81,244)
Non-controlling interests		**1,666**	512
		4,025	(80,732)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**2,852**	(80,254)
Non-controlling interests		**1,666**	512
		4,518	(79,742)
Earning (loss) per share	14		
– Basic (RMB)		**0.001**	(0.020)
– Diluted (RMB)		**0.001**	(0.020)

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	15	**257,041**	55,434
Investment properties	16	**1,620**	1,693
Intangible assets	17	**78,169**	53,095
Prepaid lease payments	18	**33,258**	34,529
Deposits for acquisition of property, plant and equipment		**15,133**	5,795
Deferred tax assets	19	**14,822**	14,156
Interests in associates	20	**897**	1,109
Deposit for acquisition of long term investment/intangible asset	21	**—**	12,600
		400,940	178,411
Current assets			
Inventories	22	**38,404**	30,860
Trade receivables	23	**70,951**	64,873
Other receivables and prepayments	24	**35,211**	25,114
Prepaid lease payments	18	**1,271**	1,271
Structured deposits	25	**—**	9,440
Bank balances and cash	26	**255,110**	256,322
		400,947	387,880
Current liabilities			
Trade and other payables	27	**101,394**	51,407
Tax payables		**19,794**	14,106
		121,188	65,513
Net current assets		**279,759**	322,367
Total assets less current liabilities		**680,699**	500,778
Non-current liabilities			
Government grants	28	**58,429**	29,395
Convertible notes	29	**97,214**	78,483
Conversion option derivative liability	29	**296,759**	236,595
Bank borrowings due after one year	30	**48,023**	—
		500,425	344,473
Net assets		**180,274**	156,305

	NOTE	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	31	**32**	32
Share premium and reserves		**180,221**	151,232
Equity attributable to owners of the Company		**180,253**	151,264
Non-controlling interests		**21**	5,041
Total equity		**180,274**	156,305

The consolidated financial statements on pages 61 to 137 were approved and authorised for issue by the board of directors on 29 March 2016 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	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)	Share option reserve RMB'000	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 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
At 1 January 2015	32	251,593	2,399	34,373	–	(421)	32,531	(169,243)	151,264	5,041	156,305
Profit for the year	–	–	–	–	–	–	–	2,359	2,359	1,666	4,025
Other comprehensive income for the year	–	–	72	–	–	–	–	–	72	–	72
Reclassification of reserve upon disposal of a subsidiary (note 35)	–	–	–	–	–	421	–	–	421	–	421
Total comprehensive income (expense) for the year	–	–	72	–	–	421	–	2,359	2,852	1,666	4,518
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,667)	(1,667)
Release upon disposal of a subsidiary (note 35)	–	–	–	–	–	–	–	–	–	(5,019)	(5,019)
Recognition of equity-settled share-based payments	–	–	–	–	26,137	–	–		26,137	–	26,137
Appropriations	–	–	–	10,209	–	–	–	(10,209)	–	–	–
At 31 December 2015	32	251,593	2,471	44,582	26,137	–	32,531	(177,093)	180,253	21	180,274

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 2015

	NOTE	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Profit (loss) before tax		**26,396**	(67,811)
Adjustments for:			
Depreciation of property, plant and equipment		**6,423**	6,011
Share-based payment expenses		**20,357**	—
Loss on disposal of property, plant and equipment		**126**	—
Amortisation of intangible assets		**1,276**	1,223
Depreciation of investment properties		**73**	73
Release of prepaid lease payments		**1,271**	1,271
Write-down on inventories		**5,500**	6,849
Impairment loss recognised on trade receivables		**2,722**	178
Impairment loss recognised on other receivables		**—**	25
Gain on disposal of a subsidiary	35	**(8,923)**	—
Government grants		**(8,333)**	(4,809)
Finance income		**(1,825)**	(2,690)
Finance costs		**13,251**	11,245
Share of results of associates		**(91)**	1,458
Gain on disposal of an associate		**—**	(14,538)
Net exchange loss (gain) on convertible notes		**21,927**	(869)
Fair value losses on convertible notes and other financial asset		**43,717**	104,635
Impairment loss on a deposit for acquisition of a long term investment		**—**	18,354
Operating cash flows before movements in working capital		**123,867**	60,605
Increase in inventories		**(12,951)**	(5,150)
Increase in trade receivables		**(9,166)**	(24,628)
Increase in other receivables and prepayments		**(494)**	(8,034)
Increase in trade and other payables		**53,383**	8,623
Increase in government grants received for operating activities		**7,083**	1,782
Cash generated from operations		**161,722**	33,198
Income taxes paid		**(17,409)**	(13,671)
NET CASH FROM OPERATING ACTIVITIES		**144,313**	19,527

	NOTES	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Interest received from bank deposits		**1,096**	758
Interest received from structured deposits		**729**	620
Interest received from loan receivable		**—**	1,312
Proceeds from disposal of property, plant and equipment		**122**	22
Deposits paid for and purchase of property, plant and equipment		**(218,175)**	(30,944)
Payments for intangible assets		**(964)**	(387)
Development costs paid		**(22,596)**	(22,174)
Government grants received for acquisition of plant and equipment		**27,750**	7,500
Receipt of loan repayment		**—**	32,000
Structured deposits placed		**—**	(80,280)
Release of structured deposits		**9,440**	77,340
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed)	35	**10,645**	—
Proceeds from disposal of an associate	20	**—**	24,624
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(191,953)**	10,391
FINANCING ACTIVITIES			
Bank borrowings raised		**48,023**	—
Dividend paid to non-controlling interests		**(1,667)**	—
NET CASH FROM FINANCING ACTIVITIES		**46,356**	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,284)**	29,918
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**256,322**	225,468
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**72**	936
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**255,110**	256,322

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 Chief Executive Officer 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

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2015, the Group has adopted all the amendments to IFRSs which are effective for the financial year beginning 1 January 2015. The application of the amendments to the IFRSs in the current year has had no material impact on the Group's financial performance and financial position 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 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after 1 January 2016.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 January 2017.

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. Another revised version of IFRS 9 was issued in 2014 mainly to included a) impairment requirement for financial assets and b) limited amendments to classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that solely payments of principal and interest on the principal amount of outstanding, are generally measured at FVTOCI. 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 consolidated financial statements. However, 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.

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

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

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes noncancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 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

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standard Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented and disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Lease* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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 IAS 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 IAS 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 IAS 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

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

The Group as lessor

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

The Group as lessee

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

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

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

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 "Profit (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 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.

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, structured deposits 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

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.

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 and bank borrowings 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.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments granted at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in note 34 to the consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

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 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.

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.

Useful lives of internal-generated intangible assets

As at 31 December 2015, the carrying amount of the Group's internal-generated intangible assets with definite useful lives is RMB72,296,000 (2014: RMB45,594,000). 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.

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

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 2015, the carrying amount of trade receivables of the Group, net of allowance for the doubtful debts, is RMB70,951,000 (2014: RMB64,873,000).

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 2015, the carrying amount of property, plant and equipment is RMB257,041,000 (2014: RMB55,434,000).

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 2015, the carrying amount of inventories of the Group is RMB38,404,000 (2014: RMB30,860,000).

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 and bank borrowing disclosed in notes 29 and 30, 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

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**352,213**	332,772
Designated at FVTPL - structured deposits	**—**	9,440
Financial liabilities		
Amortised cost	**237,439**	120,031
Conversion option derivative liability	**296,759**	236,595

(b) Financial risk management objectives and policies

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

6. FINANCIAL INSTRUMENTS – *continued*

(b) Financial risk management objectives and policies – *continued*

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:

	2015 RMB'000	2014 RMB'000
Assets		
United States Dollars ("USD")	**42,636**	67,621
Euro ("EUR")	**14,510**	15,793
Hong Kong Dollars ("HKD")	**2,134**	2,997
India Rupees ("INR")	**14,420**	11,554
Liabilities		
USD	**3,587**	1,002
EUR	**1,722**	1,298
HKD	**393,973**	315,078
INR	**335**	96

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.

For the year ended 31 December 2015, a positive (negative) number below indicates an increase (a decrease) in profit where RMB strengthens 5% against the relevant foreign currencies. For the year ended 31 December 2014, a positive (negative) number below indicates a decrease (an increase) in loss 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.

	2015	2014
	RMB'000	RMB'000
USD		
Profit or loss	**(1,464)**	(2,498)
EUR		
Profit or loss	**(480)**	(544)
HKD		
Profit or loss	**14,694**	11,703
INR		
Profit or loss	**(528)**	(430)

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, structured deposits and bank borrowings. For structured deposits, interest varies depending on the movements of the RMB Benchmark Loan Rates issued by the People's Bank of China. For Bank borrowings, interest varies depending on the movements of Loan Prime Rate of China Construction Bank Corporation.

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. Moreover, 50 basis points increase and decrease in Loan Prime Rate of China Construction Bank Corporation of the bank borrowings is not significant to the consolidated financial statements. Accordingly, sensitivity analysis is not presented.

The Group's fair value interest rate risk relates primarily to its convertible notes (see note 29). The management will consider hedging significant interest rate exposure should the needs arise.

Credit risk

As at 31 December 2015, 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 63% (2014: 45%) 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 68% (2014: 47%) of the total debtors as at 31 December 2015.

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 1 year RMB'000	1-5 years RMB'000	Undiscounted cash flows RMB'000	Total Carrying amount RMB'000
At 31 December 2015							
Non-derivative financial liabilities							
Trade and other payables		31,156	42,610	18,436	—	92,202	92,202
Bank borrowings due after one year	5.40%	—	—	—	62,467	62,467	48,023
Convertible notes	16.64%	—	—	—	131,060	131,060	97,214
		31,156	42,610	18,436	193,527	285,729	237,439
Derivatives financial liability							
Conversion option derivative liability		296,759	—	—	—	296,759	296,759

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 1 year 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*

(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).

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
	2015 RMB'000	2014 RMB'000				
Financial assets						
Structured deposits	**–**	9,440	Level 2	Discounted cash flow. Market price of underlying financial instruments, including listed shares and debentures.	N/A	N/A
Financial liability						
Conversion option derivative liability	**296,759**	236,595	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 note 29. 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 RMB1,915,000 and RMB494,000 respectively.

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 2015

	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	142,354	168,977	275	311,606
Segment profit (loss)	112,097	140,732	(253)	252,576
Unallocated income				
– Finance income				1,825
– Other income and other gains and losses				10,265
– Share of results of associates				91
– Gain on disposal of a subsidiary				8,923
Unallocated expense				
– Net exchange loss on convertible notes				(21,927)
– Selling and distribution expenses				(73,600)
– Administration expenses				(47,567)
– Research and development expenses				(47,222)
– Finance costs				(13,251)
– Fair value losses on convertible notes				(43,717)
Profit before tax				26,396

7. SEGMENT INFORMATION – *continued*

(a) Segment revenue and results – *continued*

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)

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

	2015	2014
	RMB'000	RMB'000
Operating segments:		
Congenital heart diseases business	**215,383**	141,139
Peripheral vascular diseases business	**286,835**	123,389
Surgical vascular repair business	**13,544**	5,392
Total segment assets	**515,762**	269,920
Unallocated assets		
Property, plant and equipment	**709**	1,030
Investment properties	**1,620**	1,693
Deferred tax assets	**14,822**	14,156
Interests in associates	**897**	1,109
Deposits for acquisition of long term investment/intangible asset	**—**	12,600
Other receivables and prepayments	**12,967**	21
Structured deposits	**—**	9,440
Bank balances and cash	**255,110**	256,322
Consolidated assets	**801,887**	566,291

7. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities – *continued*

Segment liabilities

	2015 RMB'000	2014 RMB'000
Operating segments:		
Congenital heart diseases business	**9,560**	2,270
Peripheral vascular diseases business	**14,043**	3,350
Surgical vascular repair business	**136**	8
Total segment liabilities	**23,739**	5,628
Unallocated liabilities		
Other payables	**76,725**	41,915
Tax payables	**19,794**	14,106
Government grants	**59,359**	33,259
Convertible notes	**97,214**	78,483
Conversion option derivative liability	**296,759**	236,595
Bank borrowings due after one year	**48,023**	—
Consolidated liabilities	**621,613**	409,986

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, certain 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, conversion option derivative liability and bank borrowings.

7. SEGMENT INFORMATION – *continued*

(c) Other segment information

For the year ended 31 December 2015

	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 (loss) or segment assets:					
Capital expenditure (Note)	112,400	133,421	218	—	246,039
Depreciation of property, plant and equipment	2,864	3,400	6	153	6,423
Amortisation of intangible assets	584	691	1	—	1,276
Write-down on inventories	2,513	2,982	5	—	5,500

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 (loss) 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

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

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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (country of domicile)	**239,474**	197,520	**383,197**	149,325
Europe	**20,249**	25,754	**728**	545
India	**21,574**	20,672	**157**	177
Asia, excluding PRC and India	**16,884**	21,394	**1,136**	—
South America	**11,571**	14,395	**—**	—
Africa	**171**	1,444	**—**	—
Others	**1,683**	1,500	**3**	499
Total	**311,606**	282,679	**385,221**	150,546

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 2015 and 2014.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Government grants (note 28)	**8,333**	4,809
Rental income	**1,291**	1,032
Loss on disposal of property, plant and equipment	**(126)**	—
Net foreign exchange gain (loss), other than the net exchange gain (loss) on convertible notes and other financial assets	**400**	(7,865)
Others	**367**	(265)
	10,265	(2,289)

9. FINANCE INCOME AND COSTS

	2015 RMB'000	2014 RMB'000
Finance income from:		
Interest income on bank deposits	**1,096**	758
Interest income on structured deposits	**729**	620
Interest income on loan receivable	**—**	1,312
Finance income	**1,825**	2,690
Interest expense on:		
Effective interest expense on convertible notes (note 29)	**(13,251)**	(11,245)
Finance costs	**(13,251)**	(11,245)
Finance costs, net	**(11,426)**	(8,555)

10. PROFIT (LOSS) BEFORE TAX

	2015 RMB'000	2014 RMB'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note 11)		
Directors' fee	**384**	198
Salaries, wages and other benefits	**64,139**	63,169
Performance related bonus	**17,047**	9,897
Share-based payment expenses	**26,137**	—
Retirement benefits scheme contributions	**6,724**	4,994
Less: capitalised in development costs and construction in progress	**(21,481)**	(8,257)
	92,950	70,001
Auditor's remuneration	**1,651**	1,503
Impairment loss on trade receivables	**2,722**	178
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)	**59,030**	52,544
Depreciation of property, plant and equipment	**6,423**	6,011
Depreciation of investment properties	**73**	73
Amortisation of intangible assets	**1,276**	1,223
Release of prepaid lease payments	**1,271**	1,271
Gross rental income from investment properties	**(1,291)**	(1,032)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**73**	73
	(1,218)	(959)

Note: For the year end 31 December 2015, cost of inventories recognised as expenses included write-down on inventories of RMB5,500,000 (2014: RMB6,849,000).

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors and chief executive by the Group in connection with the management of the affairs of the Group, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2015

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Incentive performance bonus RMB'000	Share based payment RMB'000	Total RMB'000
Executive drectors:						
Mr. Xie Yuehui (i)	—	800	43	538	3,639	5,020
Mr. Zhao Yiwei (i)	—	—	—	—	—	—
Mr. Liu Jianxiong (ii)	—	769	43	1,202	3,120	5,134
Non-Executive Directors:						
Mr. Wu Jianhui (viii)	—	—	—	—	—	—
Mr. Monaghan Shawn Del (iii)	—	—	—	—	—	—
Mr. Liddicoat John Randall (iii)	—	—	—	—	—	—
Mr. Jiang Feng	96	—	—	—	—	96
Mr. Cleary Christopher Michael (iv)	—	—	—	—	—	—
Mr. Martha Geoffrey Straub (iv)	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Liang Hsien Tse Joseph	96	—	—	—	—	96
Mr. Zhou Gengshen (v)	96	—	—	—	—	96
Mr. Zhou Luming	96	—	—	—	—	96
	384	1,569	86	1,740	6,759	10,538

11. DIRECTORS' , CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

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	—	755	—	594	1,349
Non-executive directors:					
Mr. Wu Jianhui (viii)	—	—	—	—	—
Mr. Liddicoat John Randall	—	—	—	—	—
Mr. Jiang Feng (vi)	—	—	—	—	—
Mr. Martha Geoffrey Straub	—	—	—	—	—
Independent non-executive directors:					
Mr. Liang Hsien Tse Joseph	66	—	—	—	66
Mr. Zhou Gengshen	66	—	—	—	66
Mr. Zhou Luming (vi)	51	—	—	—	51
Mr. Zhang Xingdong (vii)	15	—	—	—	15
	198	1,303	39	638	2,178

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 and the CEO of the Company. Mr. Xie Yuehui was appointed as the CEO of the Company on 2 March 2015.

(ii) Mr. Liu Jianxiong was appointed as non-executive director of the Company on 2 March 2015 and re-designated as executive director of the Company on 27 March 2015.

(iii) Mr. Liddicoat John Randall resigned as non-executive director of the Company and Mr. Monaghan Shawn Del was appointed as non-executive directors of the Company on 27 March 2015.

(iv) Mr. Martha Geoffrey Straub resigned as non-executive director of the Company and Mr. Cleary Chiristopher Michael was appointed as non-executive directors of the Company on 27 August 2015.

(v) Mr. Zhou Gengshen resigned as non-executive director of the Company on 29 January 2016.

(vi) Mr. Jiang Feng and Mr. Zhou Luming were appointed as non-executive director and independent non-executive director, respectively, of the Company on 1 April 2014.

(vii) Mr. Zhang Xingdong resigned as independent non-executive director of the Company on 1 April 2014.

(viii) Mr. Wu Jianhui resigned as non-executive director of the Company on 28 March 2016.

(ix) Ms. Xiao Ying was appointed as executive director of the Company on 28 March 2016.

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

Of the five individuals with the highest emoluments in the Group, 2 (2014: 1) directors and the chief executive of the Company whose emolument is included above. The emoluments of the 3 (2014: 4) individuals were as follows:

	2015	2014
	RMB'000	RMB'000
Employees		
– share-based payment	**6,611**	—
– salaries and other benefits	**3,242**	3,647
– performance related bonus	**1,329**	4,972
– contributions to retirement benefits scheme	**70**	119
	11,252	8,738

Their emoluments were within the following bands:

	2015	2014
	Number of employees	Number of employees
HKD1,000,001 to HKD1,500,000	**—**	—
HKD1,500,001 to HKD2,000,000	**1**	1
HKD2,000,001 to HKD2,500,000	**—**	1
HKD3,000,001 to HKD3,500,000	**—**	2
HKD5,500,001 to HKD6,000,000	**1**	—
HKD6,000,001 to HKD6,500,000	**1**	—
	3	4

For each of the two years ended 31 December 2015 and 2014, 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 2015 and 2014.

12. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	**23,098**	9,727
Deferred tax (credit) charge (note 19):		
Current year	**(727)**	3,194
	22,371	12,921

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. No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2015 and 2014 as the income of New Centre International Limited 新城市國際有限公司 neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that 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 2015 and 2014.

The applicable income tax rate of Lifetech Scientific India Private Ltd. ("Lifetech India") is 30.9% on its taxable profits. No provision for profit tax in India has been made for the two years ended 31 December 2015 and 2014 as there is no assessable profits for the two years ended 31 December 2015 and 2014.

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 profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Profit (loss) before tax	**26,396**	(67,811)
Tax at the applicable tax rate of 25% (2014: 25%) (Note)	**6,599**	(16,953)
Tax effect of share of result of an associate	**(53)**	365
Tax effect of expenses not deductible for tax purpose	**27,537**	26,388
Tax effect of tax losses not recognised	**3,600**	14,434
Tax effect of additional deductible research and development expenditure	**(3,340)**	(2,350)
Tax effect of income not taxable for tax purpose	**(625)**	(3,635)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**46**	—
Effect of income under tax concessions	**(11,393)**	(5,328)
Income tax expense for the year	**22,371**	12,921

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 2015 and 2014.

13. DIVIDENDS

No final dividend was paid or proposed during the years ended 31 December 2015 and 2014, nor any dividend proposed since the end of the reporting period.

14. EARNINGS (LOSS) PER SHARE

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

	2015	2014
	RMB'000	RMB'000
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share	**2,359**	(81,244)

	2015	2014
	'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 earnings (loss) per share for the year ended 31 December 2015 and 2014 do not assume the conversion of convertible notes because the conversion of convertible notes would result in an increase in earnings per share/a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of the Company's options since the average market price of the Company's share is lower than the adjusted exercise price of those options.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Plant and machinery	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2014	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
Exchange realignment	—	—	—	(1)	(28)	(29)
Additions	185,873	19,509	675	2,785	—	208,842
Disposal of a subsidiary (Note 35)	—	(1,841)	—	(555)	(258)	(2,654)
Disposals	—	(108)	—	(783)	(572)	(1,463)
At 31 December 2015	**210,133**	**55,287**	**10,707**	**10,949**	**4,847**	**291,923**
ACCUMULATED DEPRECIATION						
At 1 January 2014	—	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
Exchange realignment	—	7	—	21	(2)	26
Provided for the year	—	3,468	996	1,433	526	6,423
Disposal of a subsidiary (Note 35)	—	(1,596)	—	(407)	(92)	(2,095)
Eliminated on disposals	—	(84)	—	(758)	(423)	(1,265)
At 31 December 2015	**—**	**19,759**	**8,061**	**5,090**	**1,972**	**34,882**
CARRYING VALUES						
At 31 December 2015	**210,133**	**35,528**	**2,646**	**5,859**	**2,875**	**257,041**
At 31 December 2014	24,260	19,763	2,967	4,702	3,742	55,434

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 2014, 31 December 2014 and 2015	2,601
DEPRECIATION	
At 1 January 2014	835
Provided for the year	73
At 31 December 2014	908
Provided for the year	73
At 31 December 2015	981
CARRYING VALUES	
At 31 December 2015	1,620
At 31 December 2014	1,693

The estimated fair value of the Group's investment properties at 31 December 2015 was RMB40,537,000 (2014: RMB25,290,000). The estimated fair value has been arrived at on the basis of a valuation carried out on the respective dates by 深圳市遂興房地產評估有限公司, 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.

17. INTANGIBLE ASSETS

	Patents RMB'000	Licences RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
COST					
At 1 January 2014	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
Additions			964	26,702	27,666
Disposal of a subsidiary (Note 35)	(4,420)	(2,952)	—	—	(7,372)
At 31 December 2015	**4,625**	**2,679**	**2,808**	**72,296**	**82,408**
ACCUMULATED AMORTISATION					
At 1 January 2014	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
Provided for the year	784	177	315	—	1,276
Disposal of a subsidiary (Note 35)	(3,917)	(2,139)	—	—	(6,056)
At 31 December 2015	**591**	**2,679**	**969**	**—**	**4,239**
CARRYING VALUES					
At 31 December 2015	**4,034**	**—**	**1,839**	**72,296**	**78,169**
At 31 December 2014	5,321	990	1,190	45,594	53,095

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. As at 31 December 2015, RMB4,034,000 (2014: RMB4,625,000) 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

	2015 **RMB'000**	2014 RMB'000
Analysed for reporting purposes as:		
Current asset	**1,271**	1,271
Non-current asset	**33,258**	34,529
	34,529	35,800

The Group's prepaid lease payments represent payment for land use rights in the PRC are pledged for the bank borrowings (note 30).

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 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 and 1 January 2015	5,027	504	78	7,624	923	14,156
Credit (charge) to profit or loss	3,942	(458)	(5)	(3,863)	1,111	727
Disposal of a subsidiary (Note 35)	—	—	—	—	(61)	(61)
At 31 December 2015	**8,969**	**46**	**73**	**3,761**	**1,973**	**14,822**

19. DEFERRED TAXATION ASSETS – *continued*

At the end of the reporting period, the Group has unused tax losses of approximately RMB89,200,000 (2014: RMB77,240,000) 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 RMB63,603,000 (2014: RMB52,316,000) that may be carried forward indefinitely. The remaining unrecognised tax losses are approximately RMB25,597,000 (2014: RMB24,924,000) that will be expired as followings:

	2015	2014
	RMB'000	RMB'000
Unrecognised tax losses with expiry in:		
2015	**—**	2,417
2016	**4,089**	4,089
2017	**4,060**	4,060
2018	**6,514**	6,514
2019	**7,844**	7,844
2020	**3,090**	—
	25,597	24,924

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 RMB369,887,000 (2014: RMB274,286,000). 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

	2015	2014
	RMB'000	RMB'000
Cost of investments, unlisted	**1,109**	1,126
Share of post-acquisition reserves	**(212)**	(17)
	897	1,109

20. INTERESTS IN ASSOCIATES – *continued*

Details of the Group's associate 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	Registered capital	Principal activity
	2015	2014			
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

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

Information of Enke Medical that is not individually material as below:

Enke Medical

	2015 RMB'000	2014 RMB'000
The Group's share of profit income of Enke Medical	**91**	318
The Group's share of other comprehensive income of Enke Medical	**—**	—
The Group's share of total comprehensive income of Enke Medical	**91**	318
Carrying amount of the Group's interest in Enke Medical	**897**	1,109

20. INTERESTS IN ASSOCIATES – *continued*

Broncus Holding Corporation ("Broncus")

As at 31 December 2013, the Group had significant influence over Broncus, which was engaged in investment holding and developing and commercialising solutions for diagnosing and treating lung diseases in United States of America. 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.

	1 January 2014 to date of disposal RMB'000
Revenue	2,227
Loss and total comprehensive expense for the period	(19,366)
Cash proceeds	24,624
Less: – carrying amount of investment cost of Broncus upon Note Contribution (as defined in note 32)	(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. DEPOSITS FOR ACQUISITION OF LONG TERM INVESTMENT/INANGIBLE ASSET

	Deposit paid in 2012 (i) RMB'000	Deposit paid in 2013 (ii) RMB'000	Total RMB'000
At 1 January 2014	18,354	12,600	30,954
Impairment loss	(18,354)	—	(18,354)
At 31 December 2014	—	12,600	12,600
Reclassified to other receivables (note 24)	—	(12,600)	(12,600)
At 31 December 2015	—	—	—

21. DEPOSITS FOR ACQUISITION OF LONG TERM INVESTMENT/INANGIBLE ASSET – *continued*

(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.

(ii) The Group entered into an agreement with the same independent third party as that in (i) above on 15 May 2012 to obtain the priority for acquiring the exclusive distribution right to sell the designated products. The Group deposited RMB12,600,000 in 2013 to the independent third party and the covering period of the agreement is up to 1 April 2016 (36 months after the receipt of the deposit as defined in the agreement). According to the agreement, in the event the relevant certificate from CE Mark is not obtained by the independent third party within 36 months from 15 May 2012 (i.e., up to 15 May 2015), the deposit is refundable to the Group. Up to 15 May 2015, the relevant certificate was not obtained by the independent third party. The deposit then became refundable to the Group and the Group has informed the independent third party in written to request for the refund of the deposit and, accordingly, the deposit is reclassified to other receivables (Note 24).

22. INVENTORIES

	2015	2014
	RMB'000	RMB'000
Raw materials	**18,555**	15,263
Work in progress	**11,024**	2,459
Finished goods	**8,825**	13,138
	38,404	30,860

23. TRADE RECEIVABLES

	2015	2014
	RMB'000	RMB'000
Trade receivables	**73,978**	68,229
Less: allowance for doubtful debts	**(3,027)**	(3,356)
	70,951	64,873

Included in trade receivables are trade balances with a shareholder of RMB307,000 (2014: RMB7,069,000) and an associate of RMB2,066,000 (2014: RMB2,009,000). Details of the relevant transactions are set out in note 39(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 180 days (2014: 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.

	2015	2014
	RMB'000	RMB'000
1 to 90 days	**51,159**	51,207
91 to 180 days	**8,658**	5,308
181 to 365 days	**6,149**	4,816
Over 365 days	**4,985**	3,542
	70,951	64,873

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 RMB20,186,000 (2014: RMB13,241,000) 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.

23. TRADE RECEIVABLES – *continued*

Ageing of past due but not impaired trade receivables

	2015 RMB'000	2014 RMB'000
Age:		
Within 90 days	**4,754**	4,751
91 - 180 days	**7,623**	4,491
181 - 365 days	**5,526**	3,760
Over 365 days	**2,283**	239
	20,186	13,241

Movement in the allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
At 1 January	**3,356**	3,215
Impairment losses recognised on receivables	**2,722**	178
Amount written off during the year as uncollectible	**(3,051)**	(37)
At 31 December	**3,027**	3,356

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,027,000 (2014: RMB3,356,000) of which the debtors were in financial difficulties.

24. OTHER RECEIVABLES AND PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Other debtors (Note)	**12,174**	12,206
Less: allowance for doubtful debts	**—**	(629)
	12,174	11,577
Receivables for deposits paid for acquisition of long term investment/intangible assets (Note 21)	**12,600**	—
Prepayments	**3,514**	6,057
Other tax recoverable	**—**	825
Advance to employees	**5,167**	4,838
Rental deposits	**1,378**	1,378
Other deposits	**378**	439
	35,211	25,114

24. OTHER RECEIVABLES AND PREPAYMENTS – *continued*

Movement in the allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
At 1 January	**629**	629
Impairment losses recognised on other receivables	**—**	25
Amount written off during the year as uncollectible	**(629)**	(25)
At 31 December	**—**	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.

25. STRUCTURED DEPOSITS

As at 31 December 2014, the structured deposits consist of financial products of RMB9,440,000 issued by banks in the PRC, with an expected but not guaranteed return of 5.4% 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.

26. BANK BALANCES AND CASH

The Group's bank balances carry interest at market rates which range from 0.01% to 0.30% (2014: 0.01% to 0.35%) per annum.

27. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**23,739**	5,628
Other payables:		
Government grants (note 28)	**930**	3,864
Accrued payroll and bonus	**20,431**	16,615
Other payables	**2,315**	6,267
Construction payables	**28,637**	1,227
Accrued expenses	**17,080**	11,811
Value-added tax payables	**5,099**	3,903
Receipt in advance from customers	**692**	942
Other tax payables	**2,471**	1,150
	77,655	45,779
	101,394	51,407

Included in trade payables is trade balances with a shareholder of RMB13,509,000 (2014: RMB2,250,000). Details of the relevant transactions are set out in note 39(a).

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:

	2015 RMB'000	2014 RMB'000
0 - 30 days	**17,119**	2,699
31 - 60 days	**4,295**	1,285
61 - 90 days	**2,052**	212
91 - 120 days	**69**	610
Over 120 days	**204**	822
	23,739	5,628

28. 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 2015, approximately RMB7,083,000 (2014: RMB1,782,000) and RMB27,750,000 (2014: RMB7,500,000) 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 RMB8,333,000 (2014: RMB4,809,000) during the year ended 31 December 2015.

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 27). 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.

29. 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. The conversion price was adjusted to HKD0.475 per share upon the share subdivision effective from 12 January 2015.

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.

29. CONVERTIBLE NOTES – *continued*

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.

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 1 January 2014	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
Exchange realignment	**5,480**	**16,447**
Interest charge (note 9)	**13,251**	**—**
Fair value loss	**—**	**43,717**
At 31 December 2015	**97,214**	**296,759**

The fair value of the conversion option derivative component of the Convertible Notes is estimated using a Binomial Option Pricing Model ("Binomial Model"). The key inputs to the Binomial Model as of 31 December 2015 were as follows:

	31 December 2015	31 December 2014
Risk-free interest rate (i)	**1.016%**	1.016%
Expected volatility (ii)	**50.00%**	51.40%

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.

30. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank borrowings	**48,023**	—

The carrying amounts of the borrowings are repayable within a period of more than two years but not exceeding five years.

All borrowings are denominated in RMB and shown under non-current liabilities, which carried interest at 108% of Loan Prime Rate of China Construction Bank Corporation per annum. The effective interest rate is 5.4% as at 31 December 2015.

The group has pledged the prepaid lease payments with a carrying amount of RMB34,529,000 (2014: Nil) to secure banking borrowings.

31. SHARE CAPITAL

	Number of shares	**Amount USD**
Ordinary shares		
Authorised:		
At 1 January 2014 and 31 December 2014 at USD0.00001 each	5,000,000,000	50,000
Effect of subdivision (note)	35,000,000,000	N/A
At 31 December 2015 at USD0.00000125 each	40,000,000,000	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 2014 and 31 December 2014 at USD0.00001 each	500,000,000	5,000	32
Effect of subdivision (note)	3,500,000,000	N/A	N/A
At 31 December 2015 at USD0.00000125 each	4,000,000,000	5,000	32

31. SHARE CAPITAL – *continued*

Note: 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. Details of the share subdivision are set out in the announcements 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.

32. 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.

The movement of the financial assets designated as at FVTPL during the year ended 31 December 2014 is set out as below:

	RMB'000
At 1 January 2014	—
Fair value gain upon the Note Contribution	11,808
Transferred to interests in associates (note 20)	(11,808)
At 31 December 2014 and 2015	—

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current assets		
Property, plant and equipment	**445**	494
Interests in subsidiaries	**122,050**	103,784
	122,495	104,278
Current assets		
Other receivables	**368**	21
Amounts due from subsidiaries	**131,237**	121,655
Bank balances and cash	**25,942**	39,469
	157,547	161,145
Current liability		
Other payables	**842**	955
Net current assets	**156,705**	160,190
Total assets less current liability	**279,200**	264,468
Non-current liabilities		
Convertible notes	**97,214**	78,483
Conversion option derivative liability	**296,759**	236,595
	393,973	315,078
Net liabilities	**(114,773)**	(50,610)
Capital and Reserves		
Share capital	**32**	32
Share premium and reserves	**(114,805)**	(50,642)
Total deficit	**(114,773)**	(50,610)

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

Movement in reserves

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	32	251,593	—	(197,550)	54,075
Loss and the total comprehensive expense for the year	—	—	—	(104,684)	(104,684)
At 31 December 2014	32	251,593	—	(302,234)	(50,609)
Recognition of equity-settled share base payment	—	—	26,137	—	26,137
Loss and the total comprehensive expense for the year	—	—	—	(90,301)	(90,301)
At 31 December 2015	32	251,593	26,137	(392,535)	(114,773)

34. SHARE - BASED PAYMENT TRANSACTION

Share option scheme

The Company has adopted a share option scheme (the "Scheme") on 22 October 2011 and was amended by unanimous written resolutions of the board on 5 May 2015. The purpose of the 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.

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

The total number of shares which may be issued upon exercise of all options to be granted under the 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 400,000,000 shares based on 4,000,000,000 shares in issue subdivided) unless shareholders' approval has been obtained. Any options lapsed in accordance with the terms of the Scheme or any other share option scheme of our Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Unless approved by the shareholders in the manner set out in the 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 Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.

34. SHARE - BASED PAYMENT TRANSACTION – *continued*

Share Option Scheme – *continued*

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 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 Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK$1 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.

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 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.

The subscription price for shares in respect of any particular option granted under the 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 HKSE's daily quotation sheet on the date of offer of the option; (ii) the average closing price per share as stated in the HKSE's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of a share.

The following table discloses movements in the Company's share options held by directors and employees during the year ended 31 December 2015:

	Number of shares subject to share options				
Types	Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2015
Batch I	—	32,000,000	—	(3,849,600)	28,150,400
Batch II	—	32,000,000	—	(3,849,600)	28,150,400
Batch III	—	32,000,000	—	(3,849,600)	28,150,400
Batch IV	—	32,000,000	—	(3,849,600)	28,150,400
Batch V	—	32,000,000	—	(3,849,600)	28,150,400
Total	—	160,000,000	—	(19,248,000)	140,752,000
Exercisable at the end of the year					—
Weighted average exercise price					HK$1.464

Note: Certain employees resigned during the year and respective share options were lapsed accordingly.

34. SHARE - BASED PAYMENT TRANSACTION – *continued*

Share Option Scheme – *continued*

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HK$
5 May 2015 (Batch I)	12 months	5 May 2016- 4 May 2025	1.464
5 May 2015 (Batch II)	24 months	5 May 2017- 4 May 2025	1.464
5 May 2015 (Batch III)	36 months	5 May 2018- 4 May 2025	1.464
5 May 2015 (Batch IV)	48 months	5 May 2019- 4 May 2025	1.464
5 May 2015 (Batch V)	60 months	5 May 2020- 4 May 2025	1.464

The estimate fair values of the options granted on the following dates were:

	HK$
5 May 2015 (Batch I)	0.8124
5 May 2015 (Batch II)	0.8213
5 May 2015 (Batch III)	0.8267
5 May 2015 (Batch IV)	0.8323
5 May 2015 (Batch V)	0.8428

In respect of the share options granted on 5 May 2015, the fair values were calculated using the Binomial Model. The inputs into the model were as follows:

Batch	Number of options	Expected life year	Initial underlying HK$	Exercise price HK$	Risk free rate %	Dividend yield %	Volatility %
Batch I	32,000,000	7.75	1.410	1.464	1.51	—	55.33
Batch II	32,000,000	8.00	1.410	1.464	1.52	—	55.12
Batch III	32,000,000	8.25	1.410	1.464	1.53	—	54.62
Batch IV	32,000,000	8.50	1.410	1.464	1.55	—	54.18
Batch V	32,000,000	8.75	1.410	1.464	1.56	—	54.19

The Binomial Model had been used to estimate the fair value of the options. The model involves the construction of a binomial lattice which represents different possible paths that might be followed by the stock price over the life of the options. In developing the binomial lattice, the life of the options is divided into various time steps. In each time step there is a binomial stock price movement. The main inputs to the model include the share price of the Company, exercise price, risk-free rate, expected volatility, dividend yield and expected life of the options. which Expected volatility was determined by the historical share price of comparable companies in the relevant period.

For the year ended 31 December 2015, the Group recognised RMB20,357,000 (2014: Nil) share-based payment expenses in relation to share options granted by the Company. In addition, RMB4,106,000 (2014: Nil) and RMB1,674,000 (2014: Nil) was capitalised in development costs and inventories, respectively.

35. DISPOSAL OF A SUBSIDIARY

On 14 August 2015, the Group disposed of the entire 60% equity interests in Shenzhen Shineyard Medical Device Co., Ltd. ("Shenzhen Shineyard") at a cash consideration of RMB17,300,000.The net assets of Shenzhen Shineyard at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	559
Intangible assets	1,316
Deferred tax assets	61
Inventories	1,581
Trade and other receivables	3,666
Bank balances and cash	6,655
Trade and other payables	(863)
Net assets disposed of	12,975
Gain on disposal of a subsidiary:	
Consideration received	17,300
Net assets disposed of	(12,975)
Non-controlling interests	5,019
Reclassification of capital reserve upon disposal	(421)
Gain on disposal	8,923
Net cash arising on disposal:	
Cash consideration	17,300
Less: bank balances and cash disposed of	(6,655)
	10,645

36. OPERATING LEASES

The Group as lessee

	2015 RMB'000	2014 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	**9,372**	7,524

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:

	2015 RMB'000	2014 RMB'000
Within one year	**7,701**	3,293
In the second to fifth years inclusive	**11,611**	1,673
	19,312	4,966

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

The Group as lessor

	2015 RMB'000	2014 RMB'000
Properties rental income	**1,291**	1,032

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

	2015 RMB'000	2014 RMB'000
Within one year	**1,247**	1,270
In the second to fifth years inclusive	**1,226**	2,451
	2,473	3,721

37. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	**132,468**	255,838

38. 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 RMB6,724,000 for the year ended 31 December 2015 (2014: RMB4,994,000).

39. RELATED PARTY DISCLOSURES

(a) Transactions and trade balances

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

	2015	2014
	RMB'000	RMB'000
Amount due from a shareholder:		
Medtronic	**307**	7,069
Amount due from an associate:		
Enke Medical	**2,066**	2,009
Amount due to a shareholder:		
Medtronic	**13,509**	2,250

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

Nature of transactions	**2015**	2014
	RMB'000	RMB'000
Service fee paid and payable to Medtronic	**—**	28,977
Royalty fee paid and payable to Medtronic	**5,205**	4,048
Revenue from sales of goods to Medtronic	**8,321**	7,100
Pacemaker project consulting fees paid and payable to Medtronic	**47,373**	—
Revenue from sales of goods to Enke Medical	**2,192**	2,145
Revenue from sales of goods to Broncus Medical	**—**	28

39. RELATED PARTY DISCLOSURES – *continued*

(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 29 and 32.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended 31 December 2015 and 2014 was as follows:

	2015	2014
	RMB'000	RMB'000
Share-based payment	**13,370**	—
Short-term employee benefits	**7,779**	11,422
Post-employment benefits	**256**	157
	21,405	11,579

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

40. CONTINGENT LIABILITY

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 (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 2015 and up to the date of the issuance of these consolidated financial statements, the recordal of evidence was 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.

41. INTERESTS IN PRINCIPAL 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
			2015	2014	
New Centre International Limited 新城市國際有限公司	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%*	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(note)	**—**	100%*	Trading of medical devices

41. INTERESTS IN PRINCIPAL SUBSIDIARIES – *continued*

* Indirectly held through subsidiaries.

\# A wholly foreign owned enterprise.

Δ Limited liability company established in the PRC.

Note: The Company is deregistered on 11 March 2015.

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.

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 2015, 2014, 2013, 2012 and 2011, 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	**2015**	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**311,606**	282,679	231,035	181,475	140,324
Cost of sales	**(59,030)**	(52,544)	(42,399)	(36,175)	(27,357)
Gross profit	**252,576**	230,135	188,636	145,300	112,967
Other income and other gains and losses	**10,265**	(2,289)	(48)	7,246	4,036
Selling and distribution expenses	**(73,600)**	(69,083)	(52,123)	(41,221)	(34,552)
Administration expenses	**(47,567)**	(75,671)	(63,221)	(37,898)	(31,246)
Research and development expenses	**(47,222)**	(33,308)	(31,039)	(23,608)	(22,762)
Operating profit	**94,452**	49,784	42,205	49,819	28,443
Offering expenses	**—**	—	—	—	(13,634)
Finance (costs) income, net	**(11,426)**	(8,555)	(6,108)	2,352	982
Share of results of associates	**91**	(1,458)	(11,018)	(10,488)	—
Gain on disposal of an associate	**—**	14,538	—	—	—
Gain (loss) on disposal of a subsidiary	**8,923**	—	(806)	—	—
Net exchange (loss) gain on convertible notes and other financial asset	**(21,927)**	869	6,360	—	—
Fair value losses on convertible notes and other financial asset	**(43,717)**	(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
Profit (loss) before tax	**26,396**	(67,811)	(53,193)	41,683	19,079
Income tax expense	**(22,371)**	(12,921)	(12,187)	(8,821)	(6,517)
Profit (loss) for the year	**4,025**	(80,732)	(65,380)	32,862	12,562
Profit (loss) for the year attributable to					
Owners of the Company	**2,359**	(81,244)	(65,666)	32,352	11,830
Non-controlling interests	**1,666**	512	286	510	732
	4,025	(80,732)	(65,380)	32,862	12,562
ASSETS AND LIABILITIES					
Total Assets	**801,887**	566,291	519,976	364,146	313,218
Total Liabilities	**621,613**	409,986	283,929	63,336	45,378
Net Assets	**180,274**	156,305	236,047	300,810	267,840