LifeTech Scientific Corporation

先 健 科 技 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- The Group's revenue amounting to approximately RMB231.0 million for the year ended 31 December 2013, which represented an increase of approximately 27.3% as compared with the Group's revenue recorded in the year ended 31 December 2012.
- The operating profit of the Company was approximately RMB42.2 million for 2013 representing a decrease of approximately 15.3% as compared with 2012 which is mainly due to the service fee paid and accrued to Medtronic, Inc ("Medtronic", a substantial shareholder of the Company) amounting to approximately RMB20.5 million.
- Net loss attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB65.7 million (2012: profit amounting to approximately RMB32.4 million). The decrease of net profit was mainly attributable to (i) the record of the fair value loss of conversion option of the First Tranche Convertible Notes (as defined in the circular of the Company dated 6 January 2013) issued on 30 January 2013 (ii) the record of the fair value loss related to the secured convertible notes of Broncus Medical Inc. purchased by the Company in September 2013; (iii) the increase in administration expenses. As the fair value charges of convertible notes are non-operating and non-cash flow items, the Board is of the view that the Group's operating financial positions are healthy and the Board remains positive with regards to the prospects of the Group.
- Basic loss per share for the year ended 31 December 2013 was approximately RMB13.1 cents (Basic earnings per share for the year ended 31 December 2012: RMB6.5 cents).
- The Board does not recommend the payment of a final dividend for year ended 31 December 2013 (2012: nil).

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2013, together with the comparative figures for the corresponding period of 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	3	**231,035**	181,475
Cost of sales		**(42,399)**	(36,175)
Gross profit		**188,636**	145,300
Other income and other gains and losses	4	**(48)**	7,246
Selling and distribution expenses		**(52,123)**	(41,221)
Administration expenses		**(63,221)**	(37,898)
Research and development expenses		**(31,039)**	(23,608)
Operating profit		**42,205**	49,819
Finance income		**4,037**	2,352
Finance costs		**(10,145)**	—
Finance (costs) income, net		**(6,108)**	2,352
Share of results of associates		**(11,018)**	(10,488)
Loss on disposal of a subsidiary		**(806)**	—
Net exchange gain on other financial asset and convertible notes		**6,360**	—
Fair value losses on other financial asset and convertible notes		**(83,826)**	—
(Loss) profit before tax	5	**(53,193)**	41,683
Income tax expense	6	**(12,187)**	(8,821)
(Loss) profit for the year		**(65,380)**	32,862
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation foreign operations		**671**	101
Share of exchange loss of an associate		**(54)**	—
Other comprehensive income for the year		**617**	101
Total comprehensive (expense) income for the year		**(64,763)**	32,963
(Loss) profit for the year attributable to:			
Owners of the Company		**(65,666)**	32,352
Non-controlling interests		**286**	510
		(65,380)	32,862
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(65,049)**	32,453
Non-controlling interests		**286**	510
		(64,763)	32,963
(Loss) earnings per share	7		
– Basic (RMB)		**(0.131)**	0.065
– Diluted (RMB)		**(0.131)**	0.065

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**34,044**	26,830
Investment properties		**1,766**	1,839
Intangible assets		**31,757**	17,145
Prepaid lease payments		**35,800**	—
Deposits for acquisition of property, plant and equipment		**2,340**	1,392
Deferred tax assets		**17,350**	6,769
Interests in associates		**1,126**	11,190
Other financial asset		**—**	—
Deposits for acquisition of long term investment/intangible asset		**30,887**	18,853
		155,070	84,018
Current assets			
Inventories		**32,559**	24,711
Trade and bill receivables	9	**49,166**	39,474
Other receivables and prepayments	10	**17,942**	13,250
Loan receivable		**32,000**	—
Prepaid lease payments		**1,271**	—
Structured deposits	11	**6,500**	4,250
Bank balances and cash	12	**225,468**	198,443
		364,906	280,128
Current liabilities			
Trade and other payables	13	**59,428**	36,715
Tax payables		**18,050**	7,774
		77,478	44,489
Net current assets		**287,428**	235,639
Total assets less current liabilities		**442,498**	319,657
Non-current liabilities			
Government grants		**18,192**	18,847
Convertible notes		**67,058**	—
Conversion option derivative liability		**121,201**	—
		206,451	18,847
Net assets		**236,047**	300,810

	2013	2012
	RMB'000	RMB'000
Capital and reserves		
Share capital	**32**	32
Share premium and reserves	**231,486**	296,535
Equity attributable to owners of the Company	**231,518**	296,567
Non-controlling interests	**4,529**	4,243
Total equity	**236,047**	300,810

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Accumulated profits (losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	32	251,593	691	13,411	(277)	32,531	(33,867)	264,114	3,726	267,840
Profit for the year	—	—	—	—	—	—	32,352	32,352	510	32,862
Other comprehensive income for the year	—	—	101	—	—	—	—	101	—	101
Total comprehensive income for the year	—	—	101	—	—	—	32,352	32,453	510	32,963
Contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	7	7
Appropriations	—	—	—	5,833	—	—	(5,833)	—	—	—
At 31 December 2012	32	251,593	792	19,244	(277)	32,531	(7,348)	296,567	4,243	300,810
At 1 January 2013	32	251,593	792	19,244	(277)	32,531	(7,348)	296,567	4,243	300,810
Loss for the year	—	—	—	—	—	—	(65,666)	(65,666)	286	(65,380)
Other comprehensive income for the year	—	—	617	—	—	—	—	617	—	617
Total comprehensive income for the year	—	—	617	—	—	—	(65,666)	(65,049)	286	(64,763)
Realised on disposal of a subsidiary	—	—	—	(118)	(144)	—	262	—	—	—
Appropriations	—	—	—	9,858	—	—	(9,858)	—	—	—
At 31 December 2013	**32**	**251,593**	**1,409**	**28,984**	**(421)**	**32,531**	**(82,610)**	**231,518**	**4,529**	**236,047**

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 2013

	2013	2012
	RMB'000	RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(53,193)**	41,683
Adjustments for:		
Gain on disposal of property, plant and equipment	**(15)**	—
Depreciation of property, plant and equipment	**5,789**	6,253
Amortisation charge of intangible assets	**1,099**	998
Depreciation of investment properties	**73**	73
Release of prepaid lease payments	**1,059**	—
Allowance for inventories	**2,008**	2,297
Impairment loss recognised on trade and bill receivables, net	**1,474**	1,758
Impairment loss recognised on other receivables	**—**	629
Loss on disposal of a subsidiary	**806**	—
Government grants	**(5,656)**	(5,764)
Finance income	**(4,037)**	(2,352)
Finance costs	**10,145**	—
Share of results of associates	**11,018**	10,488
Net loss on other financial asset and convertible notes	**77,466**	—
Operating cash flows before movements in working capital	**48,036**	56,063
Increase in inventories	**(9,865)**	(5,773)
Increase in trade and bill receivables	**(13,742)**	(4,716)
Increase in other receivables and prepayments	**(5,318)**	(4,244)
Increase in trade and other payables	**21,982**	7,474
Increase in government grants received for operating activities	**6,348**	3,018
Cash generated from operations	**47,441**	51,822
Income taxes paid	**(12,478)**	(9,299)
NET CASH FROM OPERATING ACTIVITIES	**34,963**	42,523

	2013	2012
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Interest received from bank deposits	**2,040**	497
Interest received from structured deposits	**485**	1,855
Interest received from loan receivable	**1,512**	—
Purchase of other financial asset	**(17,214)**	—
Proceeds from disposal of property, plant and equipment	**259**	23
Deposits paid for and purchase of property, plant and equipment	**(14,273)**	(8,754)
Payments for intangible assets	**(116)**	(1,153)
Purchases of prepaid lease payments	**(38,130)**	—
Deposits paid for acquisition of long term investment/intangible asset	**(12,034)**	(18,853)
Development costs paid	**(15,595)**	(12,450)
Government grants received for acquisition of plant and equipment	**700**	10,610
Loan advanced	**(32,000)**	—
Structured deposits placed	**(45,750)**	(525,820)
Release of structured deposits	**43,500**	546,570
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed)	**218**	—
Capital contribution to an associate	**—**	(21,678)
NET CASH USED IN INVESTING ACTIVITIES	**(126,398)**	(29,153)
FINANCING ACTIVITIES		
Net proceeds from issue of convertible notes	**118,990**	—
Bank borrowings raised	**35,000**	—
Repayments of bank borrowings	**(35,000)**	—
Interest paid	**(1,128)**	—
Repayments of advance from a shareholder	**—**	(54)
Repayments of advance from directors	**—**	(30)
Contributions from non-controlling interests of subsidiaries	**—**	7
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**117,862**	(77)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**26,427**	13,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**198,443**	185,049
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**598**	101
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**225,468**	198,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "HKSE") until 5 November 2013 when its shares were delisted from the Growth Enterprise Market of HKSE and listed on the Main Board of HKSE by way of transfer of listing. Its ultimate controlling shareholders are Mr. Xie Yuehui, Mr. Wu Jianhui and Medtronic, Inc. ("Medtronic"). A controlling shareholder, Mr. Xie Yuehui, is also the Chairman and Managing Director of the Company. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands, and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC").

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGE IN PRESENTATION OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Application of new and revised IFRSs

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year.

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, 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 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. Other than the additional disclosures required, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9, and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRIC-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

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

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated income statement. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to consolidated income statement. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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.

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

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.

Change in presentation of consolidated statement of profit or loss and other comprehensive income

In the current year, the directors of the Company decided to change the presentation of the consolidated profit or loss and other comprehensive income by dividing the income and expense line items into operating and non-operating activities to better reflect the operating results of the Group. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for 2012 and 2013.

No consolidated statement of financial position as at 1 January 2012 has been presented as the re-classifications stated above have no effects on the financial position of the Group presented in the consolidated statement of financial position in respect of the end of the previous financial year.

3. 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.

(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 2013

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	**120,600**	**110,215**	**220**	**231,035**
Segment profit (loss)	**96,065**	**92,800**	**(229)**	**188,636**
Unallocated income				
- Finance income				**4,037**
- Net exchange gain on other financial asset and convertible notes				**6,360**
Unallocated expense				
- Other income and other gains and losses				**(48)**
- Selling and distribution expenses				**(52,123)**
- Administration expenses				**(63,221)**
- Research and development expenses				**(31,039)**
- Finance costs				**(10,145)**
- Loss on disposal of a subsidiary				**(806)**
- Share of loss of associates				**(11,018)**
- Fair value losses on other financial asset and convertible notes				**(83,826)**
Loss before tax				**(53,193)**

For the year ended 31 December 2012

	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	103,818	77,177	480	181,475
Segment profit	79,503	65,751	46	145,300
Unallocated income				
- Other income and other gains and losses				7,246
- Finance income				2,352
Unallocated expense				
- Selling and distribution expenses				(41,221)
- Administration expenses				(37,898)
- Research and development expenses				(23,608)
- Share of loss of an associate				(10,488)
Profit before tax				41,683

The accounting policies of the operating segments are the same as the Group's accounting policies. 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.

(b) **Segment assets and liabilities**

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

Segment assets

	2013	2012
	RMB'000	RMB'000
Operating segments:		
Congenital heart diseases business	**102,557**	65,935
Peripheral vascular diseases business	**94,625**	52,360
Surgical vascular repair business	**4,816**	4,127
Total segment assets	**201,998**	122,422
Unallocated assets		
Property, plant and equipment	**544**	—
Investment properties	**1,766**	1,839
Deferred tax assets	**17,350**	6,769
Interests in associates	**1,126**	11,190
Deposits for acquisition of long term investment/ intangible asset	**30,887**	18,853
Other receivables and prepayments	**2,337**	380
Loan receivable	**32,000**	—
Structured deposits	**6,500**	4,250
Bank balances and cash	**225,468**	198,443
Consolidated assets	**519,976**	364,146

Segment liabilities

	2013 RMB'000	2012 RMB'000
Operating segments:		
Congenital heart diseases business	**1,778**	1,337
Peripheral vascular diseases business	**1,922**	1,163
Surgical vascular repair business	**133**	66
Total segment liabilities	**3,833**	2,566
Unallocated liabilities		
Trade and other payables	**45,001**	25,602
Tax payables	**18,050**	7,774
Government grants	**28,786**	27,394
Convertible notes	**67,058**	—
Conversion option derivative liability	**121,201**	—
Consolidated liabilities	**283,929**	63,336

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

- all assets are allocated to operating segments other than bank balances and cash, structured deposits, deferred tax assets, investment properties, certain other receivables and prepayments, loan receivable, contain property, plant and equipment, interests in associates and deposits for acquisition of long term investment/intangible asset, and

- only trade payables are allocated to operating segments in arriving at segment liabilities, which therefore exclude government grants (include current portion under other payables and non-current portion), tax payables, certain trade and other payables, convertible notes and conversion option derivative liability.

(c) Other segment information

For the year ended 31 December 2013

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

For the year ended 31 December 2012

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	12,790	9,508	59	22,357
Depreciation of property, plant and equipment	3,577	2,659	17	6,253
Amortisation charge of intangible assets	571	424	3	998
Allowance of inventories	1,314	977	6	2,297

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

(d) **Geographical information**

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

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

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (country of domicile)	**163,422**	130,255	**104,962**	43,909
India	**18,756**	18,071	**194**	244
Europe	**18,105**	10,942	**—**	—
Asia, excluding PRC and India	**16,634**	12,932	**—**	—
South America	**10,936**	7,336	**—**	—
Africa	**1,214**	443	**—**	—
Others	**1,968**	1,496	**551**	3,053
Total	**231,035**	181,475	**105,707**	47,206

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 2013 and 2012.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	RMB'000
Government grants	**5,656**	5,764
Rental income	**1,203**	1,218
Gain on disposal of property, plant and equipment	**15**	—
Net foreign exchange loss	**(6,456)**	(356)
Others	**(466)**	620
	(48)	7,246

5. (LOSS) PROFIT BEFORE TAX

	2013	2012
	RMB'000	RMB'000
(Loss) profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fee	**180**	180
Salaries, wages and other benefits	**51,685**	47,088
Performance related bonus	**5,401**	5,747
Retirement benefits scheme contributions	**3,982**	2,914
Less: capitalised in development costs	**(6,736)**	(6,057)
	54,512	49,872
Auditor's remuneration	**1,980**	1,692
Impairment loss on trade and bill receivables, net	**1,474**	1,758
Impairment loss on other receivables	**—**	629
Cost of inventories recognised as expenses (Note)	**42,399**	36,175
Depreciation of property, plant and equipment	**5,789**	6,253
Depreciation of investment properties	**73**	73
Amortisation charge of intangible assets	**1,099**	998
Release of prepaid lease payments	**1,059**	—
Gross rental income from investment properties	**(1,203)**	(1,218)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**73**	73
	(1,130)	(1,145)

Note: For the year ended 31 December 2013, cost of inventories included allowance for inventories of RMB2,008,000 (2012: RMB2,297,000).

6. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax charge (credit):		
PRC Enterprise Income Tax ("PRC EIT")	**22,770**	12,389
Overprovision in prior years	**(2)**	(386)
Deferred tax credit:		
Current year	**(10,581)**	(3,182)
	12,187	8,821

The Company is tax exempted under the laws of the Cayman Islands. New Centre International Limited 新城市國際有限公司 ("New Centre"), 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 any of the two years ended 31 December 2013 and 2012 as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that 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 two years and the two major operating subsidiaries continued to be recognised as a hi-tech enterprise for the years ended 31 December 2013 and 2012.

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

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

	2013	2012
	RMB'000	RMB'000
(Loss) profit before tax	**(53,193)**	41,683
Tax at the applicable tax rate of 25% (2012: 25%) (Note)	**(13,298)**	10,421
Tax effect of share of loss of associates	**2,755**	2,622
Tax effect of expenses not deductible for tax purpose	**33,570**	4,036
Tax effect of tax losses not recognised	**1,923**	1,035
Tax effect of additional deductible research and development expenditure	**(1,136)**	(1,572)
Overprovision in prior years	**(2)**	(386)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**—**	152
Effect of income under tax concessions	**(11,625)**	(7,487)
Income tax expense for the year	**12,187**	8,821

Note: The tax rate of 25% represents the prevail income tax rate of the subsidiary in PRC which constitute the substantial part of the Group's operations for the years ended 31 December 2013 and 2012.

7. (LOSS) EARNINGS PER SHARE

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

	2013	2012
	RMB'000	RMB'000
(Loss) earnings:		
(Loss) earnings for the purpose of basic earnings per share	**(65,666)**	32,352
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**500,000**	500,000

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

Diluted earnings per share for the year ended 31 December 2012 is not presented as no dilutive potential shares were outstanding during the year.

8. DIVIDENDS

No final dividend was paid or proposed during the years ended 31 December 2013 and 2012, nor has any dividend proposed since the end of the reporting period.

9. TRADE AND BILL RECEIVABLES

	2013	2012
	RMB'000	RMB'000
Trade receivables	**52,381**	40,758
Less: allowance for doubtful debts	**(3,215)**	(1,741)
	49,166	39,017
Bill receivables	**—**	457
	49,166	39,474

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

The Group normally allows a credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade and bill 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.

	2013	2012
	RMB'000	RMB'000
1 to 90 days	**41,569**	31,265
91 to 180 days	**5,667**	5,109
181 to 365 days	**1,421**	552
Over 365 days	**509**	2,548
	49,166	39,474

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 and bill receivables balance are debtors with aggregate carrying amount of approximately RMB11,572,000 (2012: RMB11,421,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The management of the Group reviews the ageing analysis at the end of reporting period and satisfied with the continuous subsequent settlement on the trade receivable balance, as a result, the impairment of trade receivable is estimated to be insignificant.

Ageing of past due but not impaired trade and bill receivables

	2013	2012
	RMB'000	RMB'000
Age:		
Within 90 days	**6,985**	5,949
91 - 180 days	**2,911**	2,622
181 - 365 days	**1,367**	302
Over 365 days	**309**	2,548
	11,572	11,421

Movement in the allowance for doubtful debts

	2013	2012
	RMB'000	RMB'000
At 1 January	**1,741**	12
Impairment losses recognised on receivables	**1,484**	1,760
Amounts written off as uncollectible	**—**	(29)
Impairment losses reversed	**(10)**	(2)
At 31 December	**3,215**	1,741

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB3,215,000 (2012: RMB1,741,000) of which the debtors were in financial difficulties.

10. OTHER RECEIVABLES AND PREPAYMENTS

	2013	2012
	RMB'000	RMB'000
Other debtors (Note)	4,970	4,278
Less: allowance for doubtful debts	(629)	(629)
	4,341	3,649
Prepayments	5,162	2,752
Other tax recoverable	561	108
Advance to employees	6,214	5,272
Rental deposits	1,309	1,382
Other deposits	355	87
	17,942	13,250

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

11. STRUCTURED DEPOSITS

As at 31 December 2013, the structured deposits consist of financial products of RMB6,500,000 (2012: RMB4,250,000) issued by banks in the PRC, with an expected but not guaranteed return of 4.9% per annum (2012: 3.8% per annum), depending on the market price of underlying financial instruments, including listed shares and debentures, payable daily. The Group has the right to redeem the structured deposits at any time with one day notice. The structured deposits are designated at fair value through profit or loss 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 2014 at the principal amount together with returns which approximated the expected return.

12. BANK BALANCES AND CASH

The Group's bank balances carry interest at market rates which range from 0.01% to 0.385% (2012: 0.01% to 0.385%) per annum.

13. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	RMB'000
Trade payables	**15,997**	2,566
Other payables:		
Government grants	**10,594**	8,547
Accrued payroll and bonus	**13,212**	11,668
Other payables	**1,687**	2,620
Accrued expenses	**10,104**	6,214
Value-added tax payables	**3,588**	1,555
Receipt in advance from customers	**1,235**	1,501
Other tax payables	**1,541**	737
Accrued audit fee	**1,470**	1,307
	43,431	34,149
	59,428	36,715

Included in trade payables is trade balances with a shareholder of RMB12,164,000 (2012: nil).

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:

	2013	2012
	RMB'000	RMB'000
0 - 30 days	**13,975**	1,440
31 - 60 days	**1,047**	440
61 - 90 days	**158**	121
91 - 120 days	**69**	57
Over 120 days	**748**	508
	15,997	2,566

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 ("congenital heart diseases business"), surgical vascular repair business and peripheral vascular diseases business, providing clinically effective and commercially attractive product offerings.

Today, our products are being used in 46 countries across Asia, Africa, North America, South America and Europe, mainly through our network of distributors consisting of more than 200 distributors worldwide.

China is still our largest market, and sales generated from Chinese market accounted for approximately 70.7% of our total revenue (2012: approximately 71.8%). Our domestic sales realised approximately a 25.5% growth during the year, indicating stronger brand and higher market share in China. Our international market realised approximately a 32.0% growth in sales revenue. In 2013, we strengthened our sales force and explored new distributors which led to an increase in our market share.

Research and development

In 2013, we have made the following achievements in R&D field:

- Our research and development laboratory was officially granted "National & Local United Engineering Laboratory of Interventional Biotechnology and System", and approved by the National Development and Reform Commission of China Government for construction;
- Our research and development laboratory was approved to work as "Guangdong Cardiovascular Disease Interventional Therapy Device (Lifetech) Engineering Technology Research Center";
- Bronchial valve finished the pre-research phase with positive outcome, and its name has been changed as lung volume reduction device, and set the intended use to reduce lung volume;
- We started clinical trial in China for product peripheral stents;
- The first Lifetech LAmbre LAA device live case in Europe was successfully done during LAA global conference 2013 in Frankfurt;
- Clinical trial was finished for product Fustar in China.

Marketing activity

- We expanded our activities in tradeshow marketing, sales network coverage, adopted new focus and commercial trade policies, broadened our reach to global Key Opinion Leaders, and developed more evidenced based medicine studies;
- We organized successful exchange activity through the platform Lifetech Knowledge Exchange Program, to attract global clinicians to exchange advanced technique during operation at the scene, which leads to the improvement of clinical technology;
- Lifetech and Medtronic also co-organised initiative China Innovations in Cardiology ("CIC"). CIC was China's first attempt to build a mechanism with the purpose to streamline the process of understanding China's patient and clinical needs, translate those needs to product designs and ultimately create solutions to these needs. It built a bridge to link the medical experts with the industry and investments with the purpose to incubate and commercialize novel medical concepts;
- In India, we had active participation with different national agencies like Cardiac Society of India, for their annual conference, and the Pediatric cardiac society of India and arranged several workshops and CME programmes to create awareness about the transcatheter treatment methodologies and its development in different parts of the country;
- We have also conducted one very successful interventional workshop in Bangladesh, India for the patients from the economically weaker sections of the society with the help of the charity foundation based at Sharjah, UAE. We have treated a total of 34 patients in this camp, and we had several more of these activities in the year 2013.

FINANCIAL REVIEW

Overview

The company has kept high growth rate for the year ended 31 December 2013. With the potent joining of Medtronic, we are confident that our business will expand to more countries and have a bright future.

Revenue

Our revenue amounting to approximately RMB231.0 million for the year ended 31 December 2013, with an increase of approximately RMB49.5 million or approximately 27.3% compared to the year ended 31 December 2012. The growth in sales was mainly attributed to the rapid increase of stent graft by approximately RMB18.6 million or approximately 55.1% and vena cava filter by approximately RMB14.0 million or approximately 34.2%.

Revenue from congenital heart diseases business

The turnover contributed by the congenital heart diseases business for the year ended 31 December 2013 was approximately RMB120.6 million (2012: approximately RMB103.8 million), realised a growth of 16.2%.

With the diversification of product portfolio, our products cover a wide spectrum of congenital heart defect occluders. The three series are HeartR, Cera and CeraFlex. During the period from the year ended 31 December 2012 to the year ended 31 December 2013, revenue generated from the sales of HeartR devices increased by approximately 24.5% from approximately RMB52.6 million to approximately RMB65.5 million. Cera devices decreased from approximately RMB29.0 million to approximately RMB27.8 million the main reason being that the third generation CeraFlex has been launched to the market and replaced partial market share. Revenue generated from the sales of CeraFlex devices in the year 2013 was approximately RMB8.0 million. The ASD occluder, VSD occluder and PDA occluder experienced growth of approximately 29.3%, 26.5% and 10.1% respectively, as compared to the sales revenue of year ended 31 December 2012. We believe that existing products namely balloon catheter, introducer, snare, associated delivery and supporting devices, as well as the launch of CeraFlex, will also win competitive market share in the future.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2013 was approximately RMB110.2 million (2012: approximately RMB77.2 million), representing approximately a growth of approximately 42.7%.

The products we offered in the peripheral vascular diseases business include vena cava filter, TAA and AAA stent graft, vascular plug and steerable introducer. The vena cava filter realised approximately 34.2% growth of sales revenue as compared to that of year 2012. Our stent graft realized approximately a growth of approximately 55.1% during the year ended 31 December 2013.

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 decreased by approximately 60.0% from approximately RMB0.5 million for the year ended 31 December 2012 to approximately RMB0.2 million for the year ended 31 December 2013. The decrease was mainly because Medtronic has been helping with the building of research and technical system in Beijing to improve the quality of product heart valve in 2013, and pause the sales of it in this period.

Gross profit and gross profit margin

As a result of the increased sales and diversity of our products, gross profit of the Group increased by approximately 29.8% from approximately RMB145.3 million for the year ended 31 December 2012 to approximately RMB188.6 million for the year ended 31 December 2013. Gross profit margin increased by 1.9% from approximately 80.1% for the year ended 31 December 2012 to approximately 81.6% for the year ended 31 December 2013.

Selling and distribution expenses

Selling and distribution expenses increased by 26.5% from approximately RMB41.2 million for the year ended 31 December 2012 to approximately RMB52.1 million for the year ended 31 December 2013. The increase was primarily due to (i) an increase of salary, bonus and related expenses for additional personnel engaged in sales and marketing; and (ii) an increase of marketing expenses as a result of increased attendance at conference and tradeshows for our products promotion.

Administrative expenses

Administrative expenses increased by 66.8% from approximately RMB37.9 million for the year ended 31 December 2012 to approximately RMB63.2 million for the year ended 31 December 2013. The increase was primarily attributable to the service fee of approximately RMB20.5 million to Medtronic subject to the service agreement between the two companies in 2012.

Research and development expenses

Research and development expenses increased by 31.4% from approximately RMB23.6 million for the year ended 31 December 2012 to approximately RMB31.0 million for the year ended 31 December 2013. The increase was primarily due to (i) more expenditure in developing projects; and (ii) an increase of salary, bonus and related expenses for additional staffs in research and development department.

Operating profit

Operating profit decreased by approximately 15.3% from approximately RMB49.8 million for the year ended 31 December 2012 to approximately RMB42.2 million for the year ended 31 December 2013. The decrease was primarily due to service fee amounting to approximately RMB20.5 million to Medtronic subject to the service agreement between the two companies in 2012.

Share of loss of associates

The Company had 40% of equity interest of Broncus Holding Corporation and its subsidiary Broncus Medical Inc. (collectively referred to as "Broncus"). The Group's share of loss of the Broncus for the year 2013 was approximately RMB11.1 million.

The Company disposed of 51% equity share in Shenzhen Enke Medical Technology Co., Ltd. ("Enke Medical"), a wholly-owned subsidiary. The remaining 49% equity interest in Enke Medical had been accounted for as interest in an associate. The Group's share of gain of Enke Medical was approximately RMB0.1 million.

Fair value losses on other financial asset and convertible notes

During the year ended 31 December 2013, the losses in fair value on other financial asset and convertible notes was approximately RMB83.8 million, including fair value losses on convertible note the Company issued to Medtronic of approximately RMB66.8 million and Broncus issued to the Company of approximately RMB17.0 million.

Finance income and finance costs

The Company realised approximately RMB4.0 million of interest income in 2013 compared to approximately RMB2.4 million in 2012.

Finance costs are approximately RMB10.1 million including approximately RMB9.0 million and approximately RMB1.1 million representing effective interest expenses arising from the convertible note issued to Medtronic and bank borrowings, respectively.

Net loss

Net loss attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB65.7 million (2012: profit amounting to approximately RMB32.4 million). The decrease of net profit was mainly attributable to (i) the record of the fair value loss of conversion option of the First Tranche Convertible Notes (as defined in the circular of the Company dated 6 January 2013) issued on 30 January 2013 (ii) the record of the fair value loss related to the secured convertible notes of Broncus Medical Inc. purchased by the Company in September 2013; (iii) the increase in administration expenses.

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

We will continue to focus on broadening our product portfolio as well as designing innovative products to help capitalize on our growing sales network and infrastructure. Our LAA occluder is under clinical trials in Europe, China and other Asian countries.

In order to support our product launch plan, we will increase investments on physician training programs, and continue to expand our international sales force in Europe, India, Russia and Brazil.

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

We expect that our product heart valve will re-launch in the year 2014 after reforming and qualifying with Medtronic's help and we believe the product will be more and more important in our product portfolio going forward.

The future activities will be funded partly by operational income of the Group, and partly by the proceeds from convertible notes issued to Medtronic.

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2014, to enhance our competitiveness and market position in current key markets as well as selective new markets.

Strategic cooperation with Medtronic

As published in the Company's announcement dated 27 January 2014, we are eager to expand upon our strategic alliance with the signing of the second supplemental services agreement which expands both the scope and nature of the consulting services, know-how and expertise that Medtronic will provide Lifetech through our strategic alliance. Medtronic has helped in our engineering and quality efforts in production of heart valve in 2013 and we prepare to re-launch the heart valve product in 2014. After reforming and qualifying with Medtronic's help, we believe the product will be more and more important in our product portfolio going forward.

Since this strategic cooperation made between Lifetech and Medtronic, the two companies attended many international medical device exhibitions together, such as European PCR and CSI. It helps to promote Lifetech's brand position. The two companies even used the same booth to present Lifetech and Medtronic products together in Vietnam Congress of Congenital and Structural Heart Disease Fistulas from A to Z. It shows a close cooperation between the two companies.

Lifetech and Medtronic also co-orgnised initiative CIC. As mentioned above, CIC is China's first attempt to build a mechanism with the purpose to streamline the process of understanding China's patient and clinical needs, translating those needs to product designs and ultimately creating solutions to these needs. It built a bridge to link the medical experts with the industry and investments with the purpose to incubate and commercialize novel medical concepts.

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

TRANSFER OF LISTING FROM GROWTH ENTERPRISE MARKET TO THE MAIN BOARD

On 31 May 2013, an application was made by the Company to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the transfer of listing of all the Shares in issue from GEM to the Main Board of the Stock Exchange. The Company has applied for the listing of, and permission to deal in all the 500,000,000 Shares on the Main Board by way of transfer of listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 28 October 2013 for the Shares to be listed on the Main Board and de-listed from GEM, according to Rule 9A.09(6) of the Main Board Listing Rules. Dealings in the Shares on the Main Board (Stock Code: 1302) was commenced at 9:00 am on 6 November 2013. For more details, please refer to the announcement dated 29 October 2013.

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 2013, 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 2013 (HK$ million)	Actual use of proceeds from Listing to 31 December 2013 (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	59.4 *(Note 1)*
5	Expansion into complementary product offers and pursue opportunistic acquisitions, partnerships, alliances and licensing opportunities	10.0 *(Note 2)*	9.5

Note 1 On 19 February 2013, Lifetech Shenzhen made a successful bid for the land use right in respect of the land located in Nanshan District, Shenzhen, the PRC at a price of RMB37,020,000 (equivalent to approximately HK$45,697,000) through an open tender organized by the Shenzhen Land Transaction Centre. The deed tax arising from the land acquisition amounts to approximately RMB1.1 million (equivalent to approximately HK$1.4 million). Other expense arisen is approximately HK$12.3 million.

Note 2 This represents the amount allocatable to any of the period from November 2011 to 31 December 2013.

The net proceeds applied, as at 31 December 2013 are less than expected primarily due to delayed acquisition of land use right in Nanshan District.

The unused proceeds have been placed in interest bearing deposit accounts maintained with banks in Hong Kong and mainland China.

LIQUIDITY AND FINANCIAL RESOURCES

In 2013, the Group mainly financed its operations with its own working capital, proceeds on issue of convertible notes and equity funding.

The Group recorded total current assets of approximately RMB364.9 million as at 31 December 2013 (2012: approximately RMB280.1 million) and total current liabilities of approximately RMB77.5 million as at 31 December 2013 (2012: approximately RMB44.5 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 4.71 as at 31 December 2013 (2012: approximately 6.29).

GEARING RATIO

As at 31 December 2013, the gearing ratio (calculated as a ratio of borrowing consisting of convertible notes to total equity) of the Group is approximately 28.4%. (2012: Nil).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounting to approximately RMB231.5 million as at 31 December 2013 compared to approximately RMB296.6 million as at 31 December 2012. There was short-term bank borrowings amounting to RMB35 million in 2013 (2012: nil), and interest amounting to approximately RMB1.1 million was expensed in 2013 (2012: nil).

LAND ACQUISITION

On 19 February 2013, Lifetech Shenzhen made a successful bid for the land use right in respect of the land located at lot T205-008, 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).

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

On 27 September 2013, the Group entered into a sales and purchase agreement with an independent third party (the "Purchaser"), to dispose of 51% equity interest in EnKe Medical, a wholly owned subsidiary of the Company, for a cash consideration of RMB1,050,000 (the "Disposal"). Upon the completion of the Disposal on 27 September 2013, EnKe Medical ceased to be subsidiary of the Group. However, the Group is able to exercise significant influence over EnKe Medical because it is the main supplier of EnKe Medical.

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

The Group is currently involved in litigation in India. AGA Medical Corporation ("AGA") 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 IPO prospectus of the Company (the "Prospectus"). As at the date of this announcement, cross-examination of all of AGA's witnesses is complete and the cross-examination of the first witness of Lifetech is complete. The cross-examination of Lifetech Shenzhen's second witness has commenced and is yet to conclude. 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 announcement, the Group did not have any other contingent liabilities as of 31 December 2013.

FINANCIAL INSTRUMENT

On 30 September 2013, the Company entered into the secured convertible note purchase agreement (the "Purchase Agreement") with a related party, Broncus Medical Inc. ("Broncus Medical") for the purchase convertible notes in the principal amount of US$2,800,000. As considering the future operating prospect and financial forecast in addition to the opinions of asset valuer, for prudential assessment, we impaired the value of the convertible notes to nil as at 31 December 2013.

On 30 January 2013, the Company issued HK$152,000,000 unsecured 1% convertible notes due 2018 ("Convertible Notes") to Medtronic. The Convertible Notes bear interest at 1% per annum and mature on 29 January 2018 ("Maturity Date"). The holder of the Convertible Notes has the right to convert the principal amount of Convertible Notes into shares of the Company at an initial conversion price of HK$3.8 per share. 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.

CAPITAL EXPENDITURE

For the year ended 31 December 2013, capital expenditure of the Group for property, plant and equipment ("PPE"), land use right, intangible assets and deposit for PPE amounting to approximately RMB68.1 million (2012: approximately RMB22.4 million).

FOREIGN EXCHANGE RISK

During the year, the Group's operations are primarily based in the PRC and India. The revenue derived from India accounted for approximately 8.1% (2012: approximately 10.0%) of the total revenue of the Group. The financial statements of Lifetech Scientific India Private Limited, our sole subsidiary in India are presented in Renminbi, and in the Group a portion of the revenue and expenses are denominated in United States Dollars and Euro. Indian Rupees was unstable during the year, and the Group's operational results and financial condition may be affected by changes in the exchange rates of Renminbi against India Rupees. To minimize exposure to foreign exchange risk, most of the bank deposits of the Group are being kept in Renminbi and Hong Kong Dollars. The Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP ASSETS

As at 31 December 2013, the Group did not have any charges on its assets.

LOAN TRANSACTION

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

CAPITAL COMMITMENT

As at 31 December 2013, the Group had capital expenditure contracted for but not provided in the Consolidated Financial Statements which amounting to approximately RMB14.2 million (2012: approximately RMB1.3 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 3 to the Consolidated Financial Statements in this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 513 (2012: 469) full time employees (including directors). Total staff costs, including Directors' emoluments, amounting to approximately RMB54.5 million for the year 2013 (2012: approximately RMB49.9 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2013, the amount of contributions to retirement benefits scheme is approximately RMB4.0 million (2012: approximately RMB2.9 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

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

ACHIEVEMENT OF BUSINESS OBJECTIVES

With reference to the disclosures in the IPO prospectus of the Company, the achievement of our business objectives as at 31 December 2013:

Business objectives for the period from 1 January 2013 to 31 December 2013		**Achieved business progress up to 31 December 2013**
Enhance Market Position of Core Cardiovascular and Peripheral Vascular Devices in Key Emerging Markets	We will cooperate with medical societies in China, India and Russia to drive professional education.	Lifetech has set up the exchanged centers of clinical academic globally to exchange advanced technique during operation at the scene with global clinicians.
	We will cooperate with selective charity organizations for patient charity work.	In 2013, we conducted several very successful interventional workshops in India for the patients from the economically weaker sections of the society with the help of the charity foundation. We have treated a total of 34 patients in this camp.
	We will establish additional sales and marketing team for our PTA and PCTA drug-eluting balloons.	These projects are delayed since the product is in the process of animal study.
	We will launch Fustar steerable introducers in South America.	We launched Fustar steerable introducers in South America, such as Argentina and Colombia.

Business objectives for the period from 1 January 2013 to 31 December 2013		Achieved business progress up to 31 December 2013
Continue to Develop and Commercialize Pipeline Products	We will commercially launch PTA/PCTA drug-eluting balloons in Brazil, Australia, Hong Kong and Southeast Asia.	We are still in the process of animal study for PTA and PTCA drug- eluting balloons.
	We will obtain CE certification for PTA/PCTA drug-eluting balloons.	These projects are delayed since they are in the process of animal study.
	We will submit PTA/PCTA drug-eluting balloon application to SFDA.	These projects are delayed since they are in the process of animal study.
	We will complete clinical study for LAA occluders.	LAA occluders clinical trials is continued in Europe, China and other Asian countries.
Expansion into Key International Markets with Current and Pipeline Products	We will expand our distribution network to cover key additional international markets.	We added sales network help in Eastern Europe in 2013 and are still expanding these efforts.
	We will launch Fustar steerable introducers in Australia and Canada.	The registration is yet to get for product Fustar steerable introducers in Canada.
	We will launch occluders in Korea.	The registration is yet to be done for product occluders in Korea.
	We will launch bovine heart valve in European Union Countries.	Medtronic has helped in our engineering and quality efforts in production of heart valve in 2013 and we prepare to re-launch the product heart valve in 2014.

Business objectives for the period from 1 January 2013 to 31 December 2013		Achieved business progress up to 31 December 2013
Expansion into Complementary Product Offerings	We will compete clinical trial study on peripheral stents.	Peripheral stent started clinical trial in 2013 in China.
	We will continue clinical study on bronchical valve.	We finished the pre-research phase with positive outcome on bronchial valve, and we changed its name as lung volume reduction device to set the intended use to reduce lung volume .
Pursue Opportunistic Acquisitions, Partnerships, Alliances and Licensing Opportunities	We will evaluate and explore acquisitions, partnerships, alliances and licensing opportunities.	As published in the announcement dated 27 January, 2014, Medtronic and the Company are eager to expand upon our strategic alliance with the signing of the Second Supplemental Services Agreement which expands both the scope and nature of the consulting services, know-how and expertise that Medtronic will provide Lifetech through our strategic alliance.

The business objectives as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the achievements were applied in accordance with the actual development of the market and the Company.

DIRECTORS' INTERESTS IN CONTRACTS

The Company has been informed by Orchid Asia Group Management, Limited and its affiliates ("Orchid Asia") that Orchid Asia III. L.P. has, on 14 October 2012, entered into the share purchase agreement (the "Share Purchase Agreement") with Medtronic pursuant to which Orchid Asia agreed to sell and Medtronic agreed to purchase 95,000,000 shares of the Company ("Shares"), representing approximately 19% of the issued share capital of the Company as at the date of the Share Purchase Agreement, to Medtronic for a consideration of HK$361,000,000 at HK$3.80 per Share (the "Share Purchase"). While the Company is not privy to the terms of the Share Purchase, the Company has been informed by the parties to the Share Purchase Agreement that completion under the Share Purchase is conditional upon completion of the first tranche convertible notes (the "First Tranche Convertible Notes") under an investment agreement (the "Investment Agreement") which forms part of the transaction agreements in the strategic alliance with Medtronic. As published in the announcement dated 27 January 2014, we are eager to expand upon our strategic alliance with the signing of the second supplemental services agreement which expands both the scope and nature of the consulting services, know-how and expertise that Medtronic will provide Lifetech through our strategic alliance. For further details, please refer to the announcements of the Company dated 27 January 2014.

Given that the completion of the Share Purchase is inter-conditional with the completion of the First Tranche Convertible Notes, Mr. Li Gabriel, being a non-executive director (resigned on 22 January 2013) and a beneficial owner of Orchid Asia as at date of the board meeting for approving, among other matters, the Investment Agreement and the related transactions contemplated thereunder, has abstained from voting in respect of such resolutions of the Board.

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

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

During the year ended 31 December 2013, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2013 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 and the GEM Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

BANK BORROWINGS

The Group has no bank borrowings of the Group as at 31 December 2013 (2012: Nil).

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules and Rule 5.46 of the GEM Listing Rules – Model Code for Securities Transactions by Directors of Listed Companies. Specific enquiry has been made of all the directors and the directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's shares on the Stock Exchange up to 31 December 2013.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. Save as disclosed, throughout the year ended 31 December 2013 and up to the date of this announcement, the Company has complied with the code provisions ("Code Provision(s)") of the Corporate Governance Code (the "Main Board CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 November 2013 and the Code Provision(s) of the Corporate Governance Code (the "GEM CG Code") as set out in Appendix 15 in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the " GEM Listing Rules") from 1 January 2013 to 5 November 2013 (collectively the "CG Code") except for the following deviations:

Code Provision A.6.7

As set out in Code Provision A.6.7 of the CG Code, non-executive directors, including independent non-executive directors should attend the board committee and general meeting of the Company. During the year ended 31 December 2013, two general meetings were held on 21 January 2013 and 28 June 2013 and Chairman Xie Yuehui attended both general meetings, and the independent non-executive directors Liang Hsien Tse Josph and Zhou Geng Shen attended the general meeting held on 28 June 2013, but other non-executive directors did not attend the said general meetings. The Company will improve its meeting schedule to avoid such non-compliance in the future.

Code Provision E.1.2

As set out in Code Provision E.1.2 of the CG Code, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The chairman of the independent board committee did not attend the extraordinary general meeting which was held on 21 January 2013. The Company will improve its meeting schedule to avoid such non-compliance in the future.

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company ("2014 Annual General Meeting") will be held on 28 May 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2014 Annual General Meeting, the register of members of the Company will be closed from Friday, 23 May 2014 to Wednesday, 28 May 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), by no later than 4:30 p.m. on Thursday, 22 May 2014.

AUDIT COMMITTEE REVIEW

The Group's audited annual results for the year ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

PROPOSED AMENDMENTS TO THE ARTICLES

The Board proposed to make certain amendments to the Memorandum and Articles in order to bring the Memorandum and Articles to align with various amendments made to the Listing Rules and Cayman's Company Law (2013 Revision) and reflect the transfer of listing of the shares of the Company from the Growth Enterprise Market to the Main Board of the Stock Exchange (the "Proposed Amendments"). Accordingly, the Directors proposed to seek the approval of the shareholders of such amendments by way of special resolution at the forthcoming annual general meeting.

A circular containing, among other things, the details of the Proposed Amendments and the notice of the forthcoming annual general meeting will be despatched to the shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.lifetechmed.com). The annual report for the financial year will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
LifeTech Scientific Corporation
XIE Yuehui
Chairman and Executive Director

Shenzhen, PRC, 25 March 2014

As at the date of results, the Board comprises Mr. XIE Yuehui and Mr. ZHAO Yiwei Michael being executive directors of the Company; Mr. WU Jianhui, Mr. MARTHA Geoffrey Straub and Dr. LIDDICOAT John Randall being non-executive directors of the Company; and Mr. LIANG Hsien Tse Joseph, Mr. ZHANG Xingdong and Mr. ZHOU Gengshen being independent non-executive directors of the Company.