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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 2015

FINANCIAL HIGHLIGHTS

- The Group's revenue 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%.

- 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.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of LifeTech Scientific Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative figures for the corresponding period of 2014, as follows:

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	3	**311,606**	282,679
Cost of sales		**(59,030)**	(52,544)
Gross profit		**252,576**	230,135
Other income and other gains and losses	4	**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		**1,825**	2,690
Finance costs		**(13,251)**	(11,245)
Finance costs, net		**(11,426)**	(8,555)
Share of results of associates		**91**	(1,458)
Gain on disposal of an associate		**—**	14,538
Impairment loss on a deposit for acquisition of a long term investment		**—**	(18,354)
Net exchange (loss) gain on convertible notes		**(21,927)**	869
Fair value losses on convertible notes and other financial asset		**(43,717)**	(104,635)
Gain on disposal of a subsidiary		**8,923**	—
Profit (loss) before tax	5	**26,396**	(67,811)
Income tax expense	6	**(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)
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	7		
– Basic (RMB)		**0.001**	(0.020)
– Diluted (RMB)		**0.001**	(0.020)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	NOTES	2015	2014
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**257,041**	55,434
Investment properties		**1,620**	1,693
Intangible assets		**78,169**	53,095
Prepaid lease payments		**33,258**	34,529
Deposits for acquisition of property, plant and equipment		**15,133**	5,795
Deferred tax assets		**14,822**	14,156
Interests in associates		**897**	1,109
Deposit for acquisition of long term investment/intangible asset		**—**	12,600
		400,940	178,411
Current assets			
Inventories		**38,404**	30,860
Trade receivables	9	**70,951**	64,873
Other receivables and prepayments	10	**35,211**	25,114
Prepaid lease payments		**1,271**	1,271
Structured deposits	11	**—**	9,440
Bank balances and cash	12	**255,110**	256,322
		400,947	387,880
Current liabilities			
Trade and other payables	13	**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		**58,429**	29,395
Convertible notes		**97,214**	78,483
Conversion option derivative liability		**296,759**	236,595
Bank borrowings due after one year		**48,023**	—
		500,425	344,473
Net assets		**180,274**	156,305

	2015	2014
	RMB'000	RMB'000
Capital and reserves		
Share capital	**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

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	–	–	–	–	–	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	–	–	–	–	–	–	–	–	–	(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

	2015	2014
	RMB'000	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	**(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

	2015	2014
	RMB'000	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)	**10,645**	—
Proceeds from disposal of an associate	**—**	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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. 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.

3. 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**

3. 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.

3. 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

3. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities – *continued*

Segment liabilities

	2015	2014
	RMB'000	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.

3. 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.

3. 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.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	RMB'000
Government grants	**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)

5. PROFIT (LOSS) BEFORE TAX

	2015	2014
	RMB'000	RMB'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
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).

6. INCOME TAX EXPENSE

	2015	2014
	RMB'000	RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	**23,098**	9,727
Deferred tax (credit) charge:		
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	2014
	RMB'000	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.

7. 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.

8. 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.

9. TRADE RECEIVABLES

	2015 RMB'000	2014 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).

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 RMB'000	2014 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.

9. 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.

10. 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	**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

10. OTHER RECEIVABLES AND PREPAYMENTS – *continued*

Movement in the allowance for doubtful debts

	2015	2014
	RMB'000	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.

11. 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.

12. 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.

13. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**23,739**	5,628
Other payables:		
Government grants	**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).

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

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 several agreements entered into with Medtronic in July 2014, (the "New Transaction Agreements") 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 perclinical cathlab (the "Perclinical 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 Thoracic Aortic Aneuresm ("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™ Left atrial appendage ("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 products, three doctors from Germany, Hong Kong and Wuhan delivered a speech on LAmbre™ LAA product 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 announcement, 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 announcement, 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 announcement, 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 announcement.

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.

Save as disclosed in this announcement, 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 announcement, 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 announcement, 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.

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 3 to the consolidated financial statements in this announcement.

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 isn't 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 announcement, 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.

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

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 code provision A.2.1 which is explained in the following paragraph.

Code Provision A.2.1

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.

AUDITORS

The consolidated financial statements in this announcement 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.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company (the "2016 Annual General Meeting") will be held on Friday, 27 May 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2016 Annual General Meeting, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Tuesday, 24 May 2016.

AUDIT COMMITTEE REVIEW

The Group's audited annual results for the year ended 31 December 2015 have been reviewed by the audit committee of the Company, 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.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2015 as set out in this results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of Hong Kong Exchanges and Clearing Limited (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
Executive Director, Chairman
and Chief Executive Officer

Hong Kong, 29 March 2016

As at the date of this announcement, the Board comprises Mr. XIE Yuehui, Mr. LIU Jianxiong and Ms. XIAO Ying being executive Directors; Mr. MONAGHAN Shawn Del, Mr. JIANG Feng and Mr. CLEARY Christopher Michael being non-executive Directors; and Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming being independent non-executive Directors.