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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 2019**

**FINANCIAL HIGHLIGHTS**

- Revenue of the Group was approximately RMB668.9 million for the year ended 31 December 2019 in comparison with approximately RMB556.7 million for the corresponding period of 2018, representing a steady growth of approximately 20.2%. The growth in revenue was mainly attributable to the increase of revenue from LAmbré™ LAA occluder, Cera congenital heart occluders, stent grafts and vena cava filter.
- Gross profit was approximately RMB534.8 million for the year 2019 in comparison with approximately RMB455.0 million in 2018, representing a growth of approximately 17.5%.
- Net profit attributable to owners of the Company for the year ended 31 December 2019, excluding certain non-recurring items, was approximately RMB254.6 million as compared to the net profit amounting to approximately RMB196.1 million in 2018, representing an increase of approximately 29.8%. Such non-recurring items include (i) approximately RMB13.9 million of the income tax generated by Lifetech Scientific (Shenzhen) Co., Ltd (“Lifetech Shenzhen”) allocating profits to the parent company in 2018; and (ii) the share-based payment expenses were approximately RMB125.4 million for the year 2019 in comparison with approximately RMB61.1 million in 2018, increased by approximately RMB64.3 million. On 31 December 2019, the Group cancelled share options granted on 10 May 2018 and 29 August 2018, and the Group is promoting other more effective incentives in order to better stimulate and retain talents. The cancellation was accounted for as an acceleration of vesting and recognised immediately the expenses that otherwise would have been recognised over the remainder of the vesting period. Considering the influence arose therefrom, the Company have recorded net profit attributable to owners of the Company for the year ended 31 December 2019 which was approximately RMB129.2 million, as compared to the net profit of approximately RMB121.1 million in 2018, representing an increase of approximately 6.7%.
- The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: 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 2019, together with the comparative figures for the corresponding period of 2018, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**For the year ended 31 December 2019**

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	4	668,879	556,698
Cost of sales		<u>(134,059)</u>	<u>(101,677)</u>
Gross profit		534,820	455,021
Other income, expenses, gains and losses	5	94,254	51,023
Impairment losses under expected credit loss model, net of reversal		(344)	(1,677)
Selling and distribution expenses		(166,468)	(129,633)
Administration expenses		(132,395)	(95,345)
Research and development expenses		<u>(141,112)</u>	<u>(115,200)</u>
Operating profit		<u>188,755</u>	<u>164,189</u>
Finance (cost) income, net	6	(17,881)	2,999
Share of results of associates		<u>(63)</u>	<u>—</u>
Profit before tax	7	170,811	167,188
Income tax expense	8	<u>(43,647)</u>	<u>(45,835)</u>
Profit for the year		<u>127,164</u>	<u>121,353</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		11	186
Total comprehensive income for the year		<u>127,175</u>	<u>121,539</u>
Profit (loss) for the year attributable to:			
Owners of the Company		129,200	121,082
Non-controlling interests		<u>(2,036)</u>	<u>271</u>
		<u>127,164</u>	<u>121,353</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		129,211	121,268
Non-controlling interests		<u>(2,036)</u>	<u>271</u>
		<u>127,175</u>	<u>121,539</u>
Earnings per share	10		
– Basic		<u>RMB3.1 cents</u>	RMB2.8 cents
– Diluted		<u>RMB3.1 cents</u>	<u>RMB2.8 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		366,373	348,246
Right-of-use assets	11	81,810	—
Prepaid lease payments		—	29,659
Investment properties		150,187	137,679
Intangible assets	12	258,912	202,536
Interests in associates		3,437	—
Financial assets at fair value through profit or loss	13	179,888	169,865
Deposits for acquisition of property, plant and equipment		3,518	4,481
Deferred tax assets		32,300	30,681
Pledged bank deposits		90,000	30,000
		<u>1,166,425</u>	<u>953,147</u>
<b>Current assets</b>			
Inventories		99,125	70,735
Trade receivables	14	72,549	91,105
Other receivables and prepayments	15	85,100	57,301
Prepaid lease payments		—	1,267
Fixed bank deposits		50,000	5,000
Bank balances and cash		299,027	352,577
		<u>605,801</u>	<u>577,985</u>
<b>Current liabilities</b>			
Trade and other payables	16	173,164	162,063
Tax payables		37,573	39,798
Lease liabilities	18	11,660	—
Bank borrowings	17	113,418	2,402
Contract liabilities		5,408	4,008
		<u>341,223</u>	<u>208,271</u>
<b>Net current assets</b>		<u>264,578</u>	<u>369,714</u>
<b>Total assets less current liabilities</b>		<u>1,431,003</u>	<u>1,322,861</u>
<b>Non-current liabilities</b>			
Deferred income - Government grants		40,968	57,352
Lease liabilities	18	11,526	—
Bank borrowings	17	216,847	21,619
		<u>269,341</u>	<u>78,971</u>
<b>Net assets</b>		<u>1,161,662</u>	<u>1,243,890</u>

	NOTE	<b>31 December 2019 RMB'000</b>	31 December 2018 RMB'000
<b>Capital and reserves</b>			
Share capital	19	<b>35</b>	35
Reserves		<b>1,151,977</b>	1,240,394
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>1,152,012</b>	1,240,429
Non-controlling interests		<b>9,650</b>	3,461
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,161,662</b>	1,243,890
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 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 Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"). Mr. Xie Yuehui, is 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 People's Republic of China (the "PRC").

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

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

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

#### New and amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 16	Leases
IFRIC - Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle

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

#### IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17") and the related interpretations.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - *continued*

### **IFRS 16 Leases** - *continued*

#### *Definition of a lease*

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

#### *As a lessee*

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

**2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued**

**IFRS 16 Leases - continued**

*As a lessee - continued*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.82%.

	<b>At 1 January 2019 RMB'000</b>
Operating lease commitments disclosed as at 31 December 2018	27,344
Lease liabilities discounted at relevant incremental borrowings rates	27,190
Less: Recognition exemption - short-term leases	(444)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	26,746
Lease liabilities analysed as	
Current	10,996
Non-current	15,750
	26,746

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - *continued*

### IFRS 16 Leases - *continued*

#### *As a lessee - continued*

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	<b>Right-of-use assets RMB'000</b>
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		<b>26,746</b>
Reclassified from prepaid lease payments	(i)	<b>30,926</b>
Adjustments on rental deposits at 1 January 2019	(ii)	<b>244</b>
Less: Right-of-use assets included in investment properties	(i)	<b>(15,463)</b>
		<b>42,453</b>
<b>By Class</b>		
Leasehold lands		<b>15,463</b>
Lease properties		<b>26,990</b>
		<b>42,453</b>

- (i) Upfront payments for leasehold lands in RMB30,926,000 for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,267,000 and RMB29,659,000 were reclassified to right-of-use assets, respectively, RMB15,463,000 of right-of-use assets that meet the definition of investment property was presented within investment properties.
- (ii) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, the discounting effect of RMB244,000 was adjusted to refundable rental deposits paid and right-of-use assets.

#### *As a lessor*

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at January 1, 2019. The application has had no impact on the Group's consolidated statement of financial position at January 1, 2019. However, effective January 1, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.



## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

### IFRS 16 Leases - continued

#### As a lessor - continued

The application of IFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the current year.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
<b>Non-current Assets</b>				
Prepaid lease payments	(i)	29,659	(29,659)	—
Investment properties	(i)	137,679	15,463	153,142
Right-of-use assets	(i)(ii)	—	42,453	42,453
<b>Current Assets</b>				
Other receivables				
<i>Rental deposits paid</i>	(ii)	2,222	(244)	1,978
Prepaid lease payments	(i)	1,267	(1,267)	—
<b>Current Liabilities</b>				
Lease liabilities		—	10,996	10,996
<b>Non-current liabilities</b>				
Lease liabilities		—	15,750	15,750

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - *continued*

### **New and amendments to IFRSs issued but not yet effective**

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

IFRS 17	Insurance Contracts <sup>1</sup>
Amendments to IFRS 3	Definition of a Business <sup>2</sup>
Amendments to IFRS 10 and amendments to IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>5</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **Amendments to IAS 1 and IAS 8 *Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure the fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

#### 4. REVENUE AND SEGMENT INFORMATION

##### A. For the year ended 31 December 2019

##### Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2019		
	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000
<b>Types of goods</b>			
Sales of medical devices	<u>274,367</u>	<u>372,463</u>	<u>22,049</u>
<b>Geographical markets</b>			
PRC	148,477	333,321	22,049
Europe	52,479	17,815	—
Asia, excluding PRC and India	29,722	11,358	—
India	21,346	6,058	—
South America	16,970	3,094	—
Africa	2,486	509	—
Others	<u>2,887</u>	<u>308</u>	<u>—</u>
<b>Total</b>	<u><u>274,367</u></u>	<u><u>372,463</u></u>	<u><u>22,049</u></u>
<b>Timing of revenue recognition</b>			
At a point in time	<u>274,367</u>	<u>372,463</u>	<u>22,049</u>
<b>Sales channel</b>			
Wholesale	<u>274,367</u>	<u>372,463</u>	<u>22,049</u>
<b>Total</b>	<u><u>274,367</u></u>	<u><u>372,463</u></u>	<u><u>22,049</u></u>

The Group manufactures and sells the advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders to the corporate directly.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days (2018: 30 to 180 days) upon delivery.

The contracts of selling medical devices have an original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

#### 4. REVENUE AND SEGMENT INFORMATION - *continued*

##### B. For the year ended 31 December 2018

Segments	For the year ended 31 December 2018		
	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000
<b>Types of goods</b>			
Sales of medical devices	208,279	342,967	5,452
<b>Geographical markets</b>			
PRC	109,033	313,403	5,452
Europe	36,533	14,521	—
Asia, excluding PRC and India	25,752	7,978	—
India	19,882	4,248	—
South America	12,736	2,425	—
Africa	1,491	33	—
Others	2,852	359	—
<b>Total</b>	<b>208,279</b>	<b>342,967</b>	<b>5,452</b>
<b>Timing of revenue recognition</b>			
At a point in time	208,279	342,967	5,452
<b>Sales channel</b>			
Wholesale	208,279	342,967	5,452
<b>Total</b>	<b>208,279</b>	<b>342,967</b>	<b>5,452</b>

#### 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.

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

- Structural heart diseases business: trade, manufacture, research and development of devices related to structural heart diseases.
- Peripheral vascular diseases business: trade, manufacture, research and development of devices related to peripheral vascular diseases.
- Cardiac pacing and electrophysiology business: trade, manufacture, research and development of devices related to cardiac pacing and electrophysiology.

#### 4. REVENUE AND SEGMENT INFORMATION - *continued*

##### Segment Information - *continued*

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Information regarding the above segments is reported below.

##### (a) Segment revenue and results

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

For the year ended 31 December 2019

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b>						
External sales	274,367	372,463	22,049	668,879	—	668,879
Inter-segment sales	83,339	24,266	2,091	109,696	(109,696)	—
	<u>357,706</u>	<u>396,729</u>	<u>24,140</u>	<u>778,575</u>	<u>(109,696)</u>	<u>668,879</u>
Segment profit (loss)	<u>236,817</u>	<u>302,199</u>	<u>(4,196)</u>	<u>534,820</u>	<u>—</u>	<u>534,820</u>
Unallocated income						
– Finance income						2,336
– Other income and other gains						104,134
Unallocated expense						
– Selling and distribution expenses						(166,468)
– Administration expenses						(132,395)
– Research and development expenses						(141,112)
– Other expenses and losses						(9,880)
– Impairment losses under expected credit loss model, net of reversal						(344)
– Finance costs						(20,217)
– Share of result of associates						(63)
Profit before tax						<u>170,811</u>

#### 4. REVENUE AND SEGMENT INFORMATION - continued

##### (a) Segment revenue and results - continued

For the year ended 31 December 2018

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b>						
External sales	208,279	342,967	5,452	556,698	—	556,698
Inter-segment sales	86,772	18,195	625	105,592	(105,592)	—
	<u>295,051</u>	<u>361,162</u>	<u>6,077</u>	<u>662,290</u>	<u>(105,592)</u>	<u>556,698</u>
Segment profit (loss)	<u>179,537</u>	<u>280,740</u>	<u>(5,256)</u>	<u>455,021</u>	<u>—</u>	<u>455,021</u>
Unallocated income						
– Finance income						3,281
– Other income and other gains						64,173
Unallocated expense						
– Selling and distribution expenses						(129,633)
– Administration expenses						(95,345)
– Research and development expenses						(115,200)
– Other expenses and losses						(13,150)
– Impairment losses under expected credit loss model, net of reversal						(1,677)
– Finance costs						(282)
Profit before tax						<u>167,188</u>

Segment profit represents the gross profit earned 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.

#### 4. REVENUE AND 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

	2019 RMB'000	2018 RMB'000
Operating segments		
Structural heart diseases business	298,724	248,116
Peripheral vascular diseases business	454,185	436,565
Cardiac pacing and electrophysiology business	100,612	108,095
	<hr/>	<hr/>
Total segment assets	853,521	792,776
Unallocated assets		
Interests in associates	3,437	—
Property, plant and equipment	15,041	4,344
Right-of-use assets	81,810	—
Investment properties	150,187	137,679
Deferred tax assets	32,300	30,681
Financial assets at fair value through profit or loss	179,888	169,865
Other receivables and prepayments	13,011	7,002
Bank balances and cash	299,027	352,577
Fixed bank deposit	50,000	5,000
Intangible assets	3,832	972
Pledged bank deposit	90,000	30,000
Deposits paid for property, plant and equipment	172	236
	<hr/>	<hr/>
Consolidated assets	<b>1,772,226</b>	<b>1,531,132</b>



#### 4. REVENUE AND SEGMENT INFORMATION - *continued*

##### (b) Segment assets and liabilities - *continued*

<u>Segment liabilities</u>	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Operating segments		
Structural heart diseases business	<b>6,268</b>	7,398
Peripheral vascular diseases business	<b>8,881</b>	12,927
Cardiac pacing and electrophysiology business	<b>183</b>	2,347
	<u>15,332</u>	<u>22,672</u>
Total segment liabilities	<b>15,332</b>	22,672
Unallocated liabilities		
Other payables	<b>159,480</b>	141,694
Tax payables	<b>37,573</b>	39,798
Government grants	<b>44,728</b>	59,057
Bank borrowings	<b>330,265</b>	24,021
Lease liabilities	<b>23,186</b>	—
	<u>610,564</u>	<u>287,242</u>
Consolidated liabilities	<b>610,564</b>	287,242

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

- All assets are allocated to operating segments other than pledged bank deposit, fixed bank deposit, bank balances and cash, financial assets at fair value through profit or loss ("FVTPL"), deferred tax assets, investment properties, certain other receivables and prepayments, interests in associates, certain intangible assets, certain property, plant and equipment, right-of-use assets, certain deposits paid for property, plant and equipment; and
- All liabilities are allocated to operating segments in arriving at segment liabilities, which exclude government grants (include current portion under other payables and non-current portion), tax payables, lease liabilities, certain other payables and bank borrowings.

#### 4. REVENUE AND SEGMENT INFORMATION - *continued*

##### (c) Other segment information

For the year ended 31 December 2019

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	64,731	87,875	5,201	157,807
Depreciation of property, plant and equipment	12,068	16,384	970	29,422
Amortisation of intangible assets	2,871	3,897	230	6,998
Write-down on inventories	970	1,318	78	2,366
Impairment loss recognised on trade receivables	49	67	4	120

For the year ended 31 December 2018

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	42,716	70,339	1,118	114,173
Depreciation of property, plant and equipment	8,217	13,533	215	21,965
Amortisation of intangible assets	2,306	3,797	60	6,163
Write-down on inventories	145	239	3	387
Impairment loss recognised on trade receivables	533	878	14	1,425

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets, right-of-use assets (2018: prepaid lease payments) and deposits for property, plant and equipment.

#### 4. REVENUE AND 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	
	2019 RMB'000	2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
PRC (country of domicile)	503,847	427,888	862,115	720,428
Europe	70,294	51,054	1,607	1,868
India	27,404	24,130	512	301
Asia, excluding PRC and India	41,080	33,730	3	4
South America	20,064	15,161	—	—
Africa	2,995	1,524	—	—
Others	3,195	3,211	—	—
Total	<u>668,879</u>	<u>556,698</u>	<u>864,237</u>	<u>722,601</u>

Note: Non-current assets excluded financial assets at FVTPL, pledged bank deposits and deferred tax assets.

##### (e) Information about major customers

No customer contributed to over 10% of the total sales of the Group during the year of 2019 and 2018.

## 5. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Other income and expenses		
Government grants	29,640	5,855
Rental income	49,456	35,252
Received other receivables previously written-off	12,054	6,300
Others	2,961	1,316
Depreciation of investment properties	(5,489)	(4,427)
	<u>88,622</u>	<u>44,296</u>
Other gains and losses		
Loss on disposal of property, plant and equipment	(76)	(237)
Unrealised foreign exchange gain in financial assets at FVTPL	2,881	12,809
Net foreign exchange gains (losses)	(4,315)	2,641
Gain (loss) from changes in fair value of financial assets at FVTPL	7,142	(8,486)
	<u>5,632</u>	<u>6,727</u>
	<u>94,254</u>	<u>51,023</u>

## 6. FINANCE (COST) INCOME, NET

	2019 RMB'000	2018 RMB'000
<b>Finance income from:</b>		
Interest income on bank deposits	<u>2,336</u>	<u>3,281</u>
<b>Finance cost from:</b>		
Interest expense on bank borrowings	(18,985)	(282)
Interest expense on lease liabilities	<u>(1,232)</u>	<u>—</u>
	<u>(20,217)</u>	<u>(282)</u>
Finance (cost) income, net	<u>(17,881)</u>	<u>2,999</u>

## 7. PROFIT BEFORE TAX

	2019 RMB'000	2018 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	432	424
Salaries, wages and other benefits	163,873	132,202
Performance related bonus	27,569	23,276
Share-based payment expenses	131,762	72,338
Retirement benefits scheme contributions	14,003	12,047
Less: capitalised in development costs, construction in progress and inventories	<u>(25,636)</u>	<u>(35,300)</u>
	<u>312,003</u>	<u>204,987</u>
Auditor's remuneration (including audit and non-audit services)	1,800	1,800
Cost of inventories recognised as expenses (Note i)	134,059	101,677
Depreciation of property, plant and equipment	29,422	21,965
Depreciation of investment properties	5,489	4,427
Depreciation of right-of-use assets	13,283	—
Amortisation of intangible assets (Note ii)	<u>6,998</u>	<u>6,163</u>
Total depreciation and amortization	<u>55,192</u>	<u>32,555</u>
Release of prepaid lease payments	—	1,266
Gross rental income from investment properties	(49,456)	(35,252)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<u>5,489</u>	<u>4,427</u>
	<u><u>(43,967)</u></u>	<u><u>(30,825)</u></u>

Notes:

- (i) For the year end 31 December 2019, cost of inventories recognised as expenses included write-down on inventories of RMB2,366,000 (2018: RMB387,000).
- (ii) Amortisation of intangible assets is included in cost of sales, selling and distribution expenses, administration expenses and research and development expenses amounting to approximately RMB800,000 (2018:RMB987,000), RMB146,000 (2018:RMB10,000), RMB427,000 (2018:RMB321,000) and RMB5,625,000 (2018:RMB4,845,000) respectively for the year.

## 8. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	38,914	37,135
Hong Kong Profits Tax	6,352	4,400
Withholding tax on inter-company dividends	—	13,857
Deferred tax credit:		
Current year	(1,619)	(9,557)
	<u>43,647</u>	<u>45,835</u>

The Company is tax exempted under the laws of the Cayman Islands.

Lifetech Scientific Trading Limited, a subsidiary of the Company, is subject to Hong Kong Profits Tax. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on assessable profits earned in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and is 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 is extended for further three years from August 2017. This major operating subsidiary continued to be recognised as a Hi-Tech enterprise for the two years ended 31 December 2019 and 2018.

Under the EIT Law, a withholding tax on dividends is required upon dividend income earned by a non-PRC resident enterprise. The withholding tax is calculated at 10% of dividend income received from a non-PRC resident enterprise during the year end 31 December 2018 (2019: nil).

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

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

## 8. INCOME TAX EXPENSE - *continued*

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

	2019 RMB'000	2018 RMB'000
Profit before tax	<u>170,811</u>	<u>167,188</u>
Tax at the applicable tax rate of 15% (2018: 15%) (Note)	25,622	25,078
Tax effect of expenses not deductible for tax purpose	18,381	9,885
Tax effect of tax losses not recognised	5,989	712
Utilisation of tax losses not recognised in previous years	(5)	(129)
Tax effect of additional deductible research and development expenditure	(6,584)	(3,307)
Tax effect of income not taxable for tax purpose	(327)	(438)
Tax concession under two-tiered profits tax rates regime	(165)	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	736	342
Withholding tax on inter-company dividends	<u>—</u>	<u>13,857</u>
Income tax expense for the year	<u>43,647</u>	<u>45,835</u>

Note: Pursuant to the relevant law and regulations in the PRC, Lifetech Scientific (Shenzhen) Co., Ltd, a wholly-owned subsidiary of the Group generates the most revenue in the Group was approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years from August 2017 to August 2020 and accordingly, PRC Enterprise Income Tax was provided at 15% for the year ended 31 December 2019.

## 9. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor any dividend proposed since the end of the reporting period.

## 10. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>129,200</u>	<u>121,082</u>
	2019 '000	2018 '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,140,262	4,334,345
Effect of dilutive potential ordinary shares:		
Share options	<u>1,644</u>	<u>25,878</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,141,906</u>	<u>4,360,223</u>

## 11. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
<b>As at 1 January 2019</b>			
Carrying amount	15,463	26,990	42,453
<b>As at 31 December 2019</b>			
Carrying amount	59,246	22,564	81,810
<b>For the year ended 31 December 2019</b>			
Depreciation charge	<u>1,157</u>	<u>12,126</u>	<u>13,283</u>
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16			444
Total cash outflow for leases			57,515
Addition to right-of-use assets			52,640



## 11. RIGHT-OF-USE ASSETS - continued

For both years, the Group leases various offices, warehouses and staff dormitories. Lease contracts are entered into for fixed term of 5 months to 6 years. Lease terms are negotiated on individual basis and contain different terms. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly enters into short-term leases for offices and staff dormitories. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense amounted to RMB444,000 disclosed in this note above.

In addition, lease liabilities of RMB23,186,000 are recognised with related right-of-use assets of RMB22,564,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes. As at 31 December 2019, the Group has no lease commitments as lease.

## 12. INTANGIBLE ASSETS

	Patents RMB'000	Licences RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
<b>COST</b>					
At 1 January 2018	52,209	2,679	3,959	102,216	161,063
Additions	2,566	—	504	53,920	56,990
At 31 December 2018	54,775	2,679	4,463	156,136	218,053
Additions	2,381	—	991	60,002	63,374
<b>At 31 December 2019</b>	<b>57,156</b>	<b>2,679</b>	<b>5,454</b>	<b>216,138</b>	<b>281,427</b>
<b>ACCUMULATED AMORTISATION</b>					
At 1 January 2018	4,543	2,679	2,132	—	9,354
Provided for the year	5,004	—	1,159	—	6,163
At 31 December 2018	9,547	2,679	3,291	—	15,517
Provided for the year	6,160	—	838	—	6,998
<b>At 31 December 2019</b>	<b>15,707</b>	<b>2,679</b>	<b>4,129</b>	<b>—</b>	<b>22,515</b>
<b>CARRYING VALUES</b>					
<b>At 31 December 2019</b>	<b>41,449</b>	<b>—</b>	<b>1,325</b>	<b>216,138</b>	<b>258,912</b>
At 31 December 2018	45,228	—	1,172	156,136	202,536

## 12. INTANGIBLE ASSETS - continued

The intangible assets, except for development costs, are amortised on a straight-line basis over the estimated useful lives:

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

All of the Group's computer software was acquired from third parties. Licences and certain of the above patents were purchased as part of a business combination in prior years. As at 31 December 2019, patents with carrying amount of RMB30,628,000 (2018: RMB34,899,000) were internally generated.

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

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Financial assets mandatorily measured at FVTPL:		
Unlisted participating shares (Note)	146,924	135,343
Unlisted fund	<u>32,964</u>	<u>34,522</u>
	<u><u>179,888</u></u>	<u><u>169,865</u></u>

*Note:* As at 31 December 2019, the unlisted participating shares are used to secure the Group's Hong Kong Dollar bank borrowing amounted to RMB260,678,000 (2018: nil).

On 10 May 2018, the Group entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe for participating shares of ABG-Grail Limited ("ABG-Grail"), a limited company established in British Virgin Island, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB127,340,000) in cash. ABG-Grail principally invests in unlisted shares of a company established in United States.

On 25 May 2018, the Group also entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for interest of a private equity fund established in Cayman Island (the "Fund"), as a limited partner, for an aggregate consideration of USD6,000,000 (equivalent to approximately RMB38,202,000) in cash. The Fund principally invests in securities or assets of companies that are involved in the healthcare industry, with a particular focus on cross-border innovative late-stage venture opportunities and cross-over investments.

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - *continued*

ABG-Grail and the Fund are managed by investment/fund managers and the Group does not have rights to engage in the management of ABG-Grail and the Fund. The Group, as a holder of participating shares in ABG-Grail and limited partner in the Fund, does not have the rights to participate in the financial and operating policy decisions of ABG-Grail and the Fund. As such, the Group does not have significant influence over ABG-Grail and the Fund and they are not accounted for as associates.

The shares of ABG-Grail and capital commitment of the Fund held by the Group represent approximately 27% and 10% of the issued share capital of ABG-Grail and the Fund respectively as at 31 December 2019 and 31 December 2018.

ABG-Grail and the Fund are accounted for as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the directors of the Company, ABG-Grail and the Fund are held for long-term strategic investment purposes and as such, the investments are classified as non-current.

The fair values of ABG-Grail and the Fund is determined by an independent professional valuer, GW Financial Advisory Services Limited.

### 14. TRADE RECEIVABLES

	<b>31 December 2019 RMB'000</b>	31 December 2018 RMB'000
Trade receivables from contracts with customers	<b>78,197</b>	96,633
Less: allowance for credit losses	<b>(5,648)</b>	(5,528)
	<b><u>72,549</u></b>	<u>91,105</u>

Trade receivables mainly arose from sales of medical devices.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB69,754,000.

The Group normally allows a credit period of 30 to 180 days (2018: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	<b>31 December 2019 RMB'000</b>	31 December 2018 RMB'000
1 to 90 days	<b>57,985</b>	70,159
91 to 180 days	<b>11,750</b>	11,068
181 to 365 days	<b>2,570</b>	7,178
Over 365 days	<b>244</b>	2,700
	<b><u>72,549</u></b>	<u>91,105</u>

#### 14. TRADE RECEIVABLES - *continued*

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB9,134,000 (2018: RMB20,526,000) which are past due as at the reporting date. Out of the past due balances, RMB3,376,000 (2018: RMB9,396,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history. The Group does not hold any collateral over these balances.

#### 15. OTHER RECEIVABLES AND PREPAYMENTS

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Other debtors (Note)	<b>27,466</b>	16,448
Prepayments	<b>25,715</b>	14,842
Advance to employees - interest free	<b>28,381</b>	23,041
Rental deposits	<b>2,596</b>	2,222
Other deposits	<b>942</b>	748
	<b>85,100</b>	57,301

Note:

Amounts are 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.

Rental deposits paid were adjusted upon the initial application of IFRS 16.

## 16. TRADE AND OTHER PAYABLES

	<b>31 December</b>	31 December
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Trade payables	<u>9,924</u>	<u>18,664</u>
Other payables:		
Government grants	3,760	1,705
Accrued payroll and bonus	50,261	37,868
Rental deposits	7,848	6,247
Other payables	19,558	22,270
Construction payables	14,540	21,913
Accrued expenses	59,216	44,729
Value-added tax payables	6,148	7,083
Other tax payables	<u>1,909</u>	<u>1,584</u>
	<u>163,240</u>	<u>143,399</u>
	<u><u>173,164</u></u>	<u><u>162,063</u></u>

The credit period granted by suppliers to the Group ranged from 30 to 120 days (2018: 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:

	<b>31 December</b>	31 December
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
0 - 30 days	5,712	9,060
31 - 60 days	2,670	6,720
61 - 90 days	791	1,751
91 - 120 days	287	346
Over 120 days	<u>464</u>	<u>787</u>
	<u>9,924</u>	<u>18,664</u>

## 17. BANK BORROWINGS

	<b>31 December 2019 RMB'000</b>	31 December 2018 RMB'000
Secured bank borrowings (Note)	<b>330,265</b>	24,021
The carrying amounts of the above borrowings are repayable*:		
Within one year	<b>113,418</b>	2,402
Within a period of more than one year but not exceeding two years	<b>129,375</b>	21,619
Within a period of more than two years but not exceeding five years	<b>87,472</b>	—
	<b>330,265</b>	24,021
Less: Amounts due within one year shown under current liabilities	<b>(113,418)</b>	(2,402)
Amounts shown under non-current liabilities	<b>216,847</b>	21,619

Note: As at 31 December 2019, United States Dollar ("USD") bank borrowing of USD9,975,000 (equivalent to RMB69,587,000) is secured by the Group's pledged bank deposit of RMB90,000,000. Hong Kong Dollar ("HKD") bank borrowing of HKD291,000,000 (equivalent to RMB260,678,000) is secured by the Group's unlisted participating shares of RMB146,924,000.

As at 31 December 2018, USD bank borrowing of USD3,500,000 (equivalent to RMB24,021,000) is secured by the Group's pledged bank deposit of RMB30,000,000.

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's variable-rate bank borrowing carries interest at 2.14% (2018:2.14%) above London Interbank Offered Rate ("LIBOR") and 4% above Hong Kong Interbank Offered Rate ("HIBOR") (2018: nil). Interest is reset at every three months for United States Dollar bank borrowings and every six months for Hong Kong Dollar bank borrowings.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	<b>2019</b>	2018
Effective interest rate per annum:		
Variable-rate borrowings	<b>4.45% to 6.17%</b>	4.48% to 4.94%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	<b>Hong Kong Dollars RMB'000</b>	<b>United States Dollars RMB'000</b>
As at 31 December 2019	<b>260,678</b>	<b>69,587</b>
As at 31 December 2018	—	<b>24,021</b>

## 18. LEASE LIABILITIES

	31 December 2019 RMB'000
<b>Lease liabilities payable:</b>	
Within one year	11,660
Within a period of more than one year but not more than two years	6,628
Within a period of more than two years but not more than five years	<u>4,898</u>
	23,186
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(11,660)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>11,526</u>

## 19. SHARE CAPITAL

	Number of shares	Amount USD	
Ordinary shares			
<b>Authorised:</b>			
At 1 January 2018, 31 December 2018 and 2019 at USD0.00000125 each	<u>40,000,000,000</u>	<u>50,000</u>	
			<b>Shown in the consolidated statement of financial position as RMB'000</b>
	<b>Number of shares</b>	<b>Amount USD</b>	<b>position as RMB'000</b>
<b>Issued and fully paid:</b>			
At 1 January 2018	4,329,478,800	5,412	35
Exercise of share options	<u>6,812,400</u>	<u>9</u>	<u>—</u>
At 31 December 2018	4,336,291,200	5,421	35
Exercise of share options	866,000	1	—
Cancellation of ordinary shares	<u>(17,124,000)</u>	<u>(21)</u>	<u>—</u>
<b>At 31 December 2019</b>	<u><b>4,320,033,200</b></u>	<u><b>5,401</b></u>	<u><b>35</b></u>

Note: During the year ended 31 December 2019, the Company repurchased a total of 9,414,000 (2018: 7,710,000) shares of the Company on The Stock Exchange of Hong Kong Limited of an aggregate consideration (including transaction cost) of approximately RMB11,874,000 (2018: RMB10,117,000). 8,710,000 shares have been cancelled on 23 January 2019 and 8,414,000 shares have been cancelled on 24 July 2019.

## 20. SHARE-BASED PAYMENT TRANSACTION

### Share option scheme

The Company has adopted a share option scheme (the "Scheme") on 22 October 2011 and was amended by unanimous written resolutions of the board on 5 May 2015. The purpose of the Scheme is to enable the Company to grant options to full-time or part-time employees, directors (including executive, non-executive or independent non-executive) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of our subsidiaries (the "Eligible Participants") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

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

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the listing date (the "Scheme Mandate Limit") (such 10% being equivalent to 400,000,000 shares based on 4,000,000,000 subdivided shares in issue) unless shareholders' approval has been obtained. Any options lapsed in accordance with the terms of the Scheme or any other share option scheme of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

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



## 20. SHARE-BASED PAYMENT TRANSACTION - *continued*

### Share option scheme - *continued*

An offer of grant of an option shall remain open for acceptance by the Eligible Participants concerned for such period as determined by the board, which period shall not be more than fourteen days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the 22 October 2011 or after the Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HKD1 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

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

The subscription price for shares in respect of any particular option granted under the Scheme shall be such price as the board shall determine, provided that such price shall be at least the highest of (i) the closing price per share as stated in the HKSE's daily quotation sheet on the date of offer of the option; (ii) the average closing price per share as stated in the HKSE's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of a share.

On 31 December 2019, the Company cancelled share options granted on 10 May 2018 and 29 August 2018. The purpose of the Scheme, among other things, is to provide the eligible participants incentives or reward for their contribution to the Company and its subsidiaries. However, from the date of granting to the date of 31 December 2019, the exercise prices of the existing outstanding options granted on 10 May 2018 and 29 August 2018 under the Scheme (the "Year 2018 Options") have been consistently higher when compared with the market price of the Shares. As a result, the Year 2018 Options could not serve as an effective incentive for the existing holders of the Year 2018 Options at present. In the circumstances, the Board resolved to cancel the Year 2018 Options with effect from 31 December 2019.

## 20. SHARE-BASED PAYMENT TRANSACTION - *continued*

### Share option scheme - *continued*

The following table discloses movements in the Company's share options held by directors and employees during the year ended 31 December 2019:

Types	Outstanding	Granted	Exercised	Lapsed	Cancelled	Outstanding
	at 1 January 2019					at 31 December 2019
		during the year	during the year	during the year (Note i)	during the year (Note ii)	
Share options granted on 5 May 2015:						
Batch I	17,945,200	—	—	(874,000)	—	17,071,200
Batch II	19,170,800	—	(284,000)	(874,000)	—	18,012,800
Batch III	20,419,200	—	(450,000)	(874,800)	—	19,094,400
Batch IV	21,134,400	—	(132,000)	(928,000)	—	20,074,400
Batch V	21,134,400	—	—	(2,172,000)	—	18,962,400
Share options granted on 10 May 2018:						
Batch I	39,936,000	—	—	(1,846,800)	(38,089,200)	—
Batch II	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Batch III	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Batch IV	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Batch V	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Share options granted on 29 August 2018:						
Batch I	1,080,000	—	—	(80,000)	(1,000,000)	—
Batch II	1,080,000	—	—	(120,000)	(960,000)	—
Batch III	1,080,000	—	—	(120,000)	(960,000)	—
Batch IV	1,080,000	—	—	(120,000)	(960,000)	—
Batch V	1,080,000	—	—	(120,000)	(960,000)	—
Total	<u>304,884,000</u>	<u>—</u>	<u>(866,000)</u>	<u>(52,188,800)</u>	<u>(158,614,000)</u>	<u>93,215,200</u>
Exercisable at the end of the year						<u>74,252,800</u>
Weighted average exercise price	<u>HKD2.238</u>	<u>—</u>	<u>HKD1.464</u>	<u>HKD2.496</u>	<u>HKD2.613</u>	<u>HKD1.464</u>

## 20. SHARE-BASED PAYMENT TRANSACTION - *continued*

### Share option scheme - *continued*

The following table discloses movements in the Company's share options held by directors and employees during the year ended 31 December 2018:

Types	Outstanding	Granted	Exercised	Lapsed	Outstanding
	at 1 January 2018				during the year
Share options granted on 5 May 2015:					
Batch I	20,871,600	—	(2,926,000)	(400)	17,945,200
Batch II	22,026,000	—	(2,854,800)	(400)	19,170,800
Batch III	22,432,400	—	(1,031,600)	(981,600)	20,419,200
Batch IV	22,432,400	—	—	(1,298,000)	21,134,400
Batch V	22,432,400	—	—	(1,298,000)	21,134,400
Share options granted on 10 May 2018:					
Batch I	—	40,256,000	—	(320,000)	39,936,000
Batch II	—	40,256,000	—	(320,000)	39,936,000
Batch III	—	40,256,000	—	(320,000)	39,936,000
Batch IV	—	40,256,000	—	(320,000)	39,936,000
Batch V	—	40,256,000	—	(320,000)	39,936,000
Share options granted on 29 August 2018:					
Batch I	—	1,080,000	—	—	1,080,000
Batch II	—	1,080,000	—	—	1,080,000
Batch III	—	1,080,000	—	—	1,080,000
Batch IV	—	1,080,000	—	—	1,080,000
Batch V	—	1,080,000	—	—	1,080,000
Total	<u>110,194,800</u>	<u>206,680,000</u>	<u>(6,812,400)</u>	<u>(5,178,400)</u>	<u>304,884,000</u>
Exercisable at the end of the year					<u>57,535,200</u>
Weighted average exercise price	<u>HKD1.464</u>	<u>HKD2.615</u>	<u>HKD1.464</u>	<u>HKD1.824</u>	<u>HKD2.238</u>

## 20. SHARE-BASED PAYMENT TRANSACTION - *continued*

### Share option scheme - *continued*

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HKD1.614 (2018: HKD2.527).

Notes:

- (i) Certain employees resigned during the year and respective share options lapsed accordingly.
- (ii) On 31 December 2019, the Company cancelled all outstanding share options of share options granted on 10 May 2018 and 29 August 2018.

Details of specific categories of share options are as follows:

<b>Date of grant</b>	<b>Vesting period</b>	<b>Exercisable period</b>	<b>Exercise price HKD</b>
5 May 2015:			
Batch I	12 months	5 May 2016 - 4 May 2025	1.464
Batch II	24 months	5 May 2017 - 4 May 2025	1.464
Batch III	36 months	5 May 2018 - 4 May 2025	1.464
Batch IV	48 months	5 May 2019 - 4 May 2025	1.464
Batch V	60 months	5 May 2020 - 4 May 2025	1.464

The estimated fair value of the options granted on the following dates were:

	<b>HKD</b>
Share options granted on 5 May 2015:	
Batch I	0.8124
Batch II	0.8213
Batch III	0.8267
Batch IV	0.8323
Batch V	0.8428
Share options granted on 10 May 2018:	
Batch I	1.1324
Batch II	1.2227
Batch III	1.3013
Batch IV	1.3699
Batch V	1.4298
Share options granted on 29 August 2018:	
Batch I	0.6798
Batch II	0.7807
Batch III	0.8647
Batch IV	0.9361
Batch V	0.9978

## 20. SHARE-BASED PAYMENT TRANSACTION - *continued*

### Share option scheme - *continued*

In respect of the share options granted on 5 May 2015, 10 May 2018 and 29 August 2018, the fair values were calculated using the Binomial Model. The inputs into the model were as follows:

Batch	Number of options	Expected life year	Initial underlying HKD	Exercise price HKD	Risk free rate %	Dividend yield %	Volatility %
Share options granted on 5 May 2015							
Batch I	32,000,000	7.75	1.410	1.464	1.51	—	55.33
Batch II	32,000,000	8.00	1.410	1.464	1.52	—	55.12
Batch III	32,000,000	8.25	1.410	1.464	1.53	—	54.62
Batch IV	32,000,000	8.50	1.410	1.464	1.55	—	54.18
Batch V	32,000,000	8.75	1.410	1.464	1.56	—	54.19
Share options granted on 10 May 2018							
Batch I	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch II	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch III	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch IV	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch V	40,256,000	10	2.630	2.630	2.162	—	49.77
Share options granted on 29 August 2018							
Batch I	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch II	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch III	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch IV	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch V	1,080,000	10	2.020	2.060	2.158	—	47.44

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

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

## **20. SHARE-BASED PAYMENT TRANSACTION** - *continued*

### **Share option scheme** - *continued*

For the year ended 31 December 2019, the Group recognised approximately RMB6,302,000 cost of sales and approximately RMB119,548,000 (2018: RMB60,265,000) share-based payment expenses in profit or loss, of which, approximately RMB39,102,000 (2018: RMB24,510,000) was included in research and development expenses, approximately RMB59,637,000 (2018: RMB27,335,000) was included in administrative expenses and approximately RMB20,809,000 (2018: RMB8,420,000) was included in selling and distribution expenses. In addition, approximately RMB5,912,000 was capitalised in development costs (2018: approximately RMB425,000 was capitalised in construction in progress, approximately RMB9,315,000 was capitalised in development costs and approximately RMB2,333,000 was capitalised in inventories).

## **21. EVENTS AFTER REPORTING PERIOD**

The outbreak of the coronavirus disease (the "COVID-19") in China has affected the Group's business and operations as its factories are located in the PRC. Since the first case of the COVID-19 has been confirmed in the PRC, the directors of the Company have closely monitored its developments and kept regular communications with its suppliers, customers, and other parties to understand whether there would be any significant impacts on the Group's business. As required by the local government offices in which the Group's factories are located, the operations of the Group's factories had been suspended for one week and had resumed their operations on 11 February 2020. Surgeries are more likely delayed than cancelled by patients, additionally, certain peripheral vascular diseases related surgeries are urgent and unlikely to be delayed. The Group will continue to pay close attention to the development of COVID-19, and as of the date of approval of this consolidated financial statements, the assessment is still in progress.

## 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. With the expansion of our product range, currently the Group has three main product lines, including structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Structural heart diseases business mainly consists of congenital heart diseases occluders and LAA occluder. The peripheral vascular diseases business mainly includes vena cava filter and stent grafts. The new product line cardiac pacing and electrophysiology is mainly related to pacemakers. These product lines provide clinically effective and commercially attractive product offerings.

We currently have distributors in numerous countries across Asia, Africa, North America, South America and Europe, with sales network spreading all over the world.

### Annual performances

In 2019, with continuous deepening reform of the bidding policies as well as the development of the National Medical Security Bureau system, the tender prices of medical devices are facing downward pressure. However, the market demand which arises from the aging of population, urbanization and the increase of residents' health awareness is still driving the steady growth of the industry. During this reporting period, the Group leveraged on its advantages in brand image, strengthened academic promotion and resources allocation optimization to promote the Group's research and development projects, so as to seize opportunities to further develop its business amidst a changing and challenging environment.

During the year ended 31 December 2019, the Group achieved a revenue of approximately RMB668.9 million with an increase of approximately RMB112.2 million or approximately 20.2% as compared with the revenue of approximately RMB556.7 million for the year ended 31 December 2018. China is still our largest market, the sales generated from the Chinese market accounted for approximately 75.3% of our total revenue for the year ended 31 December 2019 (corresponding period of 2018: approximately 76.9%). Our domestic sales increased by approximately 17.8% while overseas sales increased by approximately 28.1% as compared with the corresponding period of 2018.

### Sales and marketing

The Group has an experienced sales and marketing team with professional skills to support and manage existing distribution networks as well as explore new markets. We improved our brand and products' awareness by organizing and participating in domestic and international medical conferences, academic activities, seminars, live broadcasts and doctor training. Meanwhile, Lifetech Knowledge Exchange Program, which was established by the Group in 2012, connected cardiovascular experts around the world for academic exchanges. These experts shared and exchanged valuable medical experiences and clinical skills to promote the development of medical technology in the field of minimally invasive cardiovascular interventions. Such activities showed our strength in product innovation and enhanced our international influence, thereby promoted sales of the Company.

## **Research and development (“R&D”)**

Independently developed innovative domestic medical device products will maintain the competitive strength of the Company, and also provide more effective treatment to patients around the world. In 2019, the Company continuously strengthened its innovation capabilities and accelerated the development of products, so as to maintain its leading position in the industry.

During the year ended 31 December 2019, we made the following achievements in R&D field:

- Lifetech Cardio Temporary Pacemaker which was developed by Lifetech independently, got 510(k) clearance by the FDA and could be released in the United States.
- LAmbre™ Left Atrial Appendage (“LAA”) Closure System obtained approval for an investigational device exemption application from FDA.
- Absnow™ Absorbable Atrial Septal Defect Closure System, Fitaya™ Vena Cava Filter System and Yuranos™ Abdominal Aortic Stent Graft System had completed the domestic clinical trial enrollments.
- Lifeflow™ Iliac Artery Bifurcation Stent Graft System had completed clinical summary report and the clinical data is positive.
- Absnow™ Absorbable Atrial Septal Defect Closure System, GoldenFlow™ Peripheral Bare Stent System and External Temporary Pacemaker have passed the special review application of National Medical Products Administration (“NMPA”) and been approved as innovative medical devices successively. At present, nine products of the Company have been approved as innovative medical devices by the NMPA.

## **PATENTS AND BRANDING**

Intellectual property is an important intangible asset of the Group, also an internal driving force to improve our core competitiveness in the medical device market. During the year ended 31 December 2019, the Group has filed 212 patent applications while 89 patents were registered. As at 31 December 2019, the Group has filed a total of 1,081 patent applications, of which 286 were registered.

In 2019, Lifetech was awarded to be an “Intellectual Property Advantage Enterprise of the People’s Republic of China” and an “Intellectual Property Demonstration Enterprise of Guangdong Province”.



## **FINANCIAL REVIEW**

### **Overview**

The Company has maintained a steady growth for the year ended 31 December 2019.

### **Revenue**

Our revenue was approximately RMB668.9 million for the year ended 31 December 2019, with an increase of approximately RMB112.2 million or approximately 20.2% as compared to the revenue for the year ended 31 December 2018. The growth in revenue was mainly attributable to the increase of revenue from LAmbre™ LAA occluder, Cera congenital heart occluders, stent grafts and vena cava filter.

### **Revenue from structural heart diseases business**

The turnover contributed by the structural heart diseases business for the year ended 31 December 2019 was approximately RMB274.4 million (2018: approximately RMB208.3 million), representing a growth of approximately 31.7%.

With the diversification of product portfolio, our products cover a wide spectrum of the structural heart diseases business, which mainly include LAA occluder and three generations of congenital heart occluders named HeartR, Cera and CeraFlex.

As compared to the corresponding period of 2018, the revenue generated from the sales of HeartR occluders increased by 9.1%, Cera occluders increased by approximately 46.2% and CeraFlex occluders increased by approximately 29.7% for the year ended 31 December 2019.

The revenue generated from the sales of LAmbre™ LAA occluder was approximately RMB64.1 million for the year ended 31 December 2019 (2018: approximately RMB41.6 million), representing a growth of approximately 54.1%.

### **Revenue from peripheral vascular diseases business**

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2019 was approximately RMB372.5 million (2018: approximately RMB342.9 million), representing a growth of approximately 8.6%.

The products we offered in the peripheral vascular diseases business mainly included vena cava filter, Thoracic Aortic Aneurysm stent graft, Abdominal Aortic Aneurysm stent graft and Fustar™ steerable introducer. As compared to the corresponding period of 2018, the revenue generated from the sales of stent grafts increased by approximately 7.1% and vena cava filter increased by approximately 7.6% for the year ended 31 December 2019.

### **Revenue from cardiac pacing and electrophysiology business**

The turnover contributed by the cardiac pacing and electrophysiology business for the year ended 31 December 2019 was approximately RMB22.0 million (2018: approximately RMB5.5 million), representing a growth of approximately 300.0%.

### **Gross profit and gross profit margin**

As a result of the increased sales and diversity of our products, gross profit of the Group increased by approximately 17.5% from approximately RMB455.0 million for the year ended 31 December 2018 to approximately RMB534.8 million for the year ended 31 December 2019. Gross profit margin decreased by 1.7% from approximately 81.7% for the year ended 31 December 2018 to approximately 80.0% for the year ended 31 December 2019. The decrease was mainly due to the negative gross profit of HeartTone™ pacemaker, which was driven by the large-scale effect of HeartTone™ pacemaker has not been achieved while comparatively high fixed depreciation cost of the production line was realised at current stage.

### **Selling and distribution expenses**

Selling and distribution expenses increased by 28.5% from approximately RMB129.6 million for the year ended 31 December 2018 to approximately RMB166.5 million for the year ended 31 December 2019. The increase was primarily due to (i) an increase in staff costs, which was mainly due to an increase in the share-based payment expenses of approximately RMB12.4 million in 2019; and (ii) an increase in marketing expenses.

### **Administration expenses**

Administration expenses increased by 38.9% from approximately RMB95.3 million for the year ended 31 December 2018 to approximately RMB132.4 million for the year ended 31 December 2019. The increase was primarily due to an increase in staff costs, which was mainly due to an increase in the share-based payment expenses of approximately RMB32.3 million in 2019.

### **Research and development expenses**

Research and development expenses increased by 22.5% from approximately RMB115.2 million for the year ended 31 December 2018 to approximately RMB141.1 million for the year ended 31 December 2019. In addition, during the year ended 31 December 2019, approximately RMB60.0 million (2018: approximately RMB53.9 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 18.9% from approximately RMB169.1 million for the year ended 31 December 2018 to approximately RMB201.1 million for the year ended 31 December 2019. The increase was primarily due to (i) an increase in staff costs, which was mainly due to an increase in the share-based payment expenses of approximately RMB14.6 million in 2019; and (ii) an increase in developing projects expenditure, especially for significant increase in clinical trials.

### **Operating profit**

Operating profit increased by approximately 15.0% from approximately RMB164.2 million for the year ended 31 December 2018 to approximately RMB188.8 million for the year ended 31 December 2019. The increase was primarily due to (i) the growth of sales revenue; and (ii) the increase of other income and other gains resulting from government grants and rental income.

### **Share of results of associates**

The Group's 12.5% equity interest in 深圳高性能醫療器械國家研究院有限公司 and 49% equity interest in 深圳市尚品雲麻科技有限公司 had been accounted as interest in associates. The Group's share of losses were approximately RMB63,000 for the year ended 31 December 2019 (2018: nil).

### **Fair value and net exchange gains on financial assets**

On 10 May 2018, the Group invested USD20.0 million (equivalent to approximately RMB127.3 million) to subscribe for an equity interest of approximately 27% in ABG-Grail Limited in order to indirectly acquire a minority equity interest in Grail, Inc. ("GRAIL"), a healthcare company with a focus on early cancer screening. The Company believes in the great market potential in technologies for the screening, treatment and rehabilitation industries in relation to cancer. The Company's indirect investment in GRAIL is aimed at providing the Company with greater exposure to the global market and improving the Company's position as a comprehensive healthcare provider. GRAIL is presently in an expansion phase. Although there are inherent risks associated with the development and commercialisation of new products, the Company believes the investment will broaden the Group's involvement in innovative healthcare providers and relative industries which the Company believes have great market potential. Presently, the early cancer screening method of GRAIL obtained approval for an investigational device exemption application from FDA, and the enrollments of the first group of patients on trial have already been completed.

On 25 May 2018, the Group also invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interest of approximately 10% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in Cayman Island. The Fund principally invests in securities or assets of companies that are involved in the healthcare industry, particularly focus on cross-border innovative late-stage venture opportunities and cross-over investments.

The investments are classified as financial assets at FVTPL and they do not constitute notifiable transactions of the Company. Additional information in relation to these investments have been set out in note 13 to the consolidated financial statements in this annual results announcement.

The unrealised foreign exchange gain in financial assets at FVTPL was approximately RMB2.9 million in 2019 (corresponding period in 2018: approximately RMB12.8 million), and the gain from changes in fair value of financial assets was approximately RMB7.1 million in 2019 (corresponding period in 2018: loss of approximately RMB8.5 million). The fair value on financial assets was determined with reference to valuation report carried out by an independent qualified professional valuer.

### **Other income and expenses**

Other income and expenses increased by approximately 100% from approximately RMB44.3 million for the year ended 31 December 2018 to approximately RMB88.6 million for the year ended 31 December 2019. The increase was primarily due to (i) the increase of other income resulting from government grants; and (ii) the increase of other income resulting from rental income.

### **Finance income and finance costs**

The Company earned an interest income of approximately RMB2.3 million for the year ended 31 December 2019 as compared to approximately RMB3.3 million for the corresponding period in 2018.

The finance costs were approximately RMB20.2 million for the year ended 31 December 2019 as compared to approximately RMB0.3 million for the corresponding period in 2018.

### **Income tax**

Income tax decreased from approximately RMB45.8 million for the year ended 31 December 2018 to approximately RMB43.6 million for the year ended 31 December 2019. The decrease was mainly due to the income tax generated by Lifetech Shenzhen allocating profits to the parent company in 2018, which amounted to approximately RMB13.9 million.

### **Net profit**

Net profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB129.2 million as compared to the net profit attributable to owners of the Company amounting to approximately RMB121.1 million in 2018. The increase was mainly due to (i) the growth of sales revenue; (ii) the increase of other income and other gains resulting from government grants and rental income; and (iii) approximately RMB13.9 million decrease in the withholding tax on inter-company dividends, which generated from Lifetech Shenzhen allocating profits to the parent company in 2018. Meanwhile, the share-based payment expenses were approximately RMB125.4 million for the year 2019 in comparison with approximately RMB61.1 million in 2018, increased by approximately RMB64.3 million. Excluding the influence of the withholding tax on inter-company dividends and share-based payment expenses, the Company would have recorded net profit attributable to owners of the Company for the year ended 31 December 2019 which was approximately RMB254.6 million, as compared with a net profit of approximately RMB196.1 million for the year ended 31 December 2018, representing an increase of approximately 29.8%.

## **LIQUIDITY AND FINANCIAL RESOURCES**

In 2019, the Group mainly financed its operations with its own working capital, bank borrowings and equity funding.

The Group recorded total current assets of approximately RMB605.8 million as at 31 December 2019 (2018: approximately RMB578.0 million) and total current liabilities of approximately RMB341.2 million as at 31 December 2019 (2018: approximately RMB208.3 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 1.78 as at 31 December 2019 (2018: approximately 2.77).

### **BORROWINGS**

As at 31 December 2019, bank borrowings were approximately RMB330.3 million, with an increase of approximately RMB306.3 million as compared to approximately RMB24.0 million as at 31 December 2018. The increase bank borrowings were mainly used in purchasing 300.0 million ordinary shares of the Company through the Trustee under the Share Award Scheme. For further details, please refer to Note 17 to the consolidated financial statements.

The interest incurred therefrom was approximately RMB19.0 million in 2019 (corresponding period in 2018: approximately RMB0.3 million).

## **GEARING RATIO**

As at 31 December 2019, the gearing ratio (calculated as a ratio of total borrowings to total equity) of the Group was 28.4% (31 December 2018: 1.9%).

## **CAPITAL STRUCTURE**

Total equity attributable to equity holders of the Company amounted to approximately RMB1,152.0 million as at 31 December 2019 as compared to approximately RMB1,240.4 million as at 31 December 2018.

## **LAND ACQUISITION**

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with Dongguan Natural Resources Bureau (東莞市自然資源局) for the acquisition of land use right of a land which has a site area of 43,604 square meters located at the southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, PRC (the "Land"). The land use right was acquired at a total consideration of approximately RMB43.6 million. For further details, please refer to announcement of the Company dated 26 June 2019. The Land is used to build the industrial park of Lifetech in Songshan Lake, which is currently at pre-construction stage.

The tax arising from the land use right acquisition amounts to approximately RMB1.3 million.

## **SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this annual results announcement, there were no significant investments held by the Company for the year ended 31 December 2019. The Group will enrich its product lines and expand its business scale by independent development, mergers and acquisitions as well as other means to maximize shareholders' interest and create more value.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

Save as disclosed in this annual results announcement and the strategic partnership and formation of joint ventures as disclosed in the announcements of the Company dated 3 April 2019, 4 June 2019 and 26 June 2019, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as of 31 December 2019.

## **FINANCIAL INSTRUMENT**

As at 31 December 2019, the Group did not have any outstanding hedge contracts or financial derivative instruments.

## **CAPITAL EXPENDITURE**

For the year ended 31 December 2019, the capital expenditure of the Group for property, plant and equipment (the "PPE"), construction in progress, intangible assets, right-of-use assets (2018: prepaid lease payments) and deposits for PPE amounted to approximately RMB157.8 million (31 December 2018: approximately RMB114.2 million).

## **FOREIGN EXCHANGE RISK**

During the year ended 31 December 2019, the Group's operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 10.5% (2018: approximately 9.2%) of the total revenue of the Group. There were currency fluctuations during the period, the Group's operational results and financial condition may be affected by changes in the exchange rates. As the Group reasonably arranges the currency structure, which effectively reduces foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group at current stage. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the period. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2019, the Group had pledged its unlisted participating shares in ABG-Grail Limited with the fair value of approximately RMB146.9 million (2018: nil), and pledged bank deposit of RMB90.0 million (2018: RMB30.0 million) for the purpose of securing the bank borrowings.

Save as disclosed above, as at 31 December 2019, the Group did not have other charges on its assets.

## **CAPITAL COMMITMENT**

As at 31 December 2019, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB13.9 million (2018: approximately RMB12.1 million).

## **SEGMENT INFORMATION**

During the year ended 31 December 2019, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Financial information related to these aspects is presented in Note 4 to the consolidated financial statements in this annual results announcement.

## **EVENTS AFTER REPORTING PERIOD**

The global business environment is full of challenges since the outbreak of the COVID-19 epidemic, the Group has closely monitored its developments and kept regular communications with its suppliers, customers and other parties to understand whether there would be any significant impacts on the Group's business. As required by the local government offices in which the Group's factories are located, the operations of which had been suspended for one week and had resumed their operations on 11 February 2020. The Group will continue to pay close attention to the development of COVID-19 epidemic, proactively assess and react to its impacts on the financial position and operating results of the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2019, the Group had 786 (31 December 2018: 750) full time employees and two executive Directors (31 December 2018: three). Total staff costs, including Directors' emoluments, amounted to approximately RMB312.0 million for the year 2019 (2018: approximately RMB205.0 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2019, the amount of contributions to retirement benefits scheme was approximately RMB14.0 million (2018: approximately RMB12.0 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 by the performance, qualification and working 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, transportation and lunch subsidies, basic medical insurance, work injury insurance, unemployment insurance, team commercial medical insurance, annual physical examination and share options. We have a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels for their performance and achievements. A share option scheme (the "Share Option Scheme") was adopted for employees of the Group on 22 October 2011 which was subsequently amended by a unanimous written resolutions of the Board on 5 May 2015. More recently, the Company has adopted a share award scheme on 28 December 2018, which was subsequently amended by an unanimous written resolutions of the Board on 29 April 2019 (the "Share Award Scheme").

The Group believes that employees are the key to success. We are committed to provide all employees with a safe and harassment-free working environment, equal employment opportunities, reward management, training and career development. Since the outbreak of the COVID-19 epidemic, the Company established a prevention and control leading group immediately to mobilize resources and coordinate arrangements by making sufficient preparation for epidemic prevention and control, so as to fully protect the health and safety of employees. Up to the date of this annual results announcement, the management was not aware of any instance of coronavirus infection among our staff.

In 2019, the Group established a labor union to safeguard the legitimate rights of employees and further promote our sustainable, stable and healthy development. The Company and labor union organised a series of twentieth anniversary celebration activities, such as sports, essay competition, photo contest, carnivals and cruise tours, to enhance effective communication and cooperation among employees.

## **FUTURE PROSPECTS**

The Group will keep strengthening its development in the year of 2020 by relying on its existing three core businesses, namely structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. We will continue to optimize the selection and retention of high-quality customers, as well as increase investment to expand the secondary market. Meanwhile, by conducting post-market clinical trials of core products, the safety and effectiveness of our products have been furtherly proved through clinical data, thereby promoting product sales.

The Group will also continue to invest in research and development spectrum and dedicate to enhance our innovation capability. We will improve and upgrade our existing products in response to the demands of various markets and customers. We will also vigorously promote clinical trial and certificate registration for new products, in order to further diversify our product offerings.

We established strategic partnerships with ABG, Sorrento Therapeutics and Quantum Surgical, which will allow us to explore investment opportunities in the global health industry and expand our business scope to include cancer detection and treatment technologies. We are confident that our participation in the healthcare investment sector will bring us a new growth point with close cooperation in the near future. Further, the Company believes in the great market potential in technologies for the screening, treatment and rehabilitation industries relating to malignancies, myocardial infarction, cerebral ischemic stroke and cranial nerve system diseases. Therefore, the Company will explore new investment opportunities in such industries to enable the Group to gain greater presence in the global market, and align with the Company's strategic investment target in the global health industry.

Looking further ahead, the Group will actively grasp the development trend of the medical device industry and seek fast-growing, high-margin and high-potential opportunities within or outside of our existing business segments.

### **ENVIRONMENT AND SUSTAINABILITY**

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

For further details and related data analysis on the environmental, social performance of the Group, please refer to our 2019 Environmental, Social and Governance Report which will be published as a separate report.

### **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

To the best of the Directors' knowledge, information and belief on the date of this annual results 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 2019, the Company repurchased 9,414,000 of the Company's listed securities, and the details of the shares repurchased by the Company through the Stock Exchange are shown as follows:

Date of repurchase	No. of share	Price per share		Aggregate consideration paid HKD
		Highest HKD	Lowest HKD	
3 January 2019	1,000,000	1.47	1.43	1,447,740
24 May 2019	1,000,000	1.47	1.43	1,456,260
27 May 2019	200,000	1.48	1.48	296,000
6 June 2019	1,500,000	1.49	1.45	2,207,500
12 June 2019	300,000	1.41	1.41	423,000
13 June 2019	1,000,000	1.44	1.42	1,431,620
14 June 2019	1,000,000	1.42	1.40	1,410,000
27 June 2019	1,662,000	1.42	1.39	2,334,300
28 June 2019	752,000	1.43	1.42	1,072,840
3 July 2019	1,000,000	1.41	1.41	1,410,000
Total	<u>9,414,000</u>			<u>13,489,260</u>

The above share repurchased on 3 January 2019 were cancelled on 23 January 2019, and other share repurchased above were cancelled on 24 July 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

## DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2019 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.

## BANK BORROWINGS

The Group has recorded bank borrowings of approximately RMB330.3 million as at 31 December 2019 (2018: approximately RMB24.0 million).

## **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 2019.

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 2019.

## **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 2019, save for the deviations from code provision A.2.1 of the CG Code as explained below:

Code provision A.2.1 of the CG Code which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual. Since March 2015, Mr. XIE Yuehui, Chairman of the Board and an executive Director, was appointed to act as the Chief Executive Officer, and thereafter 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 effective and efficient planning and implementation of business decisions and strategies.

## **AUDITORS**

The consolidated financial statements in this annual results 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 2019. 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 Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

## **ANNUAL GENERAL MEETING**

The 2020 annual general meeting of the Company (the "2020 Annual General Meeting") will be held on Thursday, 28 May 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2020 Annual General Meeting, the register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 22 May 2020.

## **AUDIT COMMITTEE REVIEW**

The Group's audited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

## **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, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary 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 Hong Kong Institute of Certified Public Accountants 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 be 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, 30 March 2020

*As at the date of this announcement, the Board comprises Mr. XIE Yuehui and Mr. LIU Jianxiong being executive Directors; Mr. JIANG Feng and Mr. FU Feng being non-executive Directors; and Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming being independent non-executive Directors.*