LifeTech Scientific Corporation
先 健 科 技 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 08122

2012
Annual Report

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This report, for which the directors (the "Director(s)") of LifeTech Scientific Corporation (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
XIE Yuehui *(Chairman)*
ZHAO Yiwei Michael *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
WU Jianhui
MARTHA Geoffrey S.
(appointed on 30 January 2013)
LIDDICOAT John R.
(appointed on 30 January 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS
LIANG Hsien Tse Joseph
ZHANG Xingdong
ZHOU Gengshen

COMPANY SECRETARY
LIU Jianxiong

COMPLIANCE OFFICER
ZHAO Yiwei Michael

AUTHORIZED REPRESENTATIVES
ZHAO Yiwei Michael
LIU Jianxiong

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

NOMINATION COMMITTEE
LIANG Hsien Tse Joseph *(Chairman)*
XIE Yuehui
ZHANG Xingdong

REMUNERATION COMMITTEE
ZHOU Gengshen *(Chairman)*
MARTHA Geoffrey S.
LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR
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WEBSITE
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STOCK CODE
08122

LISTING DATE
10 November 2011

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AUDITOR

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cricket Square, Grand Cayman
KY1-1102,
Cayman Islands

CHAIRMAN'S STATEMENT

Dear shareholders,

For and on behalf of the board of directors (the "Board") of LifeTech Scientific Corporation (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

FINANCIAL REVIEW

I am very delighted to report that the Group has achieved a significant growth in sales in the last year. Revenue of the Group was approximately RMB181.5 million for the year ended 31 December 2012 in comparison with RMB140.3 million in year 2011, representing a growth of approximately 29.4%. Gross profit was approximately RMB145.3 million for 2012 in comparison with RMB113.0 million in 2011, representing a growth of 28.6%. Gross profit margin was 80.1% compared to 80.5% of year 2011. The increase in revenue was mainly attributable to the rapid growth of sales volume of our primary products along with the expansion of our sales network. Net profit attributable to the owners of the Company was approximately RMB32.4 million comparing to RMB11.8 million of 2011, representing a growth of approximately 174.6%.

OPERATION REVIEW

During the year ended 31 December 2012, the Group continued to strengthen its existing businesses of its major products including occluders products, vena cava filter and stent graft and actively expanded its distribution network, in both the PRC and oversea markets. Both domestic and oversea sales have increased rapidly due to our continuous marketing efforts and our brand name, and the market leading position has been further strengthened through these efforts.

In January 2013, the strategic alliance between our Company and Medtronic, Inc. ("Medtronic") has been created and we are extremely excited about this business opportunity. By coming together as a team, we effectively bridge the gap between our technologies and the world's largest medical market in the making as we drive awareness to help save millions of lives in a broader market.

As at 31 December 2012, we have a well-established distribution network for our products consisting of 184 distributors in 36 countries in aggregate. We expanded into new international markets including Argentina, Belgium, France, Yemen and Taiwan during the year of 2012. In 2012, we set up European subsidiaries to promote sales and help creating the international image of our product in this region gradually. 29 of our products have been granted the CE certification as at 31 December 2012 and can be sold in Europe, and two of our products have been granted the FDA approval. I believe there would be significant opportunities for us to break into the international market during the next few years. Since December 2012, our Cera occluders have obtained SFDA Registration Certificate which means these products of Lifetech have been approved to enter into the China market.

PROSPECTS

We believe that our success relies on and will continue to rely on our ability to develop new proprietary products. We will continue to allocate resources in research developing new cardiovascular, peripheral vascular and other implants products, including Ankura II stent grafts and LAA occluders.

Having obtained the SFDA registration of Cera products in 2012 marks a great milestone for us as we look forward to the continued, accelerated development of innovative technologies which are now available to the Chinese market. With its advanced technology, our Cera products will help us to expand our market share in China and serve the patients better in our country.

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

In the overseas market, we participated in the global competition with competitive products and more investment as we expect that it will have a more prosperous future.

Leveraged on our broad portfolio of products, robust product development pipeline and strong research and development capabilities, we are capable of expanding our business and gain revenue in European and international markets. The management is confident that it will bring positive contribution for the Company.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and business partners for their continued support to the Group. I would also like to take this opportunity to express my appreciation to the management team and staffs for their contribution to the Group during the past year.

XIE Yuehui
Chairman

Shenzhen, PRC, 25 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Summary of the results of the Group for the financial year ended 31 December 2012 is as follows:

- Total turnover was approximately RMB181.5 million (2011: approximately RMB140.3 million), representing approximately a 29.4% increase as compared to the previous year.
- Gross profit was approximately RMB145.3 million (2011: approximately RMB113.0 million), representing approximately a 28.6% increase as compared to the previous year.
- Net profit attributable to owners of the Company was approximately RMB32.4 million (2011: approximately RMB11.8 million), representing approximately a 174.6% increase as compared to the previous year.
- The Board does not recommend any payment of final dividend for the year ended 31 December 2012.

Revenue

The results of the Group for the year ended 31 December 2012 have shown rapid increase in turnover compared with the previous year. Total turnover of the Group for the year was approximately RMB181.5 million (2011: approximately RMB140.3 million). The increase in revenue of the Group was primarily attributed to the growth of congenital heart diseases business and peripheral vascular diseases business.

Gross profit and gross profit margin

Gross profit of the Group was approximately RMB145.3 million (2011: approximately RMB113.0 million). Gross profit margin was approximately 80.1% (2011: approximately 80.5%). The decrease in gross profit margin of the Group was mainly due to the lower gross profit margin of our surgical vascular repair business. In view of the strategic alliance with Medtronic, it is expected the surgical vascular repair business will have a substantial improvement in future.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2012 were approximately RMB41.2 million (2011: approximately RMB34.6 million). The increase was attributed to additional promotion and marketing efforts and expansion of sales force during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2012 amounted to approximately RMB37.9 million (2011: approximately RMB31.2 million). The increase was mainly due to (1) the increase of consultancy fee generated after the initial public offering of the Company in November 2011 (the "IPO"), which occurred to improve internal operation level; and (2) the increase of investment on overseas subsidiaries, acquisition and alliances.

Research and development expenses

Research and development expenses for the year ended 31 December 2012 amounted to approximately RMB23.6 million (2011: approximately RMB22.8 million). Development cost of approximately RMB12.5 million has been capitalised, which we believe would bring substantial future benefit to the Company.

Share of loss of an associate

The Company had 40% of equity interest of Broncus Holding Corporation and its subsidiary Broncus Medical Inc. (collectively referred to as "Broncus"). The Group's share of loss of the associate for the year 2012 was approximately RMB10.5 million.

Changes in fair value of convertible redeemable preferred shares

During the year ended 31 December 2012, the change in fair value of convertible redeemable preferred shares was nil (2011: approximately RMB3.3 million) because the underlying 28,070,210 Series A Preferred Shares were fully converted into the same number of ordinary shares of the Company during the year of 2011. The details are presented in Note 27 to the Consolidated Financial Statement of the Company in this report.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB32.4 million (2011: approximately RMB11.8 million). The increased net profit was mainly attributed to the increase of sales.

BUSINESS REVIEW

China is our largest market, and sales generated from Chinese market accounted for approximately 71.8% of our total revenue (2011: approximately 67.2%). Our domestic sales realized approximately a 38.2% growth during the year, indicating stronger brand and higher market share in China. Our international market realized approximately an 11.3% growth in sales revenue. In 2012, we strengthened our sales force and explored new distributors which led to an increase in our market share.

As at 31 December 2012, we have a well-established distribution network for our products consisting of 184 distributors (2011: 161 distributors) in 36 countries (2011: 33 countries) in aggregate. We expanded into new international markets including Argentina, Belgium, France, Yemen and Taiwan during the year of 2012 and in the same year, we set up several subsidiaries in Europe to serve as new marketing bases to expand our market there, which is expected to promote our brand globally. In addition, the direct sales in Europe has been started, which marks a new business model for our Company in Europe.

Congenital heart diseases business

The Company offers one of the broadest product ranges of congenital heart defect occluders through our three generations of occluders series, i.e. HeartR, Cera and CeraFlex, as well as balloon catheter, introducer and snare, etc., and associated delivery and supporting devices. The turnover contributed by the congenital heart diseases business for the year ended 31 December 2012 was approximately RMB103.8 million (2011: approximately RMB95.0 million), realized a growth of approximately 9.3%. The ASD occluder, VSD occluder and PDA occluder experienced growth of approximately 12.0%, 10.0% and 9.2% respectively, as compared to the sales revenue of year ended 31 December 2011. The first generation of occluders, i.e. HeartR occluders, realized approximately 10.2% growth of sales. The second generation, i.e. Cera occluders realized approximately 102.1% increase as compared to sales in the year 2011. We believe the broad range of products in different markets would allow us to stay more competitive in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Peripheral vascular diseases business

The products we offered in the peripheral vascular diseases business include vena cava filter, TAA and AAA stent graft, vascular plug and steerable introducer. The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2012 was approximately RMB77.2 million (2011: approximately RMB45.2 million), representing approximately a growth of 70.8%. The vena cava filter realized approximately 58.1% growth of sales revenue as compared to that of year 2011, mainly attributed to increased sales volume and consistency of the unit price during 2012. Our stent graft realized approximately a growth of 91.3% during the year ended 31 December 2012, also mainly attributed to the increased in sales volume and consistency of unit price. The increase of market coverage and strengthening of sales force contributed to the substantial rise of its revenue.

Surgical vascular repair business

Bovine heart valve is our main product in surgical vascular repair business. We have begun sales on the bovine heart valve in February 2012. The turnover contributed by the surgical vascular repair business for the year ended 31 December 2012 was approximately RMB0.5 million (2011: approximately RMB0.06 million). Due to the strategic alliance with Medtronic, it is expected this area of business will witness a substantial improvement.

Research and development

In 2012, we have made the following achievements in R&D field:

* We obtained CE certification for products Cera PFO, CeraFlex PFO, Spider PFO, and Lawmax Dilator;
* We obtained SFDA certification for Cera occluders;
* We finished pre-research work for product Renal Denervation Catheter;
* European clinical trial was completed for products Spider PFO and the CE certificate was got accordingly;
* Products Fustar, Ankura II stent graft and open surgical stent were started clinical trials in China; and
* Clinical trials were started for product LAA occluder in China, Europe and other Asian countries.

Marketing activity:

* We increased the investment on physician training programs. The physicians who are aware of our activity have appreciated our efforts in this direction and have shown interest in participating in future training programs;
* We participated in the exchange of medical device knowledge with key opinion leaders in exhibitions, which contribute to improve the product quality and reinforce our competitive abilities;
* The evidence-based medicine program has been started and as part of this program, we collected the appraisal reports for Fustar and Ceraflex occluder and the case reports published based on the usage of our product from all over the world. The program aims to prove the reliance and advantage of our products through collecting the clinical information;

* In 2012, our Indian office had conducted 4 training camps for young and upcoming doctors in two hospitals, and we have trained 53 Indian doctors extensively on device closures and other CHD procedures. Out of the 53 doctors, 14 of them are now working on cases independently, and others are also making progress; and
* In India, we are now actively involved in the meetings of vascular surgeons. The sales people were well trained on our products in 2012, and they were all well convinced about the advantages of our filters as compared to those manufactured by our competitors and hence were able to communicate this with doctors.

FUTURE PROSPECTS

The Group will continue to rely on its two core businesses, namely congenital heart diseases business and peripheral vascular diseases business, for growth potential in the year 2013. The Group will also actively expand its product offering and strengthen its established market position. We obtained SFDA approval for Cera occluders since December 2012, and the occluders will be launched to the China market in 2013. The launch of Cera occluders in China will be a new drive to expand our domestic market and strengthen our role to serve patients in China better further.

We will continue to focus on broadening our product portfolio as well as designing innovative products to help capitalize on our growing sales network and infrastructure. Our LAA occluder is expected to complete animal studies and begin human clinical trial studies.

In order to support our product launch plan, we will increase investments on physician training programs, and continue to expand our international sales force in Europe, India, Russia and Brazil. We have established a new office in the Netherlands and it will create and reinforce the Lifetech Europe brand and help accelerate our growth in this strategic market.

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

Expansion into key international markets with current and pipeline products

* Cera occluders will be launched in China;
* CeraFlex and FuStar will be launched in Europe;
* We will commercially launch vena cava filter and stent graft in South America and Australia;
* We will commercially launch PFO in Russia and India;
* We will reinforce our presence in Asia and Latin America. It is already started by being a major supporter of a key international meeting in Vietnam in January 2013;
* We will sell products of Broncus in Asia, Russia, and Europe; and
* We will increase the number of training centers globally.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development

* We will continue clinical trial for LAA occluder and Ankura II stent graft;
* We will finish Hong Kong and PRC clinical trial for Fustar as planned;
* We will start clinical trial study on peripheral stents in China; and
* Due to the alliance with Medtronic, we will improve by integrating their expertise in aspects of quality system, product design and development procedure, etc.

Marketing activity

* We will continue to expand our sales and marketing force in China, Russia and India;
* We will increase the number of our training centers globally, such as Guangdong, Beijing and Shanghai in China and Belgium;
* We will cooperate with medical societies in China, India and Russia to drive professional education;
* In India, we will continue to expand our market penetration by exploring new avenues and areas whereas the awareness of device closure for a CHD is not well established. We will start aggressively promoting our occluders in the north-eastern part of the country where the medical facility for the needy patients are very minimal. We are also planning to hire more sales managers for effective sales and marketing activities in this area. We are currently employing 7 staff members in the sales department and planning to hire up to 11 staff members in 2013; and
* We will continue to support and nourish our existing relationship with Pediatric Cardiac Society of India ("PCSI") and would support all of their major activities, including the official journals and awareness creation programmes. We are also planning to hold our signature event of "the I-fisch" conferences in 2013 at some hospitals, where we will be inviting over 700 cardiologists for this particular meeting and over 30 device and balloon live cases are being performed on our products. In 2013, we are planning to conduct 6 such camps and train around 75 new doctors. This will strengthen our leading position in the market place.

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2013, to enhance our competitiveness and market position in current key markets as well as selective new markets.

Main new product in China

– **Cera Occluder**

Lifetech Cera ASD Occluder, Cera VSD Occluder and Cera PDA Occluder have obtained SFDA Registration Certificates, and we will launch it commercially in China in the year of 2013. This marks a milestone which will advance the competitiveness of the products of our congenital and structural heart diseases business in the advanced market. It will support our continued growth, development pipeline and manufacturing capabilities to better serve patients and clinicians in China.

Product advantage:

- Advanced ceramic coating technology
- Enhance smooth anti-thrombotic endothelial growth
- More conformable and flexible implant


Cera™ Atrial Septal Defect (ASD) Occluder


Cera™ Membranous VSD Occluder (Symmetric)


Cera™ Patent Ductus Arteriosus (PDA) Occluderr

Main new product in Europe

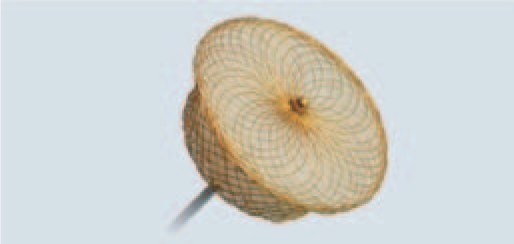
– **Ceraflex Occluder**

In 2013, Lifetech Ceraflex occluders will be launched in Europe. This will allow us to compete with more advanced products, which will increase the reliance placed by patients in this region.

Product advantage:

- Innovative delivery system
- Multi-Layer titanium nitride coating technology
- Only one alloy material (Nitinol)
- Strategic membrane selection
- Optimal occluder design and morphologies


CeraFlex™ Atrial Septal Defect (ASD) Occluder


CeraFlex™ Patent Ductus Arteriosus (PDA) Occluder

CHARITABLE ACTIVITIES

Our Company donated 23 pieces of PDA occluders to Chain of Hope, one of the most well-known charity organizations worldwide in UK, on October 19th, 2011. This Non-Governmental Organization promoted serial charitable Program called Cardiac Development Programme led by many phenomenal physicians, aiming to help children with Congenital and Rheumatic heart disease in Jamaica.

We also donated a bunch of balloons by Shenzhen Shineyard, one of our subsidiary companies, to the Ethiopia Cardiac Center of "Chain Of Hope" in 2012. This donation has already helped 20 children with the surgical treatment via interventional catheter in the catheter lab. Those young patients aged from 4 to 18 were all diagnosed with Rheumatic Mitral Regurgitation, Chronic Rheumatic Heart or Pulmonary Hypertension to a certain extent before the surgeries.

The lead cardiologist for this project is Dr. Jonathan Clague from Royal Brompton Hospital, who was hugely impressed by the balloons' performance and expressed his appreciation to the Company for donating those products towards it.

In 2013, we will continue to cooperate with "Chain of Hope" along with its interventional catheter schedules to help more young patients in the developing countries and keep on helping the local professionals to be able to carry out catheterisations entirely on their own to treat the young population.

In India, we are getting involved this year to get associated with charity organisations to provide medical care for the needy. We have identified at least three such organisations, where we will support the activities of these organizations in conducting camps and workshops and provide Occluders devices at an affordable price, as a part of our Corporate Social Responsibility ("CSR"). We are also planning to get associated with a company to provide continuing education on procedures and technologies through a web-based training programme.

STRATEGIC COOPERATION WITH MEDTRONIC

Medtronic and the Company created a strategic alliance that brings together the resources and technologies of the world's largest medical device company with the local market expertise, brand recognition and growth potential of a recognized leader in China, which is fast becoming one of the world's largest device markets. The strategic alliance will allow each company to serve cardiovascular patients and clinicians who previously have been unreachable by either company alone, and to develop a more robust cardiovascular platform.

Under the terms of the definitive agreements, Medtronic purchased 19.0% equity interest in the Company, and received the right of first negotiation to distribute current and future LifeTech products as well as the opportunity to acquire additional ownership in the Company. Medtronic will also provide services and expertise to the Company to support its continued growth, development pipeline and manufacturing capabilities to better serve patients and clinicians in China and globally. For further details, please refer to the announcements of the Company dated 15 October 2012 and 6 January 2013 and the circular of the Company dated 6 January 2013.

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

USE OF PROCEEDS GENERATED FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its IPO, after deduction of related expenses, amounted to approximately HK$156.6 million. As at 31 December 2012, the Company used approximately 26.9% of the net proceeds, being approximately HK$4.5 million to enhance market position of core cardiovascular and peripheral vascular devices in key emerging markets, approximately HK$23.6 million to continue to develop and commercialize pipeline products, approximately HK$4.5 million to the expansion into key international markets with current and pipeline products and approximately HK$9.5 million to the expansion into complementary product offers and pursue opportunistic, acquisitions, partnerships, alliances and licensing, opportunities. The net proceeds applied during the year ended 31 December 2012 are less than expected, primarily due to the postponement of the acquisition of land in the Nanshan District of Shenzhen, PRC as the relevant government approval for such acquisition is yet to be obtained as at 31 December 2012. The unused proceeds have been placed in interest bearing deposit accounts maintained with banks in Hong Kong and Shenzhen, PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately RMB198.4 million as at 31 December 2012 (2011: approximately RMB185.0 million) and had no borrowings.

The Group recorded total current assets of approximately RMB280.1 million as at 31 December 2012 (2011: approximately RMB277.4 million) and total current liabilities of approximately RMB44.5 million as at 31 December 2012 (2011: approximately RMB40.6 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 6.29 as at 31 December 2012 (2011: approximately 6.83).

GEARING RATIO

As at 31 December 2012, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of the Group is nil. (2011: Nil).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB296.6 million as at 31 December 2012 compared to approximately RMB264.1 million as at 31 December 2011. There were no long-term or short-term borrowings for 2012 and 2011. No interest was expensed or capitalized in 2012 and 2011.

SIGNIFICANT INVESTMENT

In June 2012, the Company acquired 40% of equity interests of Broncus. This investment did not constitute any type of notifiable transactions under the Listing Rules.

The Company bore approximately RMB10.5 million loss suffered by Broncus. Nevertheless, we expect that the losses will be turned into gains in 2014 as we expect that the benefits brought about by our investment in Broncus will come to fruition by then.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in the sections headed "Business Review – Strategic Cooperation with Medtronic" and "Significant Investment" above, the Group did not make any other material acquisitions or disposals during the year ended 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group is currently involved in litigation issue in India. AGA Medical Corporation ("AGA") filed a suit with the High Court of New Delhi (the "Court") against our companies, alleging that our occluders sold in India infringed its patent. For details, please refer to the section headed "Risk Factors-Risk Related to Intellectual Property Rights" in the IPO prospectus of the Company (the "Prospectus"). As at the date of this annual report, cross-examination of all of AGA's witnesses is complete and the cross-examination of the first witness of Lifetech is complete. The date for the cross-examination of Lifetech's second witness has not been fixed so far. After seeking legal advice, the Board is of the opinion that it is very unlikely that the Court will grant a permanent injunction to the plaintiff and it is also very unlikely for the Court to award damages to the plaintiff or direct delivery of infringing devices. Accordingly, the Board considers that no provision is necessary for any potential liability in the consolidated financial statements.

Save as disclosed in this report, the Group did not have any other contingent liabilities as of 31 December 2012.

CAPITAL EXPENDITURE

For the year ended 31 December 2012, capital expenditure of the Group for property, plant and equipment ("PPE"), intangible assets and deposit for PPE amounted to approximately RMB22.4 million (2011: approximately RMB15.2 million).

FOREIGN EXCHANGE RISK

During the year, the Group's operations are primarily based in the PRC and India. The revenue derived from India accounted for approximately 10.0% (2011: approximately 12.8%) of the total revenue of the Group. The financial statements of Lifetech Scientific India Private Limited, our sole subsidiary in India are presented in Renminbi, and in the Group a portion of the revenue and expenses are denominated in United States Dollars and Euro. Indian Rupees was unstable during the year, and the Group's operational results and financial condition may be affected by changes in the exchange rates of Renminbi against India Rupees. To minimize exposure to foreign exchange risk, most of the bank deposits of the Group are being kept in Renminbi and Hong Kong Dollars. The Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year. Further discussion on our financial risk management objectives and policies is included in the "Financial risk management objectives and policies" section of Note 6b to the Consolidated Financial Statements in this report.

CHARGES ON GROUP ASSETS

As at 31 December 2012, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2012, the Group had capital expenditure contracted for but not provided in the Consolidated Financial Statements amounting to approximately RMB1.3 million (2011: approximately RMB1.7 million).

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (1) congenital heart diseases business; (2) peripheral vascular diseases business; and (3) surgical vascular repair business. Financial information in respect of these operations is presented in Note 7 to the Consolidated Financial Statements in this report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had 469 (2011: 412) full time employees (including directors). Total staff costs, including Directors' emoluments, amounted to approximately RMB49.9 million for the year 2012 (2011: approximately RMB36.5 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2012, the amount of contributions to retirement benefits scheme is approximately RMB2.9 million (2011: approximately RMB2.0 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

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

ACHIEVEMENT OF BUSINESS OBJECTIVES

The achievements as of 30 September 2012 had been disclosed in the first quarterly report, interim report and the third quarterly report, and other achievement of our business objectives as at 31 December 2012 is as follows:

Business objectives for the period from 1 January 2012 to 31 December 2012		**Achieved business progress up to 31 December 2012**
Enhance Market Position of Core Cardiovascular and Peripheral Vascular Devices in Key Emerging Markets	We will increase investments into physician training programs.	In India, we conducted 4 training camps for young and upcoming doctors in two hospitals whereas we trained 53 Indian doctors extensively on device closures and other CHD procedures.
	We will proceed on registration of stent graft and vena cava filter for sale in India.	The registration of stent graft for sale in India is underway and is expected to be completed in 2013. The vena cava filters were available for sale in India since 2011.
	We will complete registration of bovine heart valve in Russia, India, Iran and Vietnam.	Due to strategic cooperation with Medtronic on bovine heart valve, the registration of the product would be re-scheduled according to distribution plan.
	We will commercially launch stent grafts and vena cava filters in Russia.	The certificate of stent grafts and vena cava filters for sales in Russia is yet to be obtained, and they will be launched upon obtaining the approval.
	We will commercially launch Cera occluders in China and CeraFlex occluders in Russia.	We will commercially launch Cera occluders in China in 2013 since the SFDA certification was obtained at the end of 2012. As the certificate of CeraFlex for sales is yet to be obtained in Russia, it will be commercially launched in that region after 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives for the period from 1 January 2012 to 31 December 2012		Achieved business progress up to 31 December 2012
Continue to Develop and Commercialize Pipeline Products	We will commercially launch PFO occluders in Europe.	In 2012, we launched PFO occluders in Europe, such as Turkey, Germany, Italy and the Netherlands.
	We will start clinical trial work for LAA occluder.	LAA occluder started clinical trials in China, Europe and other Asian countries.
	We will complete clinical trials on PTCA and PTA drug-eluting balloons and start animal testing work for bronchial valve.	These projects are delayed since they are in the progress of reassessment.
Expansion into Key International Markets with Current and Pipeline Products	We will continue to recruit top global talents into our sales and marketing team.	We hired and trained two sales managers for European and Middle-east market.
	We will launch occluders in Hong Kong.	We launched occluders in Hong Kong in the second half year of 2012.
	We will commercially launch Fustar steerable introducer in the USA.	We successfully launched Fustar steerable introducer in the USA in 2012.
	We will increase our presence at global trade shows and physician conference.	In 2012 we participated in many tradeshows including AEPC, PCR, and CSI which all focused on our physician customers.
	We will establish an external global key opinion leaders advisory board to facilitate the regular exchange of medical device knowledge between key opinion leaders and us.	We have established an external global key opinion leader advisory board which allows us to obtain expert's opinions directly to improve product quality.
	We will launch occluders in Australia.	The certificate of occluders for sales in Australia is yet to be obtained, and it will be launched upon obtaining the approval.

Business objectives for the period from 1 January 2012 to 31 December 2012		Achieved business progress up to 31 December 2012
Expansion into Complementary Product Offerings	We will start clinical trial study for peripheral stents.	Peripheral stent will start clinical trial in 2013 in China.
	We will complete animal study for absorbable coronary stents.	We continue animal study on absorbable coronary stents.
	We will continue animal study on absorbable stent and occluders.	We continue animal study on absorbable stent and occluders.
Pursue Opportunistic Acquisitions, Partnerships, Alliances and Licensing Opportunities	We will evaluate and explore acquisitions, partnerships, alliances and licensing opportunities.	a) The Company had 40% of equity interests of Broncus, which will establish a global platform and allow us to bring advanced technology to lung cancer patients in China. b) Medtronic and the Company created a strategic alliance that will bring together the resources and technologies of the world's largest medical device company with the local market expertise, brand recognition and growth potential of a recognized leader in China.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui (謝粵輝), aged 43, is our chairman and has been appointed as a Director with effect from August 2006 and as an executive Director with effect from 22 October 2011. Mr. Xie has served as the director of Lifetech Shenzhen since October 2000 and was promoted to serve as the chairman of Lifetech Shenzhen since 2005. Mr. Xie is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Xie has 22 years of experience in business management in the PRC, of which over 10 years in medical device industry. From 1991 to 1993, Mr. Xie served as the project manager of Eastern Tantalum Group (東方鉭業集團). From June 1993 to January 1994, Mr. Xie served as the investment manager at a subsidiary of China Southern Securities (南方證券), and was responsible for project investment. From February 1994 to February 1996, Mr. Xie served as the deputy general manager at an investment branch of Bank of China, Jilin Province, and was responsible for managing investment projects involving futures. From February 1996 to December 1998, Mr. Xie served as the manager at the domestic trade department of Shenzhen Huihua Group (深圳市匯華集團), and was responsible for overall trade management. Since June 1998, Mr. Xie served as general manager at Shenzhen Huishibang Technology Company Limited (深圳市匯世邦科技有限公司) and was promoted to serve as the chairman in 2000. During this time, Mr. Xie was responsible for overall business management. Mr. Xie graduated from Kunming Institute of Technology (昆明工學院) in July 1991 with a bachelor's degree in materials specialising in pressurized processing of metals (金屬壓力加工專業). He also obtained a master's degree in Business Administration from Tsinghua University in July 2006.

ZHAO Yiwei Michael (趙亦偉), aged 46, is our executive Director with effect from 22 October 2011 and Chief Executive Officer principally in charge of the daily operations of the Group. Mr. Zhao joined our Group in April 2010 as the Chief Executive Officer and has over 23 years of experience in general corporate management at multinational medical and life science companies in major global markets, including the US, Europe, Australia and the PRC. From 1990 to 1991, Mr. Zhao served as the assistant store manager at K-mart Corporation in Canada. From 1992 to 1994, Mr. Zhao served as the vice-president (sales and marketing) at Golden Capital Securities Inc. in Canada, and was responsible for directing sales and marketing activities. From 1995 to 1996, Mr. Zhao served as the national sales manager (analytical instruments) of Ciba Geigy AG and was responsible to lead product localization initiatives. From 1998 to 2007, Mr. Zhao held several senior management positions at Johnson & Johnson Medical's Cordis Corporation, one of the world's leading developer and manufacturer of minimally invasive treatments and products for vascular diseases. These positions include the global project manager of Cordis USA, European marketing manager of Cordis Belgium, group marketing manager of Cordis Australia and general manager of Cordis China. During this time, Mr. Zhao was responsible for the development and implementation of corporate strategies and establishment of a national distribution network. Mr. Zhao has earned numerous awards, including the Marketing Person of the Year (Australia) in 2000 issued by Johnson & Johnson Medical Australia, and Global and Regional Awards for Outstanding Business Performance for three consecutive years in 2002, 2003 and 2004 issued by Johnson & Johnson Medical Asia Pacific. Mr. Zhao obtained a bachelor of science degree majoring in management from Huntington College in July 1990. Mr. Zhao also obtained a master's degree in business administration from Richard Ivey School of Business of the University of Western Ontario in July 1998.

NON-EXECUTIVE DIRECTOR

MARTHA Geoffrey S. aged 43, was appointed as a non-executive director of our Company with effect from 30 January 2013. Mr. Martha holds a Bachelor of Science in Finance from Pennsylvania State University. Mr. Martha has over 20 years of experience in the medical device industry, and is currently the Senior Vice President of Strategy and Business Development at Medtronic. Prior to joining Medtronic, Mr. Martha worked at GE Healthcare, a medical technologies and services provider, where he was responsible for the company's global business development efforts.

WU Jianhui (鄔建輝), aged 42, is our non-executive Director and has been serving as a director of the Company since September 2006. Mr. Wu has 21 years of experience in accounting and general corporate matters. Mr. Wu joined Lixin Dahua Certified Public Accountants Firm (立信大華會計師事務所) in 1992 and was promoted to serve as a partner in 1997, providing accounting and financial consulting services to Hong Kong and PRC listed companies and assisting various PRC companies to obtain finances overseas. From May 2004 to June 2010, Mr. Wu served as an independent non-executive director of Yantai North Andre Juice Co., Ltd., which was previously listed on GEM Board (Stock Code: 8259) and was subsequently transferred to Main Board (Stock Code: 2218) in January 2011. Mr. Wu is a member of Chinese People's Political Consultative Conference, Shenzhen Municipal Committee (深圳市政協) since 2010, part- time instructor of master degree candidates at Hehai University Business School (河海大學商學院) since 2009, part- time instructor at the International Business School at Zhongshan University (中山大學國際商學院) since 2010 and visiting professor at the Jinling Institute of Technology (金陵科技大學). Mr. Wu graduated from Shanghai University of Finance and Economic with a bachelor's degree majoring in accounting in July 1992. Mr. Wu obtained an EMBA (高級管理人員工商管理碩士) from Peking University Guanghua School of Management (北京大學光華管理學院) in January 2005.

DR. LIDDICOAT John R. aged 49, was appointed as a non-executive director of our Company with effect from 30 January 2013. Dr. Liddicoat holds a Bachelor of General Studies from the University of Michigan, a Doctor of Medicine from the University of Chicago and a Master of Business Administration from Boston University School of Management. Dr. Liddicoat was a cardiothoracic surgeon who, prior to joining the medical device industry, most recently practiced at the Beth Israel Deaconess Medical Center in Boston where he also held an appointment as Assistant Professor of Surgery at Harvard Medical School. Dr. Liddicoat is currently Senior Vice President and President of Medtronic's Structural Heart business. Prior to joining Medtronic, Dr. Liddicoat founded two medical device companies, and served as a consultant to several venture capital firms and medical device companies.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph (梁顯治), aged 58, was appointed as an independent non-executive Director of our Company with effect from 22 October 2011. Mr. Liang has extensive experience in finance and accounting. From November 1993 to August 2001, Mr. Liang served as the finance manager at Hong Kong International Terminals Limited for Yantian International Container Terminals, both companies being container terminal companies managed by the Hutchison Port Holdings Trust. From August 2001 to October 2005, Mr. Liang served various roles at Skyworth Digital Holdings Limited listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00751), including the group's financial controller and company secretary in charge of finance and MIS functions of the Group. From October 2005 to December 2008, Mr. Liang served as a director at Shenzhen Alclear Consulting Limited, a company engaging in financial, corporate management and investment consultancy services, and was responsible for developing accounting training in China. Since October 2009, Mr. Liang was the managing director of the financial planning and development department at United International College ("College") in Zhuhai, PRC, and was responsible for serving financial advisory and human resources management functions. Since October 2011, Mr. Liang has been serving as special consultant on campus development at the College. Mr. Liang graduated from Hong Kong Open University with a bachelor's degree in language and translation in December 2007. Mr. Liang obtained a master's degree in professional accounting from University of Texas, Austin in May 1981 and a diploma in business management from Hong Kong Baptist College in December 1977. Mr. Liang has been a member of the Texas Society of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants (formerly known as "Hong Kong Society of Accountants") since June 1982 and Association of Certified Chartered Accountants (ACCA) since May 1982.

ZHANG Xingdong (張興棟), aged 74, was appointed as an independent non-executive Director of our Company with effect from 22 October 2011. Mr. Zhang is a professor at Sichuan University and actively participates in international committees and organizations, including Chinese Committee of Biological Materials (中國生物材料委員會). International Union of Societies of Biomaterials Science and Engineering (國際生物材料委員會), Chinese Academy of Engineering (中國工程院) and Executive Committee of the International Engineering and Regenerative Medicine China (Asia Pacific) Association (國際組織工程與再生醫學學會大陸（亞太）理事會). Mr. Zhang has conducted in-depth research in artificial bone and coatings which is widely recognized and applied in the PRC medical equipment. Mr. Zhang's research has received numerous awards, including the National Science and Technology Progress Award. Mr. Zhang graduated from Sichuan University with a bachelor's degree in solid mechanics (固體物理) in July 1960.

ZHOU Gengshen (周庚申), aged 46, was appointed as an independent non-executive Director of our Company with effect from 22 October 2011. Mr. Zhou has over 23 years of experience in information technology engineering. Since August 1989 till present, Mr. Zhou has held several positions at China Great Wall Computer Group (Shenzhen) Co., Ltd. (中國長城計算機集團（深圳）公司), including technician, assistant engineer, and R&D manager of its printers business department. Since 1997, Mr. Zhou has held several positions at China Great Wall Computers Shenzhen Co., Ltd. (中國長城計算機深圳股份有限公司) ("Great Wall Computers"), a company listed in the PRC (Stock Code: 000066). Mr. Zhou is currently the director and chief executive officer of Great Wall Computers and is responsible for business management. Mr. Zhou has received numerous awards, including Brand China Person of the Year (品牌中國年度人物) in 2007, and Most Economically Influential Person of the Year in the Information Technology Industry of China (中國信息產業年度經濟人物) in 2008 and 2010. Mr. Zhou graduated from Tsinghua University's department of precision instruments with a bachelor's degree in July 1989. Mr. Zhou obtained a EMBA degree from Tsinghua University's school of economics and management in July 2009.

SENIOR MANAGEMENT

ZHANG Deyuan (張德元) aged 49, is our Chief Technology Officer principally in charge of research and development of our Group. Mr. Zhang joined our Group in October 2006 as a research and development director and has over 24 years of experience in research and development in materials. From 1981 to 1983, Mr. Zhang served as a technician at the Huainan Coal Mine Machinery Plant of the Formerly Ministry of Coal (原煤炭部淮南煤礦機械廠), and was responsible for the technical operation in relation to metal materials. From 1990 to 2002, Mr. Zhang served as the deputy director of Institute of Applied Physics and chairman of laser R&D center at Jiangxi Academy of Sciences (江西科學院), and was responsible for the R&D of new materials and surface processing technology. During this time, Mr. Zhang completed six technology projects (provincial level) and received three technology advancement and technology innovation awards granted by the provincial government. From 2002 to 2006, he served as the director at the R&D department of the National R&D Centre for Surface Engineering of PRC (國定863計劃材料表面技術研究開發中心), and was responsible for the R&D of the material surface ion implantation, PVD, PCVD and micro-arc oxidation technology. In 2006, he served as the manager of surface coating department of Lung Kee Group in Hong Kong (香港龍記集團), and was responsible for the development of mold surface special coating process Mr. Zhang graduated from Anhui University of Technology (安徽工學院) with a major in casting technology and equipment in August 1987. He obtained master's degree in Southeast University (東南大學) majored in material science and engineering in May 1990. Mr. Zhang then obtained a doctorate's degree in University of Science and Technology, Beijing's (北京科技大學) department of physical chemistry in June 2001. Mr. Zhang obtained a special subsidy from the State Department of PRC in 2000 for his excellence in scientific research, and received a professorship at the Chinese Academy of Sciences in 2003.

LIU Jianxiong (劉劍雄) aged 42, is the Chief Financial Officer and company secretary of our Group. Mr. Liu joined us in September 2010. Mr. Liu has about 20 years' experience in the accounting fields. He started his career as an auditor at Kwan Wong Tan & Fong (currently Deloitte Touche Tohmatsu) in 1993, and was primarily responsible for carrying out audits and consultancy work. Mr. Liu then continued to work with a number of multinational companies. From 1997 to 2001, he was the accounting services manager of Yantian International Container Terminal Company Limited (鹽田國際集裝箱碼頭有限公司). From 2001 to 2003, Mr. Liu was the financial controller of Shenzhen Schlumberger Electronic System Solution Co., Ltd (深圳斯倫貝謝電子系統有限公司). From March 2007 to July 2007, Mr. Liu was the China financial controller of the China Light & Power Group renewable energy division. From December 2007 to February 2010, Mr. Liu was the Great China corporate controller of AnyDATA Group, and was responsible for financial management, accounts audit, tax planning, raising capital and preparation of financial accounts in accordance with accounting standards in PRC, U.S. and Hong Kong. He has been a member of the Association of Chartered Certified Accountants since 1997 and a registered tax agent since 1999. Mr. Liu graduated from Zhongshan University's Physics department majoring in modern physics technology in July 1990. He obtained a master's degree in business administration from University of Glamorgan in the United Kingdom in December 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

ZHAN Guowei (湛國威) aged 36, is our Domestic Sales Director principally responsible for domestic sales in the PRC. Mr. Zhan joined our Group in August 2010 as a sales director, and has more than 13 years of experience in the sales of medical devices. From July 1999 to June 2009 , Mr. Zhan served as a territory assistant and was promoted to national sales manager at Johnson & Johnson (Shanghai) Medical Company Limited (強生（上海）醫療器材有限公司), and was responsible for overall domestic sales management. During his employment with Johnson & Johnson (Shanghai) Medical Company Limited, from January 2007, Mr. Zhan also served as the national sales manager at Johnson & Johnson Biosense Webster Electrophysiology Products Division (強生Biosense Webster電生理產品組) overseeing its domestic sales management . From October 2009 to July 2010, Mr. Zhan served as the national sales manager at the AF electrophysiology department of St. Jude (Shanghai) Medical Co., Ltd. (聖猶達（上海）醫療用品有限公司). Mr. Zhan graduated from Zhongshan University's (中山大學) international trade and finance department with a bachelor's degree in international finance in June 1999.

Mark CIBUZAR aged 55, is our Overseas Sales Director principally in charge of international sales. Mr. Cibuzar joined our Group in November 2009 as a sales director and has more than 27 years of experience in the sales and marketing of medical equipment. From May 2008 to October 2009, Mr. Cibuzar served as the Vice-President (International Sales and Marketing) at Occlutech International GmbH, and was responsible for developing and executing sales and marketing plans. From May 2007 to April 2008, Mr. Cibuzar served as an independent medical device consultant and was responsible for client consultation in the areas of congenital and structural heart diseases. From December 2001 to April 2007, Mr. Cibuzar served as the Director at the international sales and marketing department of AGA Medical Corporation, and was responsible for international sales and marketing. From August 1997 to November 2001, Mr. Cibuzar served as the senior marketing manager of Microvena Corporation's global cardiology business, and was responsible for marketing, training and providing programming support. From March 1995 to August 1997, Mr. Cibuzar served as the senior marketing manager at Arizant Medical, Inc.'s wound care division, and was responsible for developing and commercializing new therapeutic device in the US. From February 1993 to February 1995, Mr. Cibuzar served as the market development manager at the heart valve division of St. Jude Medical, Inc., and was responsible for diversifying the heart valve division's product portfolio via technology licensing and distribution agreements. From June 1990 to February 1993, Mr. Cibuzar served as the product marketing manager at the cardiology division of Schneider USA Inc. and was responsible for marketing. From September 1987 to June 1990, Mr. Cibuzar served as the sales representative and trainer at the Deseret IV division of Becton-Dickinson, Inc., and was responsible for products sales and training to sales representatives. From 1985 to September 1987, Mr. Cibuzar served as the sales representative and trainer of General Medical Corporation and was responsible for international sales and marketing. Mr. Cibuzar graduated from University of Minnesota with a bachelor's degree majoring in political science in March 1980, and obtained a master's degree in business administration at Indiana W. University in January 1990.

Sajeevan MANIKKOTH aged 41, is our India Sales Director principally in charge of sales and marketing in India. Mr. Manikkoth joined our Group since April 2006 and has more than 12 years of experience in sales and marketing. From December 2000 to March 2006, Mr. Manikkoth served as business head of Edwards Lifesciences India Pvt. Ltd.. From February 1999 to November 2000, Mr. Manikkoth served as country sales manager in Core Healthcare Limited, a company in India which produces and markets pharmaceutical and healthcare products. From August 1996 to January 1999, Mr. Manikkoth served as sales manager in Wockhardt Ltd, a pharmaceutical and biological company in India. Mr. Manikkoth graduated from University of Calicut in March 1992 with a bachelor's degree in science. Mr. Manikkoth obtained a post graduate diploma in sales and marketing from National Institute of Sales in March 1996 and a diploma in export management from Indian Institute of Export Management in September 1998.

GONG Zheng (龔政) aged 42, joined our Group in June 2008 as a technical engineer. He is currently the manager of our Group's intellectual property department principally responsible for planning and maintaining our Group's intellectual property in the global market. From April 2006 to 2008, Mr. Gong served as the patent engineer at the intellectual property department of Actions Semiconductor Co., Ltd. (炬力積體電路設計有限公司). Mr. Gong graduated from Lanzhou University with a bachelor's degree in theoretical physics in June 1995. Mr. Gong obtained a master's degree in condensed matter physics from the Institute of Physics of the China Academy of Sciences (中國科學院理研究所) in July 1998. Mr. Gong obtained a Master of Science degree from Duke University in December 2001.

LI Huiping (李惠平) aged 54, is our manager in registration and quality control principally responsible for quality control. Ms. Li joined our Group in July 1999 as a quality manager and has more than 13 years of experience in machinery quality control.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. Throughout the year ended 31 December 2012 and up to the date of this annual report, the Company has complied with the code provisions in the former Code on Corporate Governance Practices (the "Former CG Code") and the revised Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules which came into effect on 1 April 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry on all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from the date of listing of the Company's Shares on the Stock Exchange up to 31 December 2012.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors, and changes to the board members during 2012 and up to the date of this annual report are as follows:

Executive Directors

XIE Yuehui *(Chairman)*
ZHAO Yiwei Michael *(Chief Executive Officer)*

Non-executive Directors

WU Jianhui
MARTHA Geoffrey S. (appointed on 30 January 2013)
LIDDICOAT John R. (appointed on 30 January 2013)
ZENG Min Frank (resigned on 27 August 2012)
LI Gabriel (resigned on 22 January 2013)
CONG Ning (resigned on 22 January 2013)

Independent Non-executive Directors

LIANG Hsien Tse Joseph
ZHANG Xingdong
ZHOU Gengshen

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" in this annual report.

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view of developing its business and enhancing shareholders' value. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The Board delegates day-to-day activities to the management with department heads responsible for different aspects of the business. Management is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval. The non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the audit committee, the remuneration committee and the nomination committee of the Company.

During the year, the Board complies at all times with the requirement of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation of his independence from each of the independent non-executive Directors and considers that their independence is in compliance the GEM Listing Rules as at the date of this report.

During the year ended 31 December 2012, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance.

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

Name of Director	**Attendance/Number of meetings held**
EXECUTIVE DIRECTORS	
XIE Yuehui *(Chairman)*	4/4
ZHAO Yiwei Michael *(Chief Executive Officer)*	4/4
NON-EXECUTIVE DIRECTORS	
WU Jianhui	4/4
LI Gabriel	4/4
CONG Ning	4/4
MARTHA Geoffrey S. (appointed on 30 January 2013)	N/A
LIDDICOAT John R. (appointed on 30 January 2013)	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS	
LIANG Hsien Tse Joseph	4/4
ZHANG Xingdong	4/4
ZHOU Gengshen	4/4

During the year of 2012, all of the then current Directors participated in the corporate governance training organised by the Company in March 2012 either in person or by way of telephone conference, and the Company has kept the relevant training records. In addition, prior to the appointment of Mr. Geoffrey S. Martha and Dr. John R. Liddicoat, each of them attended a directors' training seminar conducted by the Company's Hong Kong legal advisor on 16 January 2013 as an introduction to the Hong Kong legal and regulatory regime for Hong Kong listed companies.

Corporate Governance Functions

The Company complied with Code Provision D.3.1 of the CG Code as the Board had approved and adopted the Terms of Reference of the Board on Corporate Governance Functions with effect from 28 March 2012.

Chairman and Chief Executive Officer

The Company complied with the in Code Provision A.2.1 of the CG Code that the roles of chairman of the Board (the "Chairman") and chief executive officer (the "CEO") should be separate and should not be performed by the same individual. The Chairman is Mr. XIE Yuehui and the CEO is Mr. ZHAO Yiwei Michael. The Board believes that this enables the corporate governance structure of the Company to be more effective.

Non-executive Director

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term and subject to re-election. The Company's non-executive directors have been appointed for an initial term of three years and the Company's independent non-executive directors have been appointed for an initial term of one year. All of the Company's non-executive directors in position as at 31 December 2012 are subject to re-election.

On 22 January 2013, Mr. Gabriel Li and Ms. Cong Ning resigned as non-executive directors of the Company. On 30 January 2013, Mr. Geoffrey S. Martha and Dr. John R. Liddicoat were appointed as non-executive directors of the Company.

COMMITTEES

As part of the corporate governance practices, the Board has established a nomination committee, a remuneration committee and an audit committee. All of the committees are composed of non-executive directors and independent non-executive directors with terms of reference in accordance with the principles set out in the CG Code.

Audit Committee

We established an audit committee on 22 October 2011 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3.3 of the CG Code (the "Audit Committee"). The Audit Committee consists of three members, the majority of whom are independent non-executive Directors, namely Mr. Liang Hsien Tse Joseph, a Director with the appropriate professional qualifications who serves as the chairman of the Audit Committee, Mr. Wu Jianhui and Mr. Zhou Gengshen.

The primary duties of the Audit Committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

During the year ended 31 December 2012, the audit committee held five meetings and performed the following duties:

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

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

(3) met with the external auditors and participated in the reappointment and assessment of the performance of the external auditors.

The Group's annual audited results for the year ended 31 December 2012 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.

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

Name of Director	**Attendance/Number of meetings held**
LIANG Hsien Tse Joseph *(Chairman)*	5/5
WU Jianhui	5/5
ZHOU Gengshen	5/5

Remuneration Committee

We established a remuneration committee (the "Remuneration Committee") on 22 October 2011, with updated written terms of reference adopted on 21 March 2012 in compliance with Code Provision B.1.2 of the CG Code. At the time of establishment, the Remuneration Committee consisted of three members, the majority of whom are independent non-executive directors. For the period from 1 January 2012 until 22 March 2012, Mr. Li Gabriel served as the chairman of the Remuneration Committee while Mr. Liang Hsien Tse Joseph and Mr. Zhou Gengshen served as members. In order to comply with the amendments to the GEM Listing Rules which was effective on 1 April 2012, Mr. Li Gabriel ceased to be the chairman of the Remuneration Committee but remained as a member. On the other hand, Mr. Zhou Gengshen, an independent non-executive director was appointed as the chairman of the Remuneration Committee with effect from 21 March 2012. In view of the resignation of Mr. Li Gabriel as the member of the Remuneration Committee on 22 January 2013, Mr. Wu Jianhui was appointed as a member of the Remuneration Committee. Subsequently, on 12 March 2013, Mr. MARTHA Geoffrey S. was appointed as a member of the Remuneration Committee as Mr. Wu Jianhui ceased to be the member of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering the grant of share options to eligible participants pursuant to the share option scheme adopted by the Company on 22 October 2012 (the "Share Option Scheme").

The changes to the remuneration packages of directors and senior management for the year ended 31 December 2012 have been reviewed by the Remuneration Committee.

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

Name of Director	Attendance/Number of meetings held subsequent
ZHOU Gengshen *(Chairman)*	1/1
LI Gabriel (resigned on 22 January 2013)	1/1
WU Jianhui (appointed as a committee member on 22 January 2013 and resigned as a committee member on 12 March 2013)	N/A
MARTHA Geoffrey S. (appointed as a committee member on 12 March 2013)	N/A
LIANG Hsien Tse Joseph	1/1

Nomination Committee

We established a nomination committee (the "Nomination Committee") on 22 October 2011, with updated written terms of reference adopted on 21 March 2012 in compliance with paragraph A.5.2 of the CG Code. At the time establishment, the Nomination Committee consisted of three members, the majority of whom were independent non-executive directors, namely Ms. Cong Ning, who served as the chairman of the nomination committee, Mr. Liang Hsien Tse Joseph and Mr. Zhang Xingdong.

In order to comply with the amendments to the GEM Listing Rules which was effective on 1 April 2012, Ms. Cong Ning ceased to be the chairman of the Nomination Committee but remained as a member. On the other hand, Mr. Leung Hsien Tse Joseph, an independent non-executive director was appointed as the chairman of the Remuneration Committee with effect from 21 March 2012. In view of the resignation of Ms. Cong Ning on 22 January 2013, Mr. Xie Yuehui was appointed as a member of the Nomination Committee. The primary function of the Nomination Committee is to make recommendations to our Board to fill vacancies.

The members of the Nomination Committee reviewed the structure, size and composition of the Board to ensure that it is appropriate for the requirements of the business of the Company. No meeting has been held by the Nomination Committee during the year of 2012.

AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit service provided by the auditors, Deloitte Touche Tohmatsu, to the Company in the year 2012 amounted to approximately RMB1.7 million and approximately RMB0.3 million respectively, in comparison with the payment amounted to approximately RMB1.6 million and nil respectively for the year 2011. Non-audit service provided by Deloitte Touche Tohmatsu was related to tax consultation.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

During the year, the Board has discussed and reviewed the internal control system and the relevant proposal made by senior management in order to ensure an adequate and effective system of internal control. The Board will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENT

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements, which give a true and fair view of the results and financial position of the Group. The auditors are responsible to form an independent opinion based on the audit, on the consolidated financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

COMPANY SECRETARY

In 2012, the Company Secretary took the relevant professional training of 24 hours relating to general corporate governance issues.

SHAREHOLDERS' RIGHTS

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

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

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

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at 12/F, the Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly report and notices, announcements and circulars. The corporate website of the Company (www.lifetechmed.com) provides a communication platform to the public and the shareholders. In March 2012, the Board has also established a written shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

REPORT OF THE DIRECTORS

The Board of Directors is pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while its subsidiaries are principally engaged in the manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. For further details on the principal activities of its subsidiaries, please refer to Note 40 to the consolidated financial statements.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing in November 2011, after deduction of related expenses, amounted to approximately HK$156.6 million. These proceeds will be fully applied in accordance with the proposed applications set out in the Prospectus, as follows:

- Approximately 35%, or HK$55.5 million, to support our product offerings to enhance our research and development of new products.
- Approximately 55%, or HK$85.9 million, to expand our manufacturing facilities.
- Approximately 10%, or HK$15.2 million, to expand our sales, marketing and distribution activities in key emerging markets and key international markets.

The Company has used approximately HK$42.1 million, approximately 26.9% of the net proceeds to research and development, expansion of our sales network and acquisition. The unused proceeds had been placed in interest bearing deposit accounts maintained with banks in Hong Kong and Shenzhen, China.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out in the financial summary on page 110 of this annual report. The summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 21.4% of the Group's total sales and sales to the largest customer included therein amounted to approximately 7.2%.

The aggregate purchases during the year attributable to the Group's five largest suppliers were approximately 39.1% of the Group's total purchases and purchases from the largest supplier included therein amounted to approximately 12.7%.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

SHARE CAPITAL AND SHARE OPTION

Details of the movements in share capital of the Company during the year of 2012 are set out in Note 29 to the consolidated financial statements. During the year of 2012, the Company has not granted or issued any share option under the Share Option Scheme.

RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2012, the Company's reserves available for distribution to its owners amounted to approximately RMB244.2 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statement.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors
XIE Yuehui *(Chairman)*
ZHAO Yiwei Michael *(Chief Executive Officer)*

Non-executive Directors
WU Jianhui
MARTHA Geoffrey S. (appointed on 30 January 2013)
LIDDICOAT John R. (appointed on 30 January 2013)
ZENG Min Frank (resigned on 27 August 2012)
LI Gabriel (resigned on 22 January 2013)
CONG Ning (resigned on 22 January 2013)

Independent Non-executive Directors
LIANG Hsien Tse Joseph
ZHANG Xingdong
ZHOU Gengshen

Pursuant to the articles of association of the Company and Code Provision A.4.2 of the CG Code, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company ("AGM"), provided that every Director shall be subject to retirement at an AGM at least once every three years. All directors in position as at 31 December 2012 will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

On 22 January 2013, Mr. LI Gabriel and Ms. CONG Ning resigned as non-executive directors of the Company, and on 30 January 2013, Mr. MARTHA Geoffrey S. and Dr. LIDDICOAT John R. were appointed as non-executive directors of the Company. Mr. MARTHA Geoffrey S. and Dr. LIDDICOAT John R will retire and, being eligible, offer themselves for re-election at the AGM.

Board of Directors and Senior Management

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

DIRECTOR'S SERVICE CONTRACTS

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

Mr. ZHAO Yiwei Michael has been appointed as an executive director by way of a service contract with the Company for an initial term of three years commencing from 10 November 2011, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three month's notice in writing.

Each of the non-executive directors has been appointed as the non-executive director by way of a service contract with the Company for an initial term of three years commencing from 10 November 2011, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Each of the independent non-executive directors, namely Mr. LIANG Hsien Tse Joseph, Mr. ZHANG Xingdong and Mr. ZHOU Gengshen has been appointed as the non-executive director by way of a service contract with the Company for an initial term of one year commencing from 10 November 2011 which is subject to automatic renewal on an annual basis on the same terms and conditions until terminated by either party giving to the other party not less than one month's notice in writing.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

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

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

	2012	2011
Total remuneration on individual basis		
Nil to RMB1,000,000	**5**	5
RMB1,000,000 to RMB2,000,000	**2**	1
RMB2,000,000 to RMB3,000,000	**—**	1

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the directors and five individuals with highest emoluments are set out in Notes 10 and 11 to the consolidated financial statement.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent parties.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2012, the interests of directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long position in ordinary shares and underlying shares of the Company ("Shares")

Name of Director	Nature of interest	Number of Shares	Position	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation *(Note 1)*	101,540,962	Long	20.31%
WU Jianhui	Interest of controlled corporation *(Note 2)*	87,883,332	Long	17.58%
ZENG Min Frank (Resigned on 27/08/2012)	Interest of controlled corporation *(Note 3)*	18,512,143	Long	3.70%
ZHAO Yiwei Michael	Interest of controlled corporation *(Note 4)*	13,583,333	Long	2.72%
LI Gabriel (Resigned on 22/01/2013)	Interest of controlled corporation *(Note 5)*	98,650,618	Long	19.73%

Note 1 : These Shares are held through Xianjian Advanced Technology Limited, a company wholly owned by Mr. XIE, the chairman and executive director of our Company.

Note 2 : These Shares are held through GE Asia Pacific Investments, Ltd., a company wholly owned by Mr. WU, a non-executive director of our Company.

Note 3 : These Shares are held through Real Wealth Management Ltd., a company wholly owned by Mr. Zeng, who resigned as a non-executive director of our Company on 27 August 2012. The percentage of shares held is updated to the resignation date.

Note 4 : These Shares are held through St.Christopher Investment Ltd., a company wholly owned by Mr. ZHAO, the chief executive officer and executive director of our Company.

Note 5 : These Shares are held through Orchid Asia III, L.P., which is indirectly controlled by Orchid Asia Group Limited, which is in turn controlled by YM Investment Limited. The entire issued share capital of YM Investment Limited is ultimately held by The Li 2007 Family Trust, which is a BVI discretionary trust established by Ms. Lam Lai Ming, spouse of Mr. Li Gabriel, a non-executive director of our Company, as settlor and Managecorp Limited as trustee on 22 January 2008. The beneficiaries of The Li 2007 Family Trust include family members of Ms. Lam Lai Ming and Mr. Li Gabriel On 22 January 2013, Mr. Gabriel Li resigned as non-executive directors of the Company.

Save as disclosed above, as at 31 December 2012, none of the directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2012, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Number of Shares	Position	Capacity	Percentage of the Company's issued share capital
YM Investment Limited *(Note 1)*	98,650,618	Long	Interest of controlled corporation	19.73%
Lam Lai Ming *(Note 1)*	98,650,618	Long	Interest of controlled corporation	19.73%
Managecorp Limited *(Note 1)*	98,650,618	Long	Trustee	19.73%
Orchid Asia Group Management, Limited *(Note 2)*	98,650,618	Long	Interest of controlled corporation	19.73%
Orchid Asia Group, Limited *(Note 2)*	98,650,618	Long	Interest of controlled corporation	19.73%
Orchid Asia III, L.P. *(Note 2)*	98,650,618	Long	Beneficial owner	19.73%
Xianjian Advanced Technology Limited	101,540,962	Long	Beneficial owner	20.31%
GE Asia Pacific Investments Ltd.	87,883,332	Long	Beneficial owner	17.58%
Themes Investment Partners II GP. L.P.	86,456,000	Long	Interest of controlled corporation	17.29%
Themes Investment Partners II, L.P.	86,456,000	Long	Interest of controlled corporation	17.29%
TIP II General Partner Limited	86,456,000	Long	Interest of controlled corporation	17.29%
Yi Xiqun	86,456,000	Long	Interest of controlled corporation	17.29%
Yu Fan	86,456,000	Long	Interest of controlled corporation	17.29%
Ally Investment Holdings Limited	82,400,000	Long	Interest of controlled corporation	16.48%
Prosperity International	82,400,000	Long	Beneficial owner and person having a security interest in shares	16.48%
Wanhui Limited	82,400,000	Long	Interest of controlled corporation	16.48%
Medtronic, Inc. *(Note 3)*	473,571,429	Long	Beneficial owner	51.00%

Note 1: These Shares are held through Orchid Asia III, L.P., which is indirectly controlled by Orchid Asia Group Limited, which is in turn controlled by YM Investment Limited. The entire issued share capital of YM Investment Limited is ultimately held by The Li 2007 Family Trust, which is a BVI discretionary trust established by Ms. Lam Lai Ming, spouse of Mr. Li Gabriel, a non-executive director of our Company, as settlor and Managecorp Limited as trustee on 22 January 2008. The beneficiaries of The Li 2007 Family Trust include family members of Ms. Lam Lai Ming and Mr. Li Gabriel.

Note 2: Orchid Asia III, L.P. is controlled by OAIII Holdings, L.P., which is in turn controlled by Orchid Asia Group Management Limited, which is in turn controlled by Orchid Asia Group Limited.

Note 3: From these 473,571,429 Shares, 95,000,000 Shares are acquired pursuant to Share Purchase Agreement dated 14 October 2012, and the remaining 378,571,429 Shares are the underlying Shares to be acquired upon the full conversion of the First Tranche Convertible Notes and the Second Tranche Convertible Notes (as defined in the Investment Agreement) pursuant to the terms and conditions under the Investment Agreement dated 14 October 2012. Completion of subscription of the First Tranche Convertible Notes took place on 30 January 2013. As at the date of this report, the Company has not been notified by the noteholder of its intention to convert the First Tranche Convertible Notes, and the subscription of the Second Tranche Convertible Notes is pending to be completed.

Save as disclosed above, as at 31 December 2012, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details as disclosed under the heading "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

The Company has been informed by Orchid Asia Group Management, Limited and its affiliates ("Orchid Asia") that Orchid Asia III. L.P. has, on 14 October 2012, entered into the share purchase agreement (the "Share Purchase Agreement") with Medtronic pursuant to which Orchid Asia agreed to sell and Medtronic agreed to purchase 95,000,000 shares of the Company ("Shares"), representing approximately 19% of the issued share capital of the Company as at the date of the Share Purchase Agreement, to Medtronic for a consideration of HK$361,000,000 at HK$3.80 per Share (the "Share Purchase"). While the Company is not privy to the terms of the Share Purchase, the Company has been informed by the parties to the Share Purchase Agreement that completion under the Share Purchase is conditional upon completion of the first tranche convertible notes (the "First Tranche Convertible Notes") under an investment agreement (the "Investment Agreement") which forms part of the transaction agreements in the strategic alliance with Medtronic.

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

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

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

During the year ended 31 December 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2012 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 GEM Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

BANK BORROWINGS

The Group has no bank borrowings of the Group as at 31 December 2012 (2011: Nil).

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rule 5.46 of the GEM Listing Rules – Model Code for Securities Transactions by Directors of Listed Companies. Specific enquiry has been made of all the directors and the directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's shares on the Stock Exchange up to 31 December 2012.

CORPORATE GOVERNANCE

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

INTERESTS OF THE COMPLIANCE ADVISER

As notified by South West Capital Limited ("SWCL"), the Company's compliance adviser, neither SWCL nor any of its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2012. SWCL has resigned the compliance adviser with effect from 28 January 2013. On 7 March 2013, First Shanghai Capital Limited ("FSCL") was appointed as compliance adviser by the Company. As notified by FSCL, neither FSCL nor any of its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities).

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS

On 30 January 2013, the Company completed the subscription of the First Tranche Convertible Notes under the Investment Agreement and the appointment of non-executive directors MARTHA Geoffrey S. and LIDDICOAT John R. as part of the conditions of the closing. For further details, please refer to the announcement of the Company dated 30 January 2013.

AUDITOR

The consolidated financial statements in this report have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditor of the Company from the date of Listing of the Shares of the Company on the Stock Exchange up to 31 December 2012. A resolution has been submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

XIE Yuehui
Chairman

25 March 2013

Deloitte.
德勤

TO THE MEMBERS OF LIFETECH SCIENTIFIC CORPORATION
先健科技公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of LifeTech Scientific Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 109, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	7	**181,475**	140,324
Cost of sales		**(36,175)**	(27,357)
Gross profit		**145,300**	112,967
Other income and other gains and losses	8	**9,598**	5,018
Selling and distribution expenses		**(41,221)**	(34,552)
Administration expenses		**(37,898)**	(31,246)
Research and development expenses		**(23,608)**	(22,762)
Offering expenses		**—**	(13,634)
Share of loss of an associate	19	**(10,488)**	—
Profit before tax and change in fair value of convertible redeemable preferred shares		**41,683**	15,791
Change in fair value of convertible redeemable preferred shares		**—**	3,288
Profit before tax	9	**41,683**	19,079
Income tax expense	12	**(8,821)**	(6,517)
Profit for the year		**32,862**	12,562
Other comprehensive income:			
Exchange differences arising on translating foreign operation		**101**	729
Total comprehensive income for the year		**32,963**	13,291
Profit for the year attributable to:			
Owners of the Company		**32,352**	11,830
Non-controlling interests		**510**	732
		32,862	12,562
Total comprehensive income attributable to:			
Owners of the Company		**32,453**	12,559
Non-controlling interests		**510**	732
		32,963	13,291
Earnings per share	14		
– Basic (RMB)		**0.065**	0.031
– Diluted (RMB)		**0.065**	0.018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	15	**26,830**	18,346
Investment properties	16	**1,839**	1,912
Intangible assets	17	**17,145**	4,540
Deposits for acquisition of property, plant and equipment		**1,392**	7,398
Deferred tax assets	18	**6,769**	3,587
Interest in an associate	19	**11,190**	—
Deposit for acquisition of long term investment	20	**18,853**	—
		84,018	35,783
Current assets			
Inventories	21	**24,711**	21,235
Trade and bill receivables	22	**39,474**	36,516
Other receivables and prepayments	23	**13,250**	9,635
Structured deposits	24	**4,250**	25,000
Bank balances and cash	25	**198,443**	185,049
		280,128	277,435
Current liabilities			
Trade and other payables	26	**36,715**	35,416
Tax payables		**7,774**	5,070
Amount due to a shareholder	36(a)	**—**	54
Amounts due to directors	36(b)	**—**	30
		44,489	40,570
Net current assets		**235,639**	236,865
Total assets less current liabilities		**319,657**	272,648
Non-current liability			
Government grants	28	**18,847**	4,808
		300,810	267,840

	NOTE	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	29	**32**	32
Share premium and reserves		**296,535**	264,082
Equity attributable to owners of the Company		**296,567**	264,114
Non-controlling interests		**4,243**	3,726
Total equity		**300,810**	267,840

The consolidated financial statements on pages 43 to 109 were approved and authorised for issue by the board of directors on 25 March 2013 and are signed on its behalf by:

XIE Yuehui
DIRECTOR

ZHAO Yiwei Michael
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Capital reserve RMB'000 (Note ii)	Contribution reserve RMB'000 (Note iii)	Accumulated profits (losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	3	–	(38)	11,934	(421)	32,531	(44,220)	(211)	3,288	3,077
Profit for the year	–	–	–	–	–	–	11,830	11,830	732	12,562
Other comprehensive expenses for the year	–	–	729	–	–	–	–	729	–	729
Total comprehensive income for the year	–	–	729	–	–	–	11,830	12,559	732	13,291
Issuance of shares	6	150,544	–	–	–	–	–	150,550	–	150,550
Capitalisation issue of shares (Note 29)	21	(21)	–	–	–	–	–	–	–	–
Transaction costs attributable to issue of shares	–	(10,077)	–	–	–	–	–	(10,077)	–	(10,077)
Award shares to employee (Note 34)	–	13,993	–	–	–	–	–	13,993	–	13,993
Conversion of convertible redeemable preferred shares	2	117,154	–	–	–	–	–	117,156	–	117,156
Dividends paid (Note 13)	–	(20,000)	–	–	–	–	–	(20,000)	–	(20,000)
Acquisition of additional interest in a subsidiary	–	–	–	–	144	–	–	144	(294)	(150)
Appropriations	–	–	–	1,477	–	–	(1,477)	–	–	–
At 31 December 2011	32	251,593	691	13,411	(277)	32,531	(33,867)	264,114	3,726	267,840
Profit for the year	–	–	–	–	–	–	32,352	32,352	510	32,862
Other comprehensive income for the year	–	–	101	–	–	–	–	101	–	101
Total comprehensive income for the year	–	–	101	–	–	–	32,352	32,453	510	32,963
Contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	7	7
Appropriations	–	–	–	5,833	–	–	(5,833)	–	–	–
At 31 December 2012	**32**	**251,593**	**792**	**19,244**	**(277)**	**32,531**	**(7,348)**	**296,567**	**4,243**	**300,810**

Notes:

(i) Statutory surplus reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the People's Republic of China (the "PRC") and by the board of directors of the PRC subsidiaries in accordance with the Article of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(ii) Capital reserve represents (i) the difference between the fair value of consideration paid for the acquisition of Shenzhen Shineyard Medical Device Co., Ltd. 深圳市擎源醫療器械有限公司 and the carrying amount of the share of net assets acquired in May 2008, and (ii) the difference between the fair value of consideration paid for the acquisition of additional equity interests in Shenzhen EnKe Medical Technology Co., Ltd. 深圳市恩科醫療科技有限公司, a non-wholly owned subsidiary of the Company, and the carrying amount of non-controlling interests acquired amounting to RMB144,000. Details of the acquisition is set out in note 38.

(iii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Scientific (Shenzhen) Co., Ltd. 先健科技（深圳）有限公司 from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**41,683**	19,079
Adjustments for:		
Change in fair value of convertible redeemable preferred shares	**—**	(3,288)
Depreciation of property, plant and equipment	**6,253**	5,425
Amortisation charge of intangible assets	**998**	889
Allowance for inventories	**2,297**	257
Depreciation of investment properties	**73**	76
Impairment loss on trade and bill receivables	**1,758**	12
Impairment loss on other receivables	**629**	—
Other receivables written off as uncollectible	**—**	602
Loss on disposal of property, plant and equipment	**—**	561
Government grants	**(5,764)**	(5,934)
Interest income	**(497)**	(455)
Interest income from structured deposits	**(1,855)**	(527)
Unrealised foreign exchange gain	**—**	(1,212)
Share-based compensation expenses	**—**	5,118
Share of loss of an associate	**10,488**	—
Operating cash flows before movements in working capital	**56,063**	20,603
Increase in trade and bill receivables	**(4,716)**	(9,580)
Increase in inventories	**(5,773)**	(6,314)
Increase in other receivables and prepayments	**(4,244)**	(4,547)
Increase in trade and other payables	**7,474**	13,431
Increase in government grants received for operating activities	**3,018**	5,003
Cash generated from operations	**51,822**	18,596
Income taxes paid	**(9,299)**	(6,806)
NET CASH FROM OPERATING ACTIVITIES	**42,523**	11,790

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES		
Repayments of advance to a related party	—	61
Repayments of advances to shareholders	—	140
Interest received	497	455
Interest received from structured deposits	1,855	527
Proceeds from disposal of property, plant and equipment	23	17
Deposits paid for and purchase of property, plant and equipment	(8,754)	(15,001)
Purchase of intangible assets	(1,153)	(188)
Deposit paid for acquisition of long term investment	(18,853)	—
Development costs paid	(12,450)	—
Government grants received for acquisition of plant and equipment	10,610	—
Structured deposits placed	(525,820)	(233,400)
Release of structured deposits	546,570	208,400
Capital contribution to an associate	(21,678)	—
NET CASH USED IN INVESTING ACTIVITIES	(29,153)	(38,989)
FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	—	(150)
Proceeds from issue of shares	—	159,425
Expenses on issue of shares	—	(10,077)
Repayments of advance from a shareholder	(54)	(1,231)
Repayments of advance from directors	(30)	—
Advance from a shareholder	—	54
Advances from directors	—	30
Contributions from non-controlling interests of subsidiaries	7	—
Dividends paid	—	(20,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(77)	128,051
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,293	100,852
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	185,049	83,468
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	101	729
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	198,443	185,049

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling shareholders are Mr. Xie Yuehui, Mr. Wu Jianhui and Mr. Li Gabriel, who are also directors of the Company. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands, and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC").

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

Amendments to International Accounting Standard (“IAS”) 12	Deferred Tax: Recovery of Underlying Assets
Amendments to IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets

The application of the amendments to IFRSs in the current year has had no material impact on Group’s financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

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

New and revised IFRSs issued but not yet effective

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012

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

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for the Group for the annual period beginning on 1 January 2013. The directors of the Company anticipate that the application of the new standard shall have no material impact on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods. The directors of the Company anticipate that this standard will be adopted for annual period beginning 1 January 2013.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and title has passed and when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the item of property, plant and equipment is transferred at its carrying amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is included in the profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

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

The Group as lessor

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using the exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit or loss for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial instruments – *continued*

Financial assets – continued

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- or it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;
- or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income and other gains and losses line item in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and bill receivables, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade and other receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past a normally allowed credit period of 30-90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in change in fair value of financial liabilities designated at FVTPL.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL comprise convertible redeemable preferred shares.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a shareholder and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – continued

Convertible redeemable preferred shares

Convertible redeemable preferred shares are redeemable and convertible to ordinary shares at the option of the holder. The conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are considered as embedded derivatives not closely related to the host debt contract.

The Group has elected to designate its convertible redeemable preferred shares with embedded derivatives as financial liabilities at FVTPL on initial recognition as the convertible redeemable preferred shares contain one or more embedded derivatives. At the end of each reporting period subsequent to initial recognition, the entire convertible redeemable preferred shares are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

The fair value of services received determined by reference to the fair value of the shares granted under the equity-settled share incentive scheme at the grant date is recognised as an expense in full at the grant date when the shares granted vest immediately, with a corresponding increase in equity.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its investments in an associate, tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

The key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Deposit for acquisition of long term investment

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

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

The carrying amount of deposit for acquisition of long term investment at 31 December 2012 is approximately RMB18,853,000 (2011: nil). Further details are set out in note 20.

Useful Lives of internal-generated intangible assets

As at 31 December 2012, the carrying amounts of the Group's internal-generated intangible assets with definite useful lives is approximately RMB12,450,000 (2011: Nil). The estimated useful lives of the assets reflect the directors' estimate of the periods over which the internal-generated intangible assets are expected to generate net cash flows for the Group based on certain assumptions of prevailing market conditions. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expenses and impairment losses in future years. Details of the intangible assets are set out in note 17.

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

Estimated impairment loss of trade and bill receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, the carrying amounts of trade and bill receivables of the Group, net of allowance for the doubtful debts, are approximately RMB39,474,000 (2011: RMB36,516,000).

Estimated useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives, the residual value, and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assess impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

As at 31 December 2012, the carrying amounts of property, plant and equipment are approximately RMB26,830,000 (2011: RMB18,346,000).

Estimated impairment of inventories

The management of the Group reviews an ageing analysis at the end of reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out the inventories review on a product by product basis at the end of reporting period and make allowance for obsolete items.

As at 31 December 2012, the carrying amounts of inventories of the Group are approximately RMB24,711,000 (2011: RMB21,235,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to a shareholder disclosed in note 36(a), cash and cash equivalents, and equity comprising issued share capital and reserves.

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure mainly through new share issues, as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2012	2011
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**241,566**	224,268
Designated at FVTPL-structured deposits	**4,250**	25,000
Financial liabilities		
Amortised cost	**25,876**	19,083

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bill receivables, other receivables, structured deposits, bank balances and cash, trade and other payables, amount due to a shareholder and amounts due to directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk

Currency risk

Certain bank balances, trade receivables, other receivables and trade and other payables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	2012 RMB'000	2011 RMB'000
Assets		
United States Dollars ("USD")	**23,146**	15,091
Euro ("EUR")	**723**	129
Hong Kong Dollars ("HK$")	**10,600**	134,639
India Rupees ("INR")	**7,629**	—
Liabilities		
USD	**1,006**	2,030
EUR	**49**	129
HK$	**—**	1,527
INR	**219**	—

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (a decrease) in profit after tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit after tax for the year.

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – continued

Currency risk – *continued*

	2012 RMB'000	2011 RMB'000
USD		
Profit or loss	**(830)**	(490)
EUR		
Profit or loss	**(25)**	—
HK$		
Profit or loss	**(398)**	(4,992)
INR		
Profit or loss	**(278)**	—

In management's opinion, the sensitivity analysis is unrepresentative for the foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances and structured deposits. For structured deposits, interest varies depending on the movement of the RMB Benchmark Loan Rates issued by the People's Bank of China. As the bank balances interest rates and RMB Benchmark Loan Rates having limited fluctuation over the year, the management of the Group is of the opinion that the Group's exposure to cash flow interest rate risk is minimal due to short maturity. Accordingly, no sensitivity analysis is presented on bank balances and structured deposits.

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Although the bank balances and structured deposits are concentrated on certain counterparties, the credit risk on liquid funds and structured deposits are limited because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

The Group has concentration of credit risk as 35% (2011: 33%) of the total trade and bill receivables was due from the Group's five largest customers within the congenital heart diseases and peripheral vascular diseases business segments. The five largest customers are in good reputation without default history. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 64% (2011: 61%) of the total debtors as at 31 December 2012.

Other than the concentration of the credit risk on trade and bill receivables and bank balances, the Group do not have any other significant concentration of credit risk.

6. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2012					
Non-derivative financial liabilities					
Trade and other payables		2,620	23,256	25,876	25,876
At 31 December 2011					
Non-derivative financial liabilities					
Trade and other payables		979	18,020	18,999	18,999
Amount due to a shareholder		54	—	54	54
Amounts due to directors		30	—	30	30
		1,063	18,020	19,083	19,083

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

6. FINANCIAL INSTRUMENTS – *continued*

d. Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2012 RMB'000 Level 2	2011 RMB'000 Level 2
Financial assets designated as at fair value through profit or loss		
– Structured deposits	**4,250**	25,000

There were no transfers between Level 1 and 2 in the current and prior years.

7. SEGMENT INFORMATION

The segment information reported internally was analysed on the basis of their products supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

- Congenital heart diseases business: trade, manufacture, research and development of devices related to congenital and structural heart diseases.
- Peripheral vascular diseases business: trade, manufacture, research and development of devices related to peripheral vascular diseases.
- Surgical vascular repair business: trade, manufacture, research and development of devices related to surgical vascular repair.

Information regarding the above segments is reported below.

(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 2012

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	103,818	77,177	480	181,475
Segment profit	79,503	65,751	46	145,300
Unallocated income				
– Other income and other gains and losses				9,598
Unallocated expense				
– Selling and distribution expenses				(41,221)
– Administration expenses				(37,898)
– Research and development expenses				(23,608)
– Share of loss of an associate				(10,488)
Profit before tax				41,683

7. SEGMENT INFORMATION – *continued*

(a) Segment revenue and results – *continued*

For the year ended 31 December 2011

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	95,046	45,222	56	140,324
Segment profit	75,952	36,978	37	112,967
Unallocated income				
– Other income and other gains and losses				5,018
Unallocated expense				
– Selling and distribution expenses				(34,552)
– Administration expenses				(31,246)
– Research and development expenses				(22,762)
– Offering expenses				(13,634)
– Change in fair value of convertible redeemable preferred shares				3,288
Profit before tax				19,079

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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.

7. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities

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

Segment assets

	2012	2011
	RMB'000	RMB'000
Operating segments:		
Congenital heart diseases business	**65,935**	65,063
Peripheral vascular diseases business	**52,360**	30,956
Surgical vascular repair business	**4,127**	39
Total segment assets	**122,422**	96,058
Unallocated assets		
Bank balances and cash	**198,443**	185,049
Structured deposits	**4,250**	25,000
Other receivables and prepayments	**380**	1,612
Deferred tax assets	**6,769**	3,587
Investment properties	**1,839**	1,912
Interest in an associate	**11,190**	—
Deposit for acquisition of long term investment	**18,853**	—
Consolidated assets	**364,146**	313,218

7. SEGMENT INFORMATION – *continued*

(b) Segment assets and liabilities – *continued*

Segment liabilities

	2012	2011
	RMB'000	RMB'000
Operating segments:		
Congenital heart diseases business	**1,337**	1,598
Peripheral vascular diseases business	**1,163**	760
Surgical vascular repair business	**66**	1
Total segment liabilities	**2,566**	2,359
Unallocated liabilities		
Government grants	**27,394**	19,530
Other payables	**25,602**	18,335
Tax payables	**7,774**	5,070
Amount due to a shareholder	**—**	54
Amounts due to directors	**—**	30
Consolidated liabilities	**63,336**	45,378

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

- all assets are allocated to operating segments other than bank balances and cash, structured deposits, deferred tax assets, investment properties, certain other receivables and prepayments, interest in an associate and deposit for acquisition of long term investment, and
- only trade payables are allocated to operating segments in arriving at segment liabilities, which therefore exclude government grants (include current portion under other payables and non-current portion), tax payables, certain other payables, amount due to a shareholder and amounts due to directors.

7. SEGMENT INFORMATION – *continued*

(c) Other segment information

For the year ended 31 December 2012

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

For the year ended 31 December 2011

	Congenital heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Surgical vascular repair business RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	10,288	4,895	6	15,189
Depreciation of property, plant and equipment	3,675	1,748	2	5,425
Amortisation charge of intangible assets	602	286	1	889
Allowance of inventories	174	82	1	257

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets, and deposit for property, plant and equipment.

7. SEGMENT INFORMATION – *continued*

(d) Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (country of domicile)	**130,255**	94,290	**43,909**	32,027
India	**18,071**	17,932	**244**	169
Europe	**10,942**	9,769	**—**	—
Asia, excluding PRC and India	**12,932**	12,284	**—**	—
South America	**7,336**	4,853	**—**	—
Africa	**443**	291	**—**	—
Others	**1,496**	905	**3,053**	—
Total	**181,475**	140,324	**47,206**	32,196

Note: Non-current assets excluded deferred tax assets, interest in an associate and deposit for acquisition of long term investment.

(e) Information about major customers

No external customers of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2012 and 2011.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2012	2011
	RMB'000	RMB'000
Government grants (Note 28)	**5,764**	5,934
Interest on bank deposits	**497**	455
Interest on structured deposits	**1,855**	527
Rental income	**1,218**	823
Loss on disposal of property, plant and equipment	**—**	(561)
Net foreign exchange loss (Note)	**(356)**	(2,971)
Others	**620**	811
	9,598	5,018

Note: Net foreign exchange loss included approximately RMB1,212,000 gain arising from the translation of convertible redeemable preferred shares which was denominated in USD for the year ended 31 December 2011.

9. PROFIT BEFORE TAX

	2012 RMB'000	2011 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 10)		
Salaries, wages and other benefits	**47,268**	29,392
Share-based compensation expense	**—**	5,118
Performance related bonus	**5,747**	—
Retirement benefits scheme contributions	**2,914**	2,031
Less: capitalised in development costs	**(6,057)**	—
	49,872	36,541
Auditor's remuneration	**1,692**	1,599
Impairment loss on trade and bill receivables	**1,758**	12
Impairment loss on other receivables	**629**	—
Other receivables written off as uncollectible	**—**	602
Cost of inventories recognised as expenses (Note)	**36,175**	27,357
Depreciation of property, plant and equipment	**6,253**	5,425
Depreciation of investment properties	**73**	76
Amortisation charge of intangible assets	**998**	889
Gross rental income from investment properties	**(1,218)**	(823)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**73**	73
	(1,145)	(750)

Note: For the year ended 31 December 2012, cost of inventories included allowance for inventories of RMB2,297,000 (2011: RMB257,000).

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2011: 9) directors and the chief executive were as follows:

For the year ended 31 December 2012

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Incentive performance bonus RMB'000	Total RMB'000
Executive Director:					
Mr. Xie Yuehui	—	482	31	40	553
Mr. Zhao Yiwei	—	684	—	1,200	1,884
Non-Executive Director:					
Ms. Cong Ning	—	—	—	—	—
Mr. Li Gabriel	—	—	—	—	—
Mr. Wu Jianhui	—	—	—	—	—
Mr. Zeng Min	—	—	—	—	—
Mr. Liang Xianzhi	60	—	—	—	60
Mr. Zhang Xingdong	60	—	—	—	60
Mr. Zhou Gengshen	60	—	—	—	60
	180	1,166	31	1,240	2,617

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *continued*

For the year ended 31 December 2011

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based compensation expense RMB'000	Total RMB'000
Executive Director:					
Mr. Xie Yuehui	—	520	24	718	1,262
Mr. Zhao Yiwei	—	110	—	1,536	1,646
Non-executive Director:					
Ms. Cong Ning	—	—	—	—	—
Mr. Li Gabriel	—	—	—	—	—
Mr. Wu Jianhui	—	—	—	—	—
Mr. Zeng Min	—	—	—	—	—
Mr. Liang Xianzhi	10	—	—	—	10
Mr. Zhang Xingdong	10	—	—	—	10
Mr. Zhou Gengshen	10	—	—	—	10
	30	630	24	2,254	2,938

Mr. Zhao Yiwei is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Incentive performance bonus for the year ended 31 December 2012 (2011: nil) was determined by the management with regard to the performance of directors of the Company and the Group's operation results.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2011: two) was director and the chief executive of the Company whose emoluments is included in the disclosures as per above. The emoluments of the remaining four (2011: three) individuals were as follows:

	2012 RMB'000	2011 RMB'000
Employees		
– salaries and other benefits	3,817	3,164
– performance related bonus	710	—
– contributions to retirement benefits scheme	61	24
– Share-based compensation expenses	—	2,047
	4,588	5,235

Their emoluments were within the following bands:

	2012 Number of employees	2011 Number of employees
Nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	2	1
	4	3

For two years ended 31 December 2012, no emoluments were paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors nor the chief executive waived any emoluments for two years ended 31 December 2012.

12. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax		
PRC Enterprise Income Tax ("PRC EIT")	12,389	7,109
Overprovision in prior years	(386)	—
Deferred tax (Note 18):		
Current year	(3,182)	(592)
	8,821	6,517

The Company is tax exempted under the laws of the Cayman Islands. New Centre International Limited 新城市國際有限公司 ("New Centre"), a subsidiary of the Company, is subject to Hong Kong Profits Tax rate of 16.5% on assessable profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that two major operating subsidiaries in the PRC were qualified as High and New Technology Enterprises since 2009, and are entitled to a preferential income tax rate of 15% for the period from 2010 to 2012 and then extended to 2015.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rates are 25% and 24% for the years ended 31 December 2012 and 2011 respectively.

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

12. INCOME TAX EXPENSE – *continued*

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

	2012 RMB'000	2011 RMB'000
Profit before tax	**41,683**	19,079
Tax at the applicable tax rate of 25% (2011:25%) (Note)	**10,421**	4,770
Tax effect of share of loss of an associate	**2,622**	—
Tax effect of expenses not deductible for tax purpose:		
– fair value change on convertible redeemable preferred shares	**—**	(822)
– share-based compensation expense	**—**	1,279
– others	**4,036**	5,125
Tax effect of tax losses not recognised	**1,035**	1,022
Tax effect of additional deductible research and development expenditure	**(1,572)**	(1,484)
Overprovision in prior years	**(386)**	—
Utilisation of tax losses not recognised in previous years	**—**	(85)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**152**	671
Effect of income under tax concessions	**(7,487)**	(3,959)
Income tax expense for the year	**8,821**	6,517

Note: The tax rate of 25% represents the prevail income tax rate of the subsidiary in Shenzhen, PRC which constitute the substantial part of the Group's operations for the years ended 31 December 2012 and 2011.

13. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2011: Interim – USD0.039 cents per share (equivalent to RMB0.27 cents per share) – Ordinary share	—	20,000
	—	20,000

No final dividend was paid or proposed during the years ended 31 December 2012 and 2011, nor has any dividend proposed since the end of the reporting period.

14. 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:

	2012 RMB'000	2011 RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share	32,352	11,830
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible redeemable preferred shares	—	(3,288)
Exchange gain	—	(1,212)
Earnings for the purpose of diluted earnings per share	32,352	7,330
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	500,000	381,451
Effect of dilutive potential ordinary shares:		
Convertible redeemable preferred shares (in thousands)	—	36,050
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	500,000	417,501

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Land and buildings RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2011	—	423	21,323	4,808	3,945	1,926	32,425
Additions	341	—	5,731	3,001	718	137	9,928
Transfer to investment properties	—	(423)	—	—	—	—	(423)
Disposals	—	—	(4,926)	—	(1,112)	(185)	(6,223)
At 31 December 2011	341	—	22,128	7,809	3,551	1,878	35,707
Additions	116	—	9,703	960	1,911	2,070	14,760
Transfer	(207)	—	207	—	—	—	—
Disposals	—	—	(1,884)	—	(113)	(119)	(2,116)
At 31 December 2012	**250**	**—**	**30,154**	**8,769**	**5,349**	**3,829**	**48,351**
ACCUMULATED DEPRECIATION							
At 1 January 2011	—	132	12,055	2,488	2,126	912	17,713
Provided for the year	—	—	3,467	1,168	623	167	5,425
Transfer to investment properties	—	(132)	—	—	—	—	(132)
Eliminated on disposals		—	(4,758)	—	(702)	(185)	(5,645)
At 31 December 2011	—	—	10,764	3,656	2,047	894	17,361
Provided for the year	—	—	3,227	2,046	660	320	6,253
Eliminated on disposals	—	—	(1,861)	—	(113)	(119)	(2,093)
At 31 December 2012	**—**	**—**	**12,130**	**5,702**	**2,594**	**1,095**	**21,521**
CARRYING VALUES							
At 31 December 2012	**250**	**—**	**18,024**	**3,067**	**2,755**	**2,734**	**26,830**
At 31 December 2011	341	—	11,364	4,153	1,504	984	18,346

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, at the following rates per annum:

Land and buildings	Over the shorter of lease terms or $3^1/_3$%
Plant and machinery	5 - 10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Leasehold improvement	Over the lease terms

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

16. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2011	2,310
Transfer from property, plant and equipment	291
At 31 December 2011 and 31 December 2012	2,601
DEPRECIATION AND IMPAIRMENT	
At 1 January 2011	613
Provided for the year	76
At 31 December 2011	689
Provided for the year	73
At 31 December 2012	762
CARRYING VALUES	
At 31 December 2012	1,839
At 31 December 2011	1,912

The estimated fair value of the Group's investment properties at 31 December 2012 was approximately RMB16,879,000 (2011: RMB16,418,000). The estimated fair value has been arrived at based on management assessment by reference to recent market prices for similar properties in the same locations and conditions.

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

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

17. INTAGIBLE ASSETS

	Patent	Licences	Computer software	Development Costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2011	4,420	5,631	–	–	10,051
Additions	–	–	188	–	188
At 31 December 2011	4,420	5,631	188	–	10,239
Additions	–	–	1,153	12,450	13,603
At 31 December 2012	4,420	5,631	1,341	12,450	23,842
ACCUMULATED AMORTISATION					
At 1 January 2011	1,383	3,427	–	–	4,810
Provided for the year	553	304	32	–	889
At 31 December 2011	1,936	3,731	32	–	5,699
Provided for the year	553	304	141	–	998
At 31 December 2012	2,489	4,035	173	–	6,697
CARRYING VALUES					
At 31 December 2012	1,931	1,596	1,168	12,450	17,145
At 31 December 2011	2,484	1,900	156	–	4,540

The above licences have definite useful lives. Such intangible assets are amortised on a straight-line basis over the estimated useful lives:

Patent	8 years
Licences	8 - 10 years
Computer software	5 years
Development costs	5 - 10 years

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

All of the Group's computer software was acquired from third parties. The above patent and licences were purchased as part of a business combination in prior years.

18. DEFERRED TAXATION

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

	Government grant	Impairment loss on trade receivables	Impairment loss on inventories	Unrealised profit on inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	2,161	–	834	–	2,995
Credit to profit or loss	592	–	–	–	592
At 31 December 2011 and 1 January 2012	2,753	–	834	–	3,587
Credit (charge) to profit or loss	1,239	260	(487)	2,170	3,182
At 31 December 2012	**3,992**	**260**	**347**	**2,170**	**6,769**

The Group has unused tax losses of approximately RMB13,788,000 (2011: RMB9,648,000), which available for offset against future profits. No deferred tax asset has been recognised for such losses due to the unpredictability of future profit streams. Such losses can be carried forward for 5 years from the year of origination.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB135,388,000 (2011: RMB75,497,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19. INTEREST IN AN ASSOCIATE

	2012 RMB'000
Cost of investments, unlisted	21,678
Share of post-acquisition losses	(10,488)
	11,190

As at 31 December 2012, the Group had interest in the following associate which was established by the Group and another shareholder on 30 April 2012:

Name of entity	Proportion of nominal value of issued capital held by the Group	Place of establishment/ operation	Share capital	Principal activity
Broncus Holding Corporation	40%	Cayman Islands/ United States of America	USD1,000	Investment holding and developing and commercialising solutions for diagnosing and treating lung diseases

The financial information of the Group's associate is prepared using uniform accounting policies in conformity with the accounting policies adopted by the Group. The summarised financial information in respect of the Group's associate is set out below:

	2012 RMB'000
Total assets	60,807
Total liabilities	(32,832)
Net assets	27,975
Group's share of net assets of the associate	11,190
Total revenue	2,667
Total loss for the year	26,219
Group's share of loss of the associate for the year	10,488

20. DEPOSIT FOR ACQUISITION OF LONG TERM INVESTMENT

The Group had entered into a strategic partnership agreement with an independent third party which manages and operates an investment fund on 12 April 2012 to enter into a long-term strategic alliance and equal partnership to collaborate across incubation projects over the period up to 12 April 2014. Deposit for acquisition of long term investment represents the consideration paid by the Group for the acquisition of options, on a priority basis, to invest or co-invest in any and/or all incubation projects and to acquire distribution rights, manufacturing rights and intellectual property licenses with respect to the incubation projects. The Group has the right to join and be a member of the investment committee of the investment fund Further, the Group has the rights to request for all or a portion of the deposit to be converted to one or more incubation projects investments. The deposit is non-refundable. As at 31 December 2012, none of the deposit monies have been used by the investment fund on any incubation projects yet.

21. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**10,475**	8,791
Work in progress	**4,033**	3,104
Finished goods	**10,203**	9,340
	24,711	21,235

22. TRADE AND BILL RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**40,758**	36,527
Less: allowance for doubtful debts	**(1,741)**	(12)
	39,017	36,516
Bill receivables	**457**	–
	39,474	36,516

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

22. TRADE AND BILL RECEIVABLES – *continued*

The Group normally allows a credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade and bill receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2012	2011
	RMB'000	RMB'000
1 to 90 days	**31,265**	27,044
91 to 180 days	**5,109**	3,768
181 to 365 days	**552**	2,615
Over 365 days	**2,548**	3,089
	39,474	36,516

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year.

Included in the Group's trade and bill receivables balance are debtors with aggregate carrying amount of approximately RMB11,421,000 (2011: RMB19,109,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The management of the Group reviews the ageing analysis at the end of reporting period and satisfied with the continuous subsequent settlement on the trade receivable balance, as a result, the impairment of trade receivable is estimated to be insignificant.

Ageing of past due but not impaired trade and bill receivables

	2012	2011
	RMB'000	RMB'000
Age:		
Within 90 days	**5,949**	10,641
91 - 180 days	**2,622**	2,811
181 - 365 days	**302**	2,568
Over 365 days	**2,548**	3,089
	11,421	19,109

22. TRADE AND BILL RECEIVABLES – *continued*

Movement in the allowance for doubtful debts

	2012 RMB'000	2011 RMB'000
1 January	12	–
Impairment losses recognised on receivables	1,760	12
Amounts written off as uncollectible	(29)	–
Impairment losses reversed	(2)	–
31 December	1,741	12

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB1,741,000 (2011: RMB12,000) of which the debtors were in financial difficulties.

23. OTHER RECEIVABLES AND PREPAYMENTS

	2012 RMB'000	2011 RMB'000
Other debtors (Note)	4,278	3,563
Less: allowance for doubtful debts	(629)	—
	3,649	3,563
Prepayments	2,752	1,157
Other tax recoverable	108	–
Advance to employees	5,272	4,140
Other deposits	87	373
Rental deposits	1,382	402
	13,250	9,635

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

24. STRUCTURED DEPOSITS

As at 31 December 2012, the structured deposits consist of financial products of approximately RMB4,250,000 (2011: RMB25,000,000) issued by banks in the PRC, with an expected but not guaranteed return of 3.8% per annum (2011: 5.3% per annum), depending on the market price of underlying financial instruments, including listed shares and debentures, payable daily. The Group has the right to redeem the structured deposits at any time with one day notice. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The directors consider the fair values of the structured deposits, which are based on the prices provided by the counterparty banks which represented the prices they would pay to redeem the deposits at the end of reporting period, approximate to their carrying values at the same day. The fair value of the embedded derivatives is insignificant. The structured deposits are fully redeemed in January 2013 at the principal amount together with returns which approximated the expected return.

25. BANK BALANCES

The Group's bank balances carry interest at market rates which range from 0.01% to 0.385% (2011: 0.1% to 0.5%) per annum.

26. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**2,566**	2,359
Others:		
Government grants (Note 28)	**8,547**	14,722
Accrued payroll and bonus	**11,668**	6,645
Other payables	**2,620**	3,516
Accrued expenses	**6,214**	3,649
Value-added tax payables	**1,555**	1,235
Receipt in advance from customers	**1,501**	539
Other tax payables	**737**	460
Accrued audit fee	**1,307**	2,291
	36,715	35,416

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

	2012 RMB'000	2011 RMB'000
0 - 30 days	**1,440**	733
31 - 60 days	**440**	284
61 - 90 days	**121**	313
91 - 120 days	**57**	50
Over 120 days	**508**	979
	2,566	2,359

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES

	Number of shares
Series A Preferred Shares	
Authorised:	
At 1 January 2011 at USD0.00001 each	100,000,000
Re-designation of shares	(100,000,000)
At 31 December 2011 and 2012	–
Issued and fully paid:	
At 1 January 2011 at USD0.00001 each	28,070,210
Share conversion	(28,070,210)
At 31 December 2011 and 2012	–

On 7 September 2006, the Company entered into a share purchase agreement with investors ("Share Purchase Agreement") and issued 14,473.6842 Series A-1 Preferred Shares for a total consideration of USD5.5 million. Also, under the Share Purchase Agreement, the Company re-designated and reclassified 4,386 shares from ordinary shares into 4,386 Series A-1 Preferred Shares. On 1 February 2007, the Company issued 9,210.5263 Series A-2 Preferred Shares in accordance to terms of the Share Purchase Agreement for a total consideration of USD3.5 million.

All the Series A-1 and Series A-2 (hereinafter collectively referred to "Series A Preferred Shares") Preferred Shares issued carry the same rights in all aspects.

The Company had subdivided its authorised and issued and fully paid share capital such that each share of a par value of USD0.01 in the issued and unissued but authorised share capital of the Company, for both ordinary shares and Series A Preferred Shares had been subdivided into 1,000 shares of a par value of USD0.00001 each on 29 April 2008.

The conversion price is subject to adjustments based on a qualified initial public offering ("Qualified IPO"), defined as a public offering of the Group with a public offering price which values the Group for not less than USD45 million immediately following such public offering and which results in aggregate proceeds to the Company of not less than USD40 million.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES – *continued*

The terms related to the Series A Preferred Shares are as follows:

Dividend

The holders ("Holders") of the Series A Preferred Shares shall be entitled to receive dividends on each Series A Preferred Share at a rate equal to the greater of (i) 5% per annum of the original transaction price for a Series A Preferred Share or (ii) the dividends which would be declared and paid on each ordinary share into which the Series A Preferred Shares may then be converted as if declared by the board of the Company. Pursuant to the notice of the Series A Preferred Shares Holders dated on 31 December 2010, the Holders confirmed to waive any unpaid dividends of the Series A Preferred Shares for the period up to 31 December 2010. In addition, pursuant to the notice of Series A Preferred Shares Holders dated on 25 February 2011, the Holders confirmed to waive all dividends of the Series A Preferred Shares starting from 1 January 2011.

Redemption

Series A Preferred Shares Holders shall have the right on any date falling on or after 31 December 2010 to require and demand the Company to redeem all or a portion of the Series A Preferred Shares held by the Series A Preferred Shares Holders. The redemption money payable on each Series A Preferred Shares shall be the preferred shares issue price of USD380 per share before the subdivision of Shares ("Original Issue Price") plus 10% of the initial conversion price compounded annually from the date on which the first Series A Preferred Share was issued until the date of redemption, after taking into account any dividends paid on such shares.

Conversion

The Series A Preferred Shares are convertible into ordinary shares at any time at the option of the holder. The initial conversion price shall be the Original Issue Price (the "Conversion Price", subject to adjustment, see below for details). The number of ordinary shares to be converted is determined by dividing the Original Issue Price by the Conversion Price at the time in effect for such Series A Preferred Share.

Additionally each Series A Preferred Share shall automatically be converted into ordinary shares upon the closing of the Company's Qualified IPO.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES – *continued*

Conversion price adjustments

If the Company issues shares below the original issue price, the Conversion Price shall automatically and concurrently be adjusted in accordance with the terms of the Share Purchase Agreement with such issuance.

The conversion price is also subject to adjustment, including but not limited to share splits, subdivision, combinations, dividend to ordinary shareholders, other distributions and any other events as specified in the Share Purchase Agreement.

On 25 February 2011, the directors approved to issue 3,684,211 ordinary shares as incentive ("Incentive Shares") for certain employees and to motivate key management personnel and enable the Group to attract and retain individuals with experience and ability and to reward them for their contributions to the Group. Pursuant to the written resolutions of all the directors of the Company dated on 25 February 2011, the Company has given such Series A Preferred Shares Holders 30 days' prior written notice of the proposed issuance of ordinary shares, describing the amount and type of shares to be issued, and the price and terms upon which such shares are proposed to be issued (the "Company Notice"). The Series A Preferred Shares Holders have waived their right of first offer by giving no subscription notice to the Company within 30 days from the date of Company Notice. As a result, the Conversion Price shall not be adjusted.

Voting rights

Each Series A Preferred Share shall be entitled to such number of votes as equals to the whole number of ordinary shares into which such Series A Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Company's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's members is first solicited. Except as otherwise provided in the Memorandum and Articles of Association, or as required by law, the members holding Series A Preferred Shares shall vote together with the members holding ordinary shares, and not as a separate class or series, on all matters put before them.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES – *continued*

Voting rights – *continued*

The Series A Preferred Shares contain conversion option derivative and redemption option derivative. The Company elected to designate the entire hybrid contract as financial liability at FVTPL. The movement of the Series A Preferred Shares is set out below:

	Original currency USD'000	**Shown in the consolidated financial statements as RMB'000**
At 1 January 2011	18,369	121,656
Change in fair value recognised in profit or loss	(500)	(3,288)
Exchange gain	–	(1,212)
Conversion of Series A Preferred Shares	(17,869)	(117,156)
At 31 December 2011 and 2012	–	–

During the year ended 31 December 2011, the Series A Preferred Shares Holders signed a share conversion agreement and agreed to exercise their right to convert 28,070,210 Series A Preferred Shares into the same number of ordinary shares par value of USD0.00001 each of the Company on the date of conversion (the "Date of Conversion").

The Series A Preferred Shares were valued at fair value by the directors with reference to valuation reports carried out by an independent qualified professional valuer, Jones Lang LaSalle Sallmanns Limited, on 31 December 2010 and the Date of Conversion, respectively, at approximately, USD18,369,000 and USD17,869,000 (approximately RMB121,656,000 and RMB117,156,000 respectively). Jones Lang LaSalle Sallmanns Limited has appropriate qualifications and recent experiences in the valuation of similar instruments. The address of Jones Lang LaSalle Sallmanns Limited is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.

The change in fair value of approximately RMB3,288,000 (2010: RMB24,107,000) has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2011. The difference between carrying amount and amount payable at 31 December 2010 was approximately RMB25,078,000. The maturity amount was approximately RMB96,578,000 as at 31 December 2010.

27. CONVERTIBLE REDEEMABLE PREFERRED SHARES – *continued*

Voting rights – *continued*

The assumptions adopted for the valuation of the Series A Preferred Shares using Binomial Option Pricing Model as of the Date of Conversion and 31 December 2010 respectively, are as follows:

	At Date of Conversion	**At 31 December 2010**
Risk-free rate (i)	1.37%	1.20%
Volatility (ii)	24.88%	25.45%
Discount rate (iii)	5.79%	6.11%

(i) The risk-free rates used were PRC treasury bond rates denominated in USD with duration close to the time to expiration.

(ii) The volatility used was by reference to average of comparable companies' historical volatility.

(iii) The discount rates used were by reference to risk-free rates plus corresponding credit spread and risk premium.

28. GOVERNMENT GRANTS

Government grants include subsidies in relation to the acquisition of plant and equipment and the research and development of medical devices. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. During the year ended 31 December 2012, approximately RMB3,018,000 and RMB10,610,000 subsidies relating to research and development of medical devices and the acquisition of plant and equipment, respectively, have been received (2011: RMB10,767,000 and Nil). The Group recognised income of approximately RMB5,764,000 (2011: RMB5,934,000) during the year ended 31 December 2012. The current portion of government grants, which include subsidies in relation to research and development of medical devices that have not yet been recognised in profit or loss, are included in other payables (Note 26). The non-current portion of government grants, which include subsidies in relation to the acquisition of plant and equipment that have not yet been recognised in profit or loss, are included in non-current liability. During the current year, approximately RMB5,000,000 representing subsidy received in prior years, was reclassified as non-current liability from other payables as the Group applied such amount for acquisition of certain equipment in relation to research and development of medical devices.

29. SHARE CAPITAL

	Number of shares	Amount USD
Ordinary shares		
Authorised:		
At 1 January 2011 at USD0.00001 each	4,900,000,000	49,000
Re-designation of shares (Note a)	100,000,000	1,000
At 31 December 2011 and 2012 at USD0.00001 each	5,000,000,000	50,000

	Number of shares	Amount USD	Shown in the consolidated financial statements as RMB'000
Issued and fully paid:			
At 1 January 2011 at USD0.00001 each	45,614,000	456	3
Issuance of shares in February 2011 (Note 34)	3,684,211	37	–
Conversion of Series A Preferred Shares (Note a)	28,070,210	281	2
Capitalisation Issue (Note a)	330,131,579	3,301	21
Issued on public floatation (Note b)	92,500,000	925	6
At 31 December 2011 and 2012 at USD0.00001 each	500,000,000	5,000	32

29. SHARE CAPITAL – *continued*

	Number of shares	Amount USD
Series A Preferred Shares		
Authorised:		
At 1 January 2011 at US$0.00001 each	100,000,000	1,000
Re-designation of shares (Note a)	(100,000,000)	(1,000)
At 31 December 2011 and 2012	–	–
Issued and fully paid:		
At 1 January 2011 at US$0.00001 each	28,070,210	281
Conversion of Series A Preferred Shares (Note a)	(28,070,210)	(281)
At 31 December 2011 and 2012	–	–

Notes:

(a) On 31 March 2011, 28,070,210 Series A Preferred shares were converted into 28,070,210 ordinary shares of a normal value of USD0.00001 each.

Pursuant to a shareholder resolution passed on 8 November 2011, the following took place: (i) 71,929,790 unissued Series A Preferred shares were re-designated as ordinary shares of a normal value of USD0.00001 each and (ii) the directors were authorised to capitalise an aggregate amount of USD3,301 standing to the credit of the share premium of the Company and to appropriate such amount as capital to pay up in full at par 330,131,579 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 10 November 2011 in proportion to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued shares ("Capitalisation Issue").

(b) On 10 November 2011, 92,500,000 ordinary shares of USD$0.00001 each of the Company were issued ("New Issue") at HK$2 by way of placing and public offer. On the same date, the Company's shares were listed on the Stock Exchange.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 RMB'000	2011 RMB'000
Non-current assets		
Interests in subsidiaries	**103,784**	53,784
Deposit for acquisition of long term investment	**18,853**	–
	122,637	53,784
Current assets		
Other receivables	**381**	1,612
Amounts due from subsidiaries	**34,310**	12,808
Bank balances and cash	**35,879**	133,487
	70,570	147,907
Current liabilities		
Amount due to a shareholder	**–**	54
Amounts due to directors	**–**	30
Other payables	**579**	1,957
Amounts due to subsidiaries	**–**	1,028
	579	3,069
Net current assets	**69,991**	144,838
Total assets less current liabilities	**192,628**	198,622
Capital Reserves		
Share capital	**32**	32
Share premium	**251,593**	251,593
Deficit	**(58,997)**	(53,003)
	192,628	198,622

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, the Series A Preferred Shares Holders converted 28,070,210 Series A Preferred Shares into 28,070,210 ordinary shares of par value of US$0.00001 each of the Company amounting to USD17,869,000 (approximately RMB117,156,000).

32. OPERATING LEASES

The Group as lessee

	2012 RMB'000	2011 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	**7,075**	4,816

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**4,344**	1,472
In the second to fifth years inclusive	**816**	386
	5,160	1,858

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

The Group as lessor

	2012 RMB'000	2011 RMB'000
Properties rental income	**1,218**	823

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

	2012 RMB'000	2011 RMB'000
Within one year	**1,193**	1,218
In the second to fifth years inclusive	**964**	2,157
	2,157	3,375

33. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment – contracted for but not provided in the consolidated financial statements	**1,285**	1,674

34. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based award scheme

On 25 February 2011, the Company entered into a share purchase agreement with certain employees and issued 3,684,211 ordinary shares as incentive ("Incentive Shares") for a total consideration of approximately RMB8,875,000. The fair value per share is approximately RMB3.80 and the subscription price per share is approximately RMB2.41. There is no vesting period and the subscription price is paid in April 2011.

The Group is required to recognise the fair value of the Incentive Shares as share based compensation expenses. For this purpose, the Group has engaged Jones Lang LaSalle Sallmanns Limited to perform valuation of the Incentive Shares. The fair value of the ordinary shares was determined as the difference between the enterprise value over the fair value of Series A Preferred Shares issued. Fair value of enterprise value and Series A Preferred Shares was determined by using valuation techniques which include discounted cash flow analysis and Binomial Option Pricing Model. The key assumptions of the valuation on the enterprise value and Series A Preferred Shares are as follows:

	2011
Risk-free rate (i)	1.08%
Volatility (ii)	26.00%
Discount rate (iii)	5.33%

(i) The risk-free rates used were PRC treasury bond rates denominated in USD with duration close to the time to expiration.

(ii) The volatility used was by reference to average of comparable companies' historical volatility.

(iii) The discount rates used were by reference to risk-free rates plus corresponding credit spread and risk premium.

For the year ended 31 December 2011, share-based compensation expenses of RMB5,118,000 was recognised in the consolidated statement of comprehensive income. A corresponding amount was credited in share premium in consolidated statement of changes in equity.

34. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 22 October 2011 for the primary purpose of providing incentives to directors, employees and any consultants or advisers, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of the Company's subsidiaries (the "Eligible Participants"), and will expire on 22 October 2021. Under the Scheme, the directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

For the year ended 31 December 2012, no share options had been granted since the adoption of the Scheme and the Company had no share options outstanding at 31 December 2012.

35. RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of approximately RMB2,914,000 (2011: RMB2,031,000) for the year ended 31 December 2012.

36. RELATED PARTY DISCLOSURES

(a) Amount due to a shareholder

The amount was due to a shareholder and it is non-trade related, unsecured, interest-free and was repayable on demand.

	2012	2011
	RMB'000	RMB'000
Mr. Xie Yuehui	**–**	54

(b) Amounts due to directors

The amounts due to directors were unsecured, non-interest bearing and repayable on demand.

	2012	2011
	RMB'000	RMB'000
Mr. Liang Xianzhi	**–**	10
Mr. Zhang Xingdong	**–**	10
Mr. Zhou Gengshen	**–**	10
	–	30

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2012 and 2011 was as follows:

	2012	2011
	RMB'000	RMB'000
Short-term employee benefits	**4,530**	2,710
Post employee benefits	**92**	82
Share-based compensation expenses	**–**	4,915
	4,622	7,707

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

37. CONTINGENT LIABILITIES

The Group is currently involved in a litigation in India. In 2008, a company (the "Plaintiff") filed a suit with The High Court of New Delhi (the "Court") at New Delhi, India, against (i) Lifetech Shenzhen, (ii) Lifetech Shenzhen's importer in India; and (iii) such importer's local Indian distributor (individually and collectively referred to as "Defendants"), or, the Defendants on a collective basis. The Plaintiff pleaded to the Court to issue a permanent injunction restraining the Defendants from importing and selling HeartR occluders in India which were accused of infringing the Plaintiff's patent. The Plaintiff also pleaded to order the national importer in India and its local Indian distributor to surrender all the rendition of accounts of profits or a decree of damages of Indian Rupee ("INR") 21,00,000 (equivalent to approximately RMB318,000). As at 31 December 2012 and up to the date of the issue of these consolidated financial statements, the cross-examination of all of the witnesses of the Plaintiff and first witness of Lifetech Shenzhen were completed. However, the date for the cross examination of the second witness of Lifetech Shenzhen has yet been fixed and the Court conclusion cannot be reasonably estimated.

After seeking legal advice, the directors of the Company are of the opinion that it is very unlikely that the Court will grant a permanent injunction to the Plaintiff and it is also very unlikely for the Court to award damages to the Plaintiff or direct delivery of infringing devices. Accordingly, the directors consider that no provision is necessary for any potential liability in the consolidated financial statements.

38. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

Pursuant to an equity transfer agreement between the Company's subsidiary, LifeTech Shenzhen and the non-controlling interests of Shenzhen EnKe Medical Technology Co., Ltd. 深圳市恩科醫療科技有限公司 ("Shenzhen EnKe"), a non-wholly owned subsidiary of the Company, on 13 May 2011, LifeTech Shenzhen acquired the remaining 10% equity interests in Shenzhen EnKe for consideration of RMB150,000. The difference between the fair value of consideration paid for the acquisition of additional equity interests in Shenzhen EnKe and the carrying amount of non-controlling interests acquired amounting to RMB144,000.

39. EVENT AFTER THE REPORTING PERIOD

On 14 October 2012, the Company entered into the investment agreement (the "Investment Agreement") with an independent third party, Medtronic Inc. for the issuance of the first tranche convertible notes in the principal amount of HK$152,000,000 and the second tranche convertible notes in the principal amount of HK$2,031,428,574. Upon the full conversion of the convertible notes at the conversion price, the first and second tranche convertible notes will be converted into 40,000,000 and 338,571,429 new shares. The holders of the convertible notes have the right to convert the whole or part of the principal amount of convertible notes to ordinary shares at the conversion price of HK$3.80 for the first tranche convertible notes and HK$6.0 for the second tranche convertible notes, from the date of issue of the convertible notes up to the maturity date.

On 30 January 2013, the first tranche convertible notes under the Investment Agreement have been fulfilled, completion of the issue and subscription of the first tranche convertible notes. The initial amount of debt portion of the convertible notes, embedded derivatives or equity portion, as appropriate, will be finalised upon completion of the valuation. As no valuer has been engaged as at the date of these consolidated financial statements, the directors are not in a position to assess the financial impact arising on this transaction.

Further details of the Investment Agreement are set out in the announcement of the Company dated 15 October 2012, 6 January 2013 and 30 January 2013 respectively.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment/operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2012	2011	
New Centre International Ltd.	Hong Kong	HK$1	100%	100%	Trading of medical devices
Lifetech Scientific India Private Ltd.	India	INR6,573,680	100%*	100%*	Trading of medical devices
LifeTech Scientific (Hong Kong) Co., Ltd. 先健科技 (香港) 有限公司	Hong Kong	HK$1	100%	100%	Investment holding
#β Lifetech Scientific (Shenzhen) Co., Ltd. 先健科技 (深圳) 有限公司	The PRC	RMB100,000,000	100%	100%	Developing, manufacturing and trading of medical devices
ΔBeijing PerMed Biomedical engineering Co., Ltd. 北京市普惠生物醫學工程公司	The PRC	RMB15,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices
ΔShenzhen Shineyard Medical Device Co., Ltd. 深圳市擎源醫療器械有限公司	The PRC	RMB5,000,000	60%*	60%*	Developing, manufacturing and trading of medical devices
ΔShenzhen EnKe Medical. Technology Co., Ltd. 深圳市恩科醫療科技有限公司	The PRC	RMB1,000,000	100%*	100%*	Trading of medical devices
ΔShenzhen Lifetech Material Biological Technology Co., Ltd. 深圳市先健生物材料技術有限公司	The PRC	RMB10,000,000	99%*	99%*	Trading of medical devices
LifeTech Scientific (Europe) Coöperatief U. A.	Netherland	EUR2,000	100%*	100%*	Trading of medical devices
Lios Investment Corporation	British Virgin Islands	US$10	70%*	–	Investment holding
LifeTech Scientific (Netherlands) B.V.	Netherland	EUR18,000	100%*	–	Trading of medical devices
LIFETECH SCIENTIFIC (FRANCE) SARL	France	EUR5,000	90%*	–	Trading of medical devices
Lios Russia LLC	Russia	RUB10,000	100%*	–	Trading of medical devices

β Increased of registered capital of the Company from RMB50,000,000 to RMB100,000,000 during the year.

* Indirectly held through subsidiaries.

\# A wholly foreign owned enterprise.

Δ Limited liability company established in the PRC.

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

FINANCIAL SUMMARY

A summary of the Group's results for the last four financial years and the assets and liabilities of the Group as at 31 December 2012, 2011, 2010 and 2009, as extracted from the published audited financial statements and the prospectus of the Company dated 31 October, 2011. The amounts as set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	Year ended 31 December			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
Revenue	**181,475**	140,324	104,704	79,736
Cost of sales	**(36,175)**	(27,357)	(21,066)	(21,542)
Gross profit	**145,300**	112,967	83,638	58,194
Other income and other gains and losses	**9,598**	5,018	3,333	3,135
Selling and distribution expenses	**(41,221)**	(34,552)	(20,057)	(15,684)
Administration expenses	**(37,898)**	(31,246)	(16,771)	(13,161)
Research and development expenses	**(23,608)**	(22,762)	(15,442)	(9,409)
Offering expenses	**—**	(13,634)	(182)	—
Finance cost	**—**	—	—	(5)
Share of loss of an associate	**(10,488)**	—	—	—
Profit before tax and change in fair value of convertible redeemable preferred shares	**41,683**	15,791	34,519	23,070
Change in fair value of convertible redeemable preferred shares	**—**	3,288	(24,107)	(23,086)
Profit before tax	**41,683**	19,079	10,412	(16)
Income tax expense	**(8,821)**	(6,517)	(6,621)	(4,475)
Profit for the year	**32,862**	12,562	3,791	(4,491)
Profit (loss) for the year attributable to:				
Owner of the Company	**32,352**	11,830	3,936	(4,710)
Non-controlling interests	**510**	732	(145)	219
	32,862	12,562	3,791	(4,491)
ASSETS AND LIABILITIES				
Total Assets	**364,146**	313,218	158,455	148,583
Total Liabilities	**63,336**	45,378	155,378	137,566
Net Assets	**300,810**	267,840	3,077	11,017