LifeTech Scientific Corporation

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

2016

INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
XIE Yuehui *(Chairman and Chief Executive Officer)*
LIU Jianxiong *(Chief Financial Officer and Company Secretary)*
XIAO Ying *(appointed on 28 March 2016)*

NON-EXECUTIVE DIRECTORS
WU Jianhui *(resigned on 28 March 2016)*
CLEARY Christopher Michael
MONAGHAN Shawn Del
JIANG Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS
LIANG Hsien Tse Joseph
ZHOU Gengshen *(resigned on 29 January 2016)*
WANG Wansong *(appointed on 29 January 2016)*
ZHOU Luming

COMPANY SECRETARY
LIU Jianxiong

AUTHORISED REPRESENTATIVES
XIE Yuehui
LIU Jianxiong

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

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

REMUNERATION COMMITTEE
ZHOU Gengshen *(resigned as Chairman on 29 January 2016)*
WANG Wansong *(appointed as Chairman on 29 January 2016)*
CLEARY Christopher Michael
LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

WEBSITE
www.lifetechmed.com

STOCK CODE
1302

LISTING DATE ON THE GROWTH ENTERPRISE MARKET
10 November 2011

DATE OF TRANSFER OF LISTING FROM GROWTH ENTERPRISE MARKET TO THE MAIN BOARD
6 November 2013

PRINCIPAL BANKERS
China Merchants Bank
Shenzhen Chegongmiao Branch
Block A, 1/F, Tianxiang Building
Tianan Chegongmiao Industrial District
Futian, Shenzhen, PRC

China Construction Bank, Shenzhen Nanxin Branch
1/F, China Construction Bank Building
No.1 Guankou Road, Nanshan District
Shenzhen, PRC

HONG KONG LEGAL ADVISER
Dentons Hong Kong
Suite 3201, Jardine House
1 Connaught Place, Central
Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway, Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS
PO Box 309
Ugland House
Grand Cayman, KY1-1104, Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS
Cybio Electronic Building, Langshan 2nd Street
North Area of High-tech Park, Nanshan District
Shenzhen 518057, PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE HONG KONG COMPANIES ORDINANCE
31/F, 148 Electric Road
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman, KY1-1102
Cayman Islands

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2016 was approximately RMB156.2 million, representing an increase of approximately 4.8% as compared to the turnover of approximately RMB149.1 million for the six months ended 30 June 2015.
- Profit attributable to shareholders of the Company was approximately RMB51.9 million for the six months ended 30 June 2016, with an increase of approximately RMB254.1 million, as compared to the loss of approximately RMB202.2 million for the six months ended 30 June 2015. The increase was primarily attributable to the growth in revenue from the peripheral vascular diseases business, the increase of foreign exchange gain and the fair value gain on convertible notes of approximately RMB20.2 million (corresponding period in 2015: fair value loss of approximately RMB237.5 million).
- The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2016 (corresponding period in 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

LifeTech Scientific Corporation (the "Company" or "Lifetech") and its subsidiaries (collectively the "Group") is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. We have three main product lines, including congenital and structural heart diseases business (the "congenital heart diseases business"), peripheral vascular diseases business and surgical vascular repair business, providing clinically effective and commercially attractive product offerings.

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

First-half performances

Facing with the uncertain global economic environment, continuous competition in the market and on-going market weakness, coupled with revolution of medical devices bidding process in the People's Republic of China ("China" or "PRC"), and price regulation becoming more stringent, our business is full of challenges during the six months ended 30 June 2016. China is still our largest market, and sales generated from the Chinese market accounted for approximately 80.0% of our total revenue for the six months ended 30 June 2016 (corresponding period in 2015: approximately 76.2%). Our domestic sales experienced a steady growth of approximately 10.0% for the six months ended 30 June 2016 as compared to the corresponding period in 2015. Our international market had recorded a decrease of approximately 11.9% in sales revenue for the six months ended 30 June 2016 as compared to the corresponding period in 2015, which was mainly due to the uncertain global economic environment and it is in the Group's transition period of strategic adjustment in some regions. During the six months ended 30 June 2016, we have adopted a series of practicable and effective measures in order to maintain our business growth and market share.

Pacemaker project

The HeartTone™ implantable pacemaker ("HeartTone™ pacemaker"), as set out in several agreements entered into between the Group and Medtronic, Inc. or its affiliates ("Medtronic") on 25 July 2014 (the "New Transaction Agreements"), will be manufactured and commercialised under the Company's brand with help and guidance from Medtronic. In the first half of 2016, we have been continuously making good progress in our pacemaker project. The pacemaker product line has met the manufacturing qualification requirements with the support from Medtronic. In August 2016, the HeartTone™ pacemaker has been approved as an innovative medical device by the China Food and Drug Administration ("CFDA") in accordance with the CFDA's Procedures for Special Approval of Innovative Medical Devices (Trial) No. 13 (2014).

Marketing activity

During the six months ended 30 June 2016, we continuously strengthen the distribution system by choosing quality distributors, and have achieved the realisation of a fantastic product distribution line, of which the Company has made solid steps toward reaching out to new consumers and markets.

- From 3 to 5 March 2016, Pediatric and Adult Interventional Cardiac Symposium ("PICS-AICS") and Catheter Interventions in Congenital, Structural and Valvular Heart Disease ("CSI") jointly organised the conference named "PICS CSI Asia 2016" in Dubai, UAE. As one of major sponsors, Lifetech was invited to attend the conference. In the conference, Lifetech held a satellite symposium with the topic of "Congenital Heart Disease Occlusion Experiences Sharing and Discussion", and invited famous experts in the field to share their device application in congenital heart disease treatment and clinical application experience of our products. Lecturers and experts recognised the clinical application advantages of innovative products independently developed by Lifetech, shared their experience of using CeraFlex™ occluders with other users all over the world, and had a deep discussion of clinical applicability and other topics.

- Lifetech Knowledge Exchange Program ("LKEP") continued to promote the spread of cutting-edge science in minimally invasive surgery of cardiovascular intervention, with the aim to improve the treatment skills of the doctors and thereby allowing more patients to receive more safety and effective treatment. In March 2016, the Biennial Inter University Joint Symposium (the "Symposium") was held in Bandung, Indonesia, and more than 300 experts and scholars from Germany, the Netherlands, China, Indonesia, Vietnam, Malaysia and other countries attended the Symposium. For spreading valuable medical experience and diagnosis and treatment skills, Lifetech invited Dr. Pan, director of Qingdao Women and Children's Hospital to the Symposium and shared Chinese experience in pediatric cardiovascular intervention and hybrid treatment procedure therapy with the experts around the world. At the Symposium, three complex and difficult interventional occlusion operations of perimembranous ventricular septal defect were live transmission broadcast, in which HeartR Symmetric VSD and HeartR Eccentric VSD, which were independently developed by Lifetech, were operated by Dr. Pan. The experts had shown concentrated attention to the live broadcasting and had a heated discussion and communication about difficult situations they had experienced during operations in the past. The experts gave enormous affirmation on the advantages and features of pediatric interventional occlusion operations of Lifetech.

- In April 2016, Lifetech cooperated with experts on congenital cardiovascular diseases from the People's Hospital of Tibet Autonomous Region and West China Second University Hospital of Sichuan University, to perform voluntary screening of congenital heart diseases on children in Naqu County, Tibet. During the activity which lasted for dozens of days, the team had performed the screening on more than 3,600 children, performed more than 320 ultrasonic tests and diagnosed 45 patients with congenital heart diseases. Those children who had been diagnosed with congenital heart diseases will be further treated in batches free of charge at the People's Hospital of Tibet Autonomous Region.

- From 22 to 26 June 2016, Catheter Interventions in Congenital and Structural Heart Diseases ("CSI-2016") has been successfully held in Frankfurt, Germany. Lifetech, as an outstanding enterprise in researching, developing, and manufacturing of medical device for cardiovascular and cerebrovascular microinvasive intervention, was invited to attend this internationally cutting-edge academic event again.

- The Second Workshop of Endovascular Therapy Technology ("Workshop") was organized by Fuwai Hospital of Chinese Academy of Medical Sciences ("Fuwai Hospital") on 29 June 2016. The Workshop was based on the seminars of peripheral vascular disease treatment, together with the live cases broadcasting and discussion of difficult cases, which attracted more than 30 doctors from China to attend. As the key agenda to the workshop, one TEVAR live case transmission from Fuwai Hospital to the advanced Endovascular and Coronary Intervention Global Summit (C3) held in Orlando, America. In the live case, experts from America and doctors from China commended the outstanding characteristics of Ankura™ thoracic stent graft system. Prof. Shu from Fuwai Hospital said, the Ankura™ thoracic stent graft system has the double membranes design to decrease the risk of endoleak. Additionally, in the postoperative discussion, both Prof. Wayne Zhang from Louisiana State University, Baton Rouge and Prof. Frank Arko from University of North Carolina commented that, the procedure with Ankura™ thoracic stent graft system was stable and effective.

OUR PRODUCTS

During the six months ended 30 June 2016 and as at the date of this interim report, we have made the following achievements in our product:

- The Group's GoldenFlow™ peripheral stent has been granted the approval of the Conformité Européenne ("CE") certification in Europe.

- The Group's FemFlow™ Drug-Eluting Peripheral Balloon Catheter ("DEB"), which was independently developed by Lifetech, has formally passed the special review application of CFDA and approved as an innovative medical device, which represented that priority will be given over the DEB for its technical review and subsequent administrative approval, which will help accelerating their domestic registration procedure.

- The LAmbre™ left atrial appendage ("LAA") occluder system of Lifetech has been granted with the CE certification approval in Europe, which became the only LAA closure product of a Chinese brand obtained with such certification.

- For Ankura II Thoracic Aortic Aneurysm ("TAA") stent graft system, we have completed the twelve-month postoperative follow-up for the last subject. The centers are now in concluding stage.

- The SteerHD™ delivery sheath has obtained its registration certificate in China.

- Both the HeartTone™ pacemaker and the IrisFIT™ patent foramen ovale ("PFO") occluder have been approved as innovative medical devices.

STRATEGIC COOPERATION WITH MEDTRONIC

To expand the alliance to include pacemaker and cardiac lead products to be manufactured and commercialised for the PRC market, the Company, by itself or through its affiliates, entered into the New Transaction Agreements on 25 July 2014. The New Transaction Agreements have been approved by the independent shareholders of the Company on 7 May 2015. Under the New Transaction Agreements, Medtronic will provide the Company or its affiliates with (i) licenses to know-how and other intellectual property; (ii) certain consulting services; (iii) certain equipment and components; (iv) manufacturing capabilities and (v) marketing, promotion and distribution in connection with certain implantable cardiac rhythm management products to be developed and manufactured by the Company at the Company's facility in Shenzhen, the PRC. For further details, please refer to the announcement of the Company dated 28 July 2014, the supplemental announcement of the Company dated 7 August 2014 and 17 April 2015, the circular of the Company dated 20 April 2015 and the poll results announcement of the Company dated 7 May 2015.

The pacemaker product line has satisfied the manufacturing qualification requirements with the support from Medtronic. In August 2016, the HeartTone™ pacemaker has been approved as an innovative medical device by the CFDA in accordance with CFDA's Procedures for Special Approval of Innovative Medical Devices (Trial) No. 13 (2014).

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

FINANCIAL REVIEW

OVERVIEW

Facing a challenging environment with fierce competitions in the medical device market, the revenue of the Company has maintained a modest growth for the six months ended 30 June 2016. With the LAmbre™ LAA occluder system launched in European market, we are confident of the further growth in our business. Furthermore, with successful research and development of more new products and globalisation strategy, we aim at bringing our innovations, technologies and services to millions of global patients and becoming a leading global enterprise.

The following discussion is based on, and should be read in conjunction with, the financial information and the notes appended thereto included in this interim report.

REVENUE

Our revenue was approximately RMB156.2 million for the six months ended 30 June 2016, with an increase of approximately RMB7.1 million or approximately 4.8% as compared to the revenue of approximately RMB149.1 million for the six months ended 30 June 2015. The increase was primarily attributable to the increase of revenue from the peripheral vascular diseases business.

Revenue from congenital heart diseases business

The turnover contributed by the congenital heart diseases business for the six months ended 30 June 2016 was approximately RMB46.7 million (corresponding period in 2015: approximately RMB61.7 million), representing a decrease of approximately 24.3%, which was mainly due to the uncertain global economic environment and because it is in the Group's transition period of strategic adjustment in some regions.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2016 was approximately RMB109.2 million (corresponding period in 2015: approximately RMB87.0 million), representing a growth of approximately 25.5%, which was mainly attributable to more hospitals penetration and increasing market share in China.

Revenue from surgical vascular repair business

The products we offered in the surgical vascular repair business are mainly heart valves. Revenue generated from the sales of surgical vascular repair business was approximately RMB331,000 for the six months ended 30 June 2016 (corresponding period in 2015: approximately RMB412,000).The heart valves have been relaunched since the termination of the distribution rights of Medtronic in relation to all current and future heart valve products pursuant to the third supplemental agreement entered into by, among others, the Company and Medtronic on 2 November 2015, which allowed the Company to distribute the heart valve of improved quality directly to its external customers. For details, please refer to the announcement of the Company dated 2 November 2015.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the increased sales and diversity of our products, gross profit of the Group increased by approximately 0.4% from approximately RMB123.4 million for the six months ended 30 June 2015 to approximately RMB123.9 million for the six months ended 30 June 2016. Gross profit margin decreased approximately 3.5% from approximately 82.8% for the six months ended 30 June 2015 to approximately 79.3% for the six months ended 30 June 2016.

OTHER REVENUE AND OTHER GAINS AND LOSSES

We had other revenue and other gains of approximately RMB10.3 million for the six months ended 30 June 2016, while other revenue and other gains were approximately RMB3.0 million for the six months ended 30 June 2015. The increase in other revenue and other gains were mainly attributable to the increase of foreign exchange gains.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 13.4% from approximately RMB32.1 million for the six months ended 30 June 2015 to approximately RMB27.8 million for the six months ended 30 June 2016. The decrease was primarily due to (i) a decrease of marketing expenses and travel expenses because of the effective control; and (ii) a decrease of labor expenses because it is in the Group's transition period of strategic adjustment in some regions.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 8.1% from approximately RMB21.0 million for the six months ended 30 June 2015 to approximately RMB22.7 million for the six months ended 30 June 2016. The increase was primarily due to the increase of share options expenses.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased by approximately 22.0% from approximately RMB20.9 million for the six months ended 30 June 2015 to approximately RMB25.5 million for the six months ended 30 June 2016. The increase was primarily due to (i) a higher expenditure in developing projects; and (ii) an increase of salary, bonus, share-based incentive payments and related expenses for staffs in research and development department.

OPERATING PROFIT

During the six months ended 30 June 2016, we recorded an operating profit of approximately RMB58.1 million, which represented an increase of approximately 10.9% as compared to the operating profit of approximately RMB52.4 million for the six months ended 30 June 2015. Such increase was primarily due to (i) the growth of sales; and (ii) increase of other income and other gains.

FAIR VALUE GAIN/LOSS ON CONVERTIBLE NOTES

During the six months ended 30 June 2016, the fair value gain on convertible notes issued to Medtronic was approximately RMB20.2 million (corresponding period in 2015: loss of approximately RMB237.5 million). The fair values were determined by reference to valuation report carried out by an independent qualified professional valuer.

FINANCE INCOME AND FINANCE COSTS

Finance income decreased by approximately 22.2% from approximately RMB0.9 million for the six months ended 30 June 2015 to approximately RMB0.7 million for the six months ended 30 June 2016.

Finance costs was approximately RMB8.0 million for the six months ended 30 June 2016, representing the effective interest expenses arising from the convertible notes issued to Medtronic (corresponding period in 2015: approximately RMB6.5 million).

INCOME TAX

Income tax decreased from approximately RMB11.4 million for the six months ended 30 June 2015 to approximately RMB11.2 million for the six months ended 30 June 2016. The decrease was primarily due to the reduced income tax of Shenzhen Shineyard Medical Device Co., Ltd, which was disposed on 14 August 2015.

NET PROFIT AND LOSS

Net profit attributable to owners of the Company for the six months ended 30 June 2016 was approximately RMB51.9 million, as compared with a net loss of approximately RMB202.2 million for the six months ended 30 June 2015. The profit was mainly attributable to the growth in sales, the increase of foreign exchange gain and the fair value gain on convertible notes of approximately RMB20.2 million (corresponding period in 2015: loss of approximately RMB237.5 million) for the First Tranche Convertible Notes (as defined in the circular of the Company dated 6 January 2013) issued on 30 January 2013.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2016, the Group mainly financed its operations with its own working capital, bank borrowings and equity funding.

As at 30 June 2016, the Group had net current assets of approximately RMB443.4 million (31 December 2015: approximately RMB279.8 million), including cash and bank balances of approximately RMB367.0 million (31 December 2015: approximately RMB255.1 million).

BORROWINGS

On 8 June 2015, Lifetech Scientific (Shenzhen) Co., Ltd. ("Lifetech Shenzhen", the "Borrower"), being one of our key operating subsidiaries in the PRC, and Shenzhen branch of China Construction Bank Co., Ltd. (the "Lender") entered into the loan agreement (the "Loan Agreement") and pledge agreement (the "Pledge Agreement"), pursuant to which the Lender agreed to lend the loan amount of RMB200 million (equivalent to approximately HK$253.6 million) to Lifetech Shenzhen, with interest rate of the benchmark interest rate commencing on the day the loan money is drawn from the bank and adjusted 10% below to 60% rise benchmark interest rate, for a term of five years subject to the terms and conditions under the Loan Agreement. Under the Loan Agreement, Lifetech Shenzhen had pledged its land use right held for own use with a net book value of approximately RMB33.9 million and headquarters building which is in the process of construction for the purpose of securing the bank borrowing. The mortgage procedure of the land use right has been completed in August 2015, and the building mortgage application will start to conduct upon completion of the construction. As at 30 June 2016, the bank borrowings was RMB200.0 million.

GEARING RATIO

As at 30 June 2016, the gearing ratio (calculated as a ratio of total borrowing consisting of convertible notes and bank borrowings to total equity) of the Group is increased to a level of approximately 123.0%, as compared to a level of 80.6% as at 31 December 2015.

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB247.3 million as at 30 June 2016 as compared to approximately RMB180.3 million as at 31 December 2015. There were long-term bank borrowings amounting to RMB200.0 million (31 December 2015: approximately RMB48.0 million). The interest of bank borrowings for the six months ended 30 June 2016 was approximately RMB2.8 million (corresponding period in 2015: Nil). The interest of bank borrowings was capitalised in construction in progress.

LAND ACQUISITION AND BUILDING CONSTRUCTION

On 19 February 2013, Lifetech Shenzhen made a successful bid for the land use right in respect of the land located at lot T205-0008, Gaoxin South 1st Road, Nanshan Gaoxin District, Shenzhen, the PRC (the “Land”) at a price of RMB37,020,000 (equivalent to approximately HK$45,697,000) through an open tender organised by the Shenzhen Land Transaction Centre. For further details, please refer to announcement of the Company dated 5 July 2013. The deed tax arising from the land acquisition amounts to approximately RMB1.1 million (equivalent to approximately HK$1.4 million).

On 19 December 2014, Lifetech Shenzhen entered into the construction contract (the “original construction contract”) with the China Construction Fourth Engineering Division the Third Construction & Engineering Co. (中建四局第三建築工程有限公司) (the “Contractor”) pursuant to which the Contractor has agreed to undertake the construction work for the Company at the Contract Price (as defined below). The Original Construction Contract was subsequently supplemented by the supplemental agreement entered into between Lifetech Shenzhen and the Contractor dated 19 December 2014. The contract price (the “Contract Price”) for the construction work is up to an aggregate amount of RMB250,000,000 which is subject to up to 18% downward adjustments that is customary within the PRC construction industry and includes but is not limited to the labour cost, material cost, the fees for construction of infrastructure, installation of facilities and construction management, testing fees, inspection fees and other construction cost. The Contract Price was determined after arm’s length negotiations with the Contractor and was based on normal commercial terms with reference to the expertise, experience and market position of the Contractor, along with the complexity and amount of the construction work involved. It is intended that the Contract Price will be financed by internal resources of, and the banking facilities available to the Group. The entering into of the Original Construction Contract has been approved by the shareholders of the Company on 7 May 2015. For further details, please refer to the announcements of the Company dated 19 December 2014 and 29 October 2015, the circular of the Company dated 21 April 2015 and the poll results announcement of the Company dated 7 May 2015. As at 30 June 2016, the building is in the process of construction.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2016.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this interim report, there were no significant investments held by the Company for the six months ended 30 June 2016, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

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

The Group is currently involved in a lawsuit issue in India. AGA Medical Corporation ("AGA") filed a suit with the High Court of New Delhi (the "Court") against our companies, alleging that our occluders sold in India infringed its patent. For details, please refer to the section headed "Risk Factors-Risk Related to Intellectual Property Rights" in the prospectus of the Company dated 31 October 2011 (the "Prospectus"). As at 30 June 2016 and up to the date of this interim report, the cross-examinations of all the witnesses of AGA and of the Group were completed and the final arguments are still awaited in the suit.

After seeking legal advice, the Board is of the opinion that it is not probable that the Court will grant a permanent injunction to the plaintiff and it is also not probable for the Court to award damages to the plaintiff or direct delivery of infringing devices. Accordingly, the Board considers that no provision is necessary for any potential liability in the condensed consolidated financial statements.

Save as disclosed in this interim report, the Group did not have any other contingent liabilities as at 30 June 2016.

FINANCIAL INSTRUMENT

On 30 January 2013, the Company issued HK$152,000,000 unsecured 1% convertible notes which are due in 2018 (the "Convertible Notes") to Medtronic. The Convertible Notes bear interest at 1% per annum and will be mature on 29 January 2018 (the "Maturity Date"). The holder of the Convertible Notes has the right to convert the principal amount of Convertible Notes into shares of the Company at an initial conversion price of HK$3.8 per share. And the initial conversion price was adjusted to HK$0.475 per share upon the share subdivision of the Company effective on 12 January 2015. For further details, please refer to the announcement of the Company dated 5 December 2014, the circular of the Company dated 22 December 2014 and the announcement of the Company dated 9 January 2015. The Company may not redeem the Convertible Notes at its option prior to the Maturity Date. The noteholder will have the right at noteholder's option, to require the Company to redeem all, or only some, of the Convertible Notes prior to the Maturity Date at a price equal to their principal amount and interest accrued to the date fixed for redemption subject to the occurrence of specific events as defined in the terms and conditions of the Convertible Notes Agreement.

As at 30 June 2016, save as disclosed above, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the six months ended 30 June 2016, the capital expenditure of the Group for property, plant and equipment (the "PPE"), construction in progress, intangible assets, prepaid lease payments and deposits for PPE amounted to approximately RMB56.1 million (2015: approximately RMB48.4 million).

FOREIGN EXCHANGE RISK

During the six months ended 30 June 2016, the Group's operations are primarily based in the PRC and India. The revenue derived from India accounted for approximately 6.7% (corresponding period in 2015: approximately 7.0%) of the total revenue of the Group. The financial statements of Lifetech Scientific India Private Limited, our sole subsidiary in India are presented in Renminbi, and in the Group a portion of the revenue and expenses are denominated in US Dollar and European Dollar. In addition, the convertible notes which were issued by the Company were in HK Dollar and were exchanged into RMB. Indian Rupees, HK Dollar, US Dollar and European Dollar were unstable during the six months ended 30 June 2016, and the Group's operational results and financial condition may be affected by changes in the exchange rates of Renminbi against India Rupees, HK Dollar, US Dollar and European Dollar. To minimize exposure to foreign exchange risk, most of the bank deposits of the Group are being kept in Renminbi. The Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the period.

CHARGES ON GROUP ASSETS

As at 30 June 2016, the Group had, under the Loan Agreement, pledged its land use right held for own use with a net book value of approximately RMB33.9 million and headquarters building which is in the process of construction for the purpose of securing the bank borrowing.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 608 (corresponding period in 2015: 577) full time employees and 3 executive Directors (corresponding period in 2015: 2). Total staff costs, including Directors' emoluments, amounted to approximately RMB37.0 million for six months ended 30 June 2016 (corresponding period in 2015: approximately RMB38.8 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. The amount of contributions to retirement benefits scheme for the six months ended 30 June 2016 is approximately RMB3.0 million (corresponding period in 2015: approximately RMB3.2 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 share option scheme (the "Share Option Scheme") has also been adopted for employees of the Group on 22 October 2011 which was subsequently amended by an unanimous written resolutions of the Board on 5 May 2015. In order to ensure that the Group's employees remain competitive in the industry, the Group also arranges its staff for training to enhance their skills and knowledge.

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 second half of 2016. The Group will also actively expand its product offering and strengthen its established market position. We believe that the revolutionary LAmbre^{TM} LAA occluder will strengthen our leading position in the field of congenital heart diseases business and in the field of structural heart diseases business.

We strive to maintain leading industry technology and continuously invest in research and development to improve, upgrade and develop products in response to the demands of our various markets and customers. Our broad portfolio of products, robust product development pipeline and strong research and development capabilities provide substantial opportunities for us to grow our business and revenue through further penetration and expansion into key international markets. As at the date of this interim report, five products have been approved as innovative medical devices by the CFDA, which will help accelerating their domestic registration procedure. Meanwhile, with more of our products having obtained the CE approval, our sales in international markets will be expanded rapidly.

We market our products through our network of distributors, train and manage our distributors, so as to establish industry best practices, identify market opportunities, provide feedback on their sales performance and provide customer relations support. Our sales and marketing team also consult directly with physicians and hospitals to ensure brands and products are well recognised and received.

We expect our current sales office in the Netherlands and the new office in Greece to become our material centre for European sales and customer service. We will continue to hire additional sales and marketing professionals, increase the number of oversea distributors and overseas clinical trials we conduct , thereby strengthening our international sales department.

Furthermore, we will continue to evaluate and explore potential acquisitions, partnerships, alliances and licensing opportunities in the second half of 2016, with an aim to enhance our competitiveness and market position in the current key markets as well as certain selective new markets.

CORPORATE GOVERNANCE HIGHLIGHTS

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders (the "Shareholders") and enhance its corporate value. The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance and confirms that it has complied with all material code provisions of the CG Code during the six months ended 30 June 2016, save for the deviation from code provision A.2.1 of the CG Code as mentioned below.

According to code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Subsequent to the resignation of Mr. ZHAO Yiwei Michael as chief executive officer of the Company on 2 March 2015, Mr. XIE Yuehui, chairman of the Board, has been appointed to act as the chief executive officer of the Company. Accordingly, the roles of the chairman of the Board and the chief executive officer are performed by the same individual. Although the dual roles of the chairman and chief executive officer is a deviation from the code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both chairman and chief executive officer in an experienced and qualified person such as Mr. XIE Yuehui provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

THE BOARD

The Board currently comprises nine Directors, including three executive Directors, viz, Mr. XIE Yuehui, Mr. LIU Jianxiong and Ms. XIAO Ying; three non-executive Directors, viz, Mr. CLEARY Christopher Michael, Mr. MONAGHAN Shawn Del and Mr. JIANG Feng; and three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz, Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming.

Notes:

1. Mr. ZHOU Gengshen has resigned as independent non-executive Director with effective from 29 January 2016.
2. Mr. WANG Wansong has been appointed as independent non-executive Director with effective from 29 January 2016.
3. Mr. WU Jianhui has resigned as non-executive Director with effective from 28 March 2016.
4. Ms. XIAO Ying has been appointed as executive Director with effective from 28 March 2016.

The Corporate Information on page 2 of this interim report includes changes disclosed above.

UPDATE ON BIOGRAPHY OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

In March 2016, Mr. Jiang Feng, one of our non-executive Directors, was appointed as independent non-executive director of Zhongzhu Healthcare Holdings, Ltd. (中珠醫療控股股份有限公司), a company listed in the Shanghai Stock Exchange of the PRC (stock code: 600568).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry with all the Directors, the Company confirmed that all members of the Board complied with the Model Code during the six months ended 30 June 2016.

Senior management, executives and staffs who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the provision of the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Board has established an audit committee (the "Audit Committee") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. As at the date of this interim report, the Audit Committee consists of three members, all of whom are independent non-executive Directors, namely Mr. LIANG Hsien Tse Joseph who possesses appropriate professional qualifications to serve as its chairman, Mr. ZHOU Luming and Mr. WANG Wansong.

The Group's unaudited interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results was in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that adequate disclosure has been made.

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in Shares and underlying shares of the Company

Name of Director/ chief executive	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Mr. XIE Yuehui	Interest of Controlled Corporation and Beneficial owner	801,514,928 [1]	20.04%
Mr. WU Jianhui (resigned on 28 March 2016)	Interest of Controlled Corporation	397,626,656 [2]	9.94%
Mr. LIU Jianxiong	Beneficial owner	24,800,000 [3]	0.62%
Ms. XIAO Ying	Beneficial owner	1,590,000 [4]	0.04%

Notes:

1. These interests represented:

   (a) 781,914,928 Shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our chairman, chief executive officer and executive Director; and

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

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

3. These interests represented:

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

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

4. This interest represented 1,590,000 options granted to Ms. XIAO Ying, which were subject to certain vesting conditions pursuant to the Share Option Scheme of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.

Save as disclosed above, as at 30 June 2016, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2016, other than the interests of Directors or chief executive of the Company as disclosed under the heading "Directors' and chief executives' interests and short position in shares, underlying shares and debentures of the Company or its associated corporations" above, the interests and short positions of persons in the Shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares, were as follows:

(a) Long positions in Shares of the Company

Name of Shareholder	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Xianjian Advanced Technology Limited [1]	Beneficial owner	781,914,928	19.55%
GE Asia Pacific Investments Ltd. [2]	Beneficial owner	397,626,656	9.94%
Medtronic KL Holdings LLC [3]	Beneficial owner	760,000,000	19.00%
Medtronic Holding Switzerland G.m.b.H. [3]	Interest of controlled corporation	760,000,000	19.00%
Medtronic B.V. [3]	Interest of controlled corporation	760,000,000	19.00%
Medtronic International Technology, Inc. [3]	Interest of controlled corporation	760,000,000	19.00%
Medtronic, Inc. [3]	Interest of controlled corporation	760,000,000	19.00%
Medtronic Holding, Inc. [3]	Interest of controlled corporation	760,000,000	19.00%
Medtronic Group Holding, Inc. [3]	Interest of controlled corporation	760,000,000	19.00%
Medtronic plc [3]	Interest of controlled corporation	760,000,000	19.00%

Notes:

1. The entire issued share capital of Xianjian Advanced Technology Limited is wholly owned by Mr. XIE Yuehui, our chairman, chief executive officer and executive Director.

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

3. The entire issued share capital of Medtronic KL Holdings LLC is controlled as to 90.33% by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly -owned by Medtronic B.V.. Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which in turn is wholly -owned by Medtronic, Inc.. Medtronic, Inc. is wholly owned by Medtronic Holding, Inc., which in turn is wholly owned by Medtronic Group Holding, Inc.. Medtronic Group Holding, Inc. is wholly owned by Medtronic plc.

(b) Derivative interests

Name of Shareholder	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Medtronic KL Holdings LLC [1 and 2]	Beneficial owner	3,028,571,432	75.71%
Medtronic Holding Switzerland G.m.b.H. [1 and 2]	Interest of controlled corporation	3,028,571,432	75.71%
Medtronic B.V. [1 and 2]	Interest of controlled corporation	3,028,571,432	75.71%
Medtronic International Technology, Inc. [1 and 2]	Interest of controlled corporation	3,028,571,432	75.71%
Medtronic, Inc. [1 and 2]	Interest of controlled corporation	3,028,571,432	75.71%
Medtronic Holding, Inc. [1 and 2]	Interest of controlled corporation	3,028,571,432	75.71%
Medtronic Group Holding, Inc. [1 and 2]	Interest of controlled corporation	3,028,571,432	75.71%
Medtronic plc [1 and 2]	Interest of controlled corporation	3,028,571,432	75.71%

Notes:

1. The entire issued share capital of Medtronic KL Holdings LLC is controlled as to 90.33% by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly-owned by Medtronic B.V., Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which in turn is wholly-owned by Medtronic, Inc.. Medtronic, Inc. is wholly owned by Medtronic Holding, Inc., which in turn is wholly owned by Medtronic Group Holding, Inc.. Medtronic Group Holding, Inc. is wholly owned by Medtronic plc.

2. Capitalised terms used in this paragraph shall have the same meanings as those defined in the circular of the Company dated 6 January 2013. These shares are the underlying shares to be issued upon the full conversion of the First Tranche Convertible Notes and the Second Tranche Convertible Notes pursuant to the terms and conditions under the Investment Agreement dated 14 October 2012. Completion of the subscription of the First Tranche Convertible Notes at the principal amount of HK$152 million, which are convertible into 40,000,000 new shares at the initial conversion price of HK$3.80, took place on 30 January 2013. The convertible shares are adjusted from 40,000,000 to 320,000,000 and initial conversion price is adjusted from HK$3.80 to HK$0.475 as share subdivision of the Company became effective on 12 January 2015. As at the date of this interim report, the First Tranche Convertible Notes have not yet been converted and the subscription of the Second Tranche Convertible Notes is pending to be completed.

Other than as disclosed above, as at 30 June 2016, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 22 October 2011 and the Share Option Scheme has been amended by an unanimous written resolutions of the Board on 5 May 2015. Such amendment to the Share Option Scheme was made due to the transfer of listing of the Shares from Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange ("Transfer of Listing") and in order to ensure that the references and margin notes quoted and referred to therein are in compliance and consistent with the Listing Rules.

On 5 May 2015, an aggregate of 160,000,000 options have been granted subject to certain vesting conditions pursuant to the Share Option Scheme to certain eligible participants (the "Grantees"), including grant of 19,600,000 options, 16,800,000 options and 1,590,000 options granted to three executive Directors, namely Mr. XIE Yuehui, Mr. LIU Jianxiong and Ms. XIAO Ying respectively. As at 30 June 2016, 27,236,400 options granted pursuant to the Share Option Scheme have been vested and remain outstanding.

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Share Option Scheme and movements during the six months ended 30 June 2016:

					Number of Shares				
Name	Date of Grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1/1/2016	Exercised during the six months ended 30/06/2016	Cancelled/ Lapsed during the six months ended 30/06/2016	Outstanding as at 30/06/2016
Directors/chief executive									
Mr. XIE Yuehui	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	19,600,000	19,600,000	—	—	19,600,000
Mr. LIU Jianxiong	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	16,800,000	16,800,000	—	—	16,800,000
Ms. XIAO Ying	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	1,590,000	1,590,000	—	—	1,590,000
Other Grantees									
Aggregate of other Grantees	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	122,010,000	102,762,000	—	(6,158,800)	96,603,200
Total					160,000,000	140,752,000	—	(6,158,800)	134,593,200

INTERIM DIVIDEND

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2016 (corresponding period in 2015: Nil).

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "Directors' and chief executives' interests and short position in shares, underlying shares and debentures of the Company or its associated corporations" above, at no time during the six months ended 30 June 2016 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.

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

During the six months ended 30 June 2016, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

In order to restrict competition activities with the Company, Mr. XIE Yuehui, Mr. WU Jianhui, Xianjian Advanced Technology Limited and GE Asia Pacific Investments Ltd. (collectively, the "Covenantors") have entered into a deed of non-competition dated 22 October 2011 in favour of the Company (the "Non-Competition Deed").

The undertakings and covenants stipulated under the Non-Competition Deed cover any business which involves the business of the Group as described in the Prospectus and any other business from time to time conducted by any member of the Group in Hong Kong, the PRC and such other parts of the world where by any of subsidiaries of the Group carries on business from time to time.

In accordance with the terms of the Non-Competition Deed, the non-competition undertakings were terminated on 27 January 2016, i.e. the date on which the Covenantors ceased to be the controlling shareholders of the Company.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2016.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2016 containing all the relevant information required by the Listing Rules has been published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.lifetechmed.com).

On behalf of the Board
LifeTech Scientific Corporation
XIE Yuehui
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 26 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 and the relevant explanatory notes as set out below.

		Six months ended 30 June	
	NOTES	**2016**	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	**156,221**	149,142
Cost of sales		**(32,367)**	(25,784)
Gross profit		**123,854**	123,358
Other income and other gains and losses		**10,321**	2,979
Selling and distribution expenses		**(27,838)**	(32,085)
Administration expenses		**(22,730)**	(20,977)
Research and development expenses		**(25,549)**	(20,912)
Operating profit		**58,058**	52,363
Finance income		**674**	934
Finance costs		**(8,003)**	(6,467)
Finance costs, net		**(7,329)**	(5,533)
Share of results of an associate		**—**	122
Net exchange (loss) gain on convertible notes	15	**(7,783)**	139
Fair value gain (loss) on convertible notes	15	**20,199**	(237,475)
Profit (loss) before tax	5	**63,145**	(190,384)
Income tax expense	6	**(11,245)**	(11,444)
Profit (loss) for the period		**51,900**	(201,828)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation foreign operations		**(737)**	857
Other comprehensive (expense) income for the period		**(737)**	857
Total comprehensive income (expense) for the period		**51,163**	(200,971)
Profit (loss) for the period attributable to:			
Owners of the Company		**51,870**	(202,172)
Non-controlling interests		**30**	344
		51,900	(201,828)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**51,133**	(201,315)
Non-controlling interests		**30**	344
		51,163	(200,971)
Earnings (loss) per share	8		
– Basic (RMB)		**0.013**	(0.051)
– Diluted (RMB)		**0.011**	(0.051)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	289,913	257,041
Investment properties		1,581	1,620
Intangible assets	9	91,524	78,169
Prepaid lease payments	10	32,623	33,258
Deposits for acquisition of property, plant and equipment		22,365	15,133
Deferred tax assets		12,790	14,822
Interests in associates	11	1,005	897
		451,801	400,940
Current assets			
Inventories		47,238	38,404
Trade receivables	12	65,264	70,951
Other receivables and prepayments		42,082	35,211
Prepaid lease payments	10	1,271	1,271
Bank balances and cash		367,018	255,110
		522,873	400,947
Current liabilities			
Trade and other payables	13	62,819	101,394
Tax payables		16,664	19,794
		79,483	121,188
Net current assets		443,390	279,759
Total assets less current liabilities		895,191	680,699

	NOTES	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current liabilities			
Government grants	14	55,867	58,429
Convertible notes	15	107,326	97,214
Conversion option derivative liability	15	282,234	296,759
Bank borrowings due after one year		200,000	48,023
		645,427	500,425
Net assets		249,764	180,274
Capital and reserves			
Share capital	16	32	32
Share premium and reserves		247,274	180,221
Equity attributable to owners of the Company		247,306	180,253
Non-controlling interests		2,458	21
Total equity		249,764	180,274

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	32	251,593	2,399	34,373	(421)	32,531	—	(169,243)	151,264	5,041	156,305
Loss for the period	—	—	—	—	—	—	—	(202,172)	(202,172)	344	(201,828)
Other comprehensive income for the period	—	—	857	—	—	—	—	—	857	—	857
Total comprehensive income (expense) for the period	—	—	857	—	—	—	—	(202,172)	(201,315)	344	(200,971)
Contribution from non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	1,200	1,200
Recognition of equity-settled share-based payments	—	—	—	—	—	—	6,037	—	6,037	—	6,037
At 30 June 2015 (unaudited)	32	251,593	3,256	34,373	(421)	32,531	6,037	(371,415)	(44,014)	6,585	(37,429)
At 1 January 2016	32	251,593	2,471	44,582	—	32,531	26,137	(177,093)	180,253	21	180,274
Profit for the period	—	—	—	—	—	—	—	51,870	51,870	30	51,900
Other comprehensive expense for the period	—	—	(737)	—	—	—	—	—	(737)	—	(737)
Total comprehensive income (expense) for the period	—	—	(737)	—	—	—	—	51,870	51,133	30	51,163
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(5)	(5)
Contribution from non-controlling interest of subsidiaries (Note iii)	—	—	—	—	—	—	—	—	—	2,412	2,412
Recognition of equity-settled share-based payments	—	—	—	—	—	—	15,920	—	15,920	—	15,920
Appropriations	—	—	—	55	—	—	—	(55)	—	—	—
At 30 June 2016 (unaudited)	32	251,593	1,734	44,637	—	32,531	42,057	(125,278)	247,306	2,458	249,764

Notes:

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

(ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Shenzhen 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.

(iii) On 7 April 2016, the Group disposed of its 29% equity interests in Shenzhen Lifetech Material Biological Technology Co., LTD ("Lifetech Biological"). Upon completion of the disposal, the Group owns 70% equity interests of Lifetech Biological. No significant disposal gain or loss was recognised in profit and loss.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**13,439**	42,829
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	**(44,572)**	(37,303)
Interest received from structured deposits	**—**	479
Expenditure incurred and capitalised as intangible assets	**(11,505)**	(11,066)
Structured deposits placed	**—**	(51,700)
Release of structured deposits	**—**	51,140
Government grants received for acquisition of plant and equipment	**—**	8,380
Proceeds from disposal of property, plant and equipment	**387**	21
NET CASH USED IN INVESTING ACTIVITIES	**(55,690)**	(40,049)
FINANCING ACTIVITIES		
Bank borrowings raised	**151,977**	—
Contributions from non-controlling interests from subsidiaries	**2,412**	1,200
Dividend paid to non-controlling interests	**(5)**	—
Acquisition of interest in a subsidiary	**512**	—
NET CASH FROM FINANCING ACTIVITIES	**154,896**	1,200
NET INCREASE IN CASH AND CASH EQUIVALENTS	**112,645**	3,980
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**255,110**	256,322
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(737)**	857
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	**367,018**	261,159

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”) until 5 November 2013 when its shares were delisted from the Growth Enterprise Market of the Stock Exchange, and its shares were listed on the Main Board of the Stock Exchange by way of transfer of listing on 6 November 2013. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the PRC.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In addition, in the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB that are mandatorily effective for the current interim period.

The application of the above new interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. 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.

4. SEGMENT INFORMATION - continued

(a) Segment revenue and results

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

	Congenital heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Surgical vascular repair business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2016				
SEGMENT REVENUE				
External sales	46,660	109,230	331	156,221
Segment profit (loss)	35,168	88,748	(62)	123,854
Unallocated income				
– Other income and other gains and losses				10,321
– Finance income				674
– Fair value gain on convertible notes				20,199
Unallocated expense				
– Selling and distribution expenses				(27,838)
– Administration expenses				(22,730)
– Research and development expenses				(25,549)
– Finance costs				(8,003)
– Net exchange loss on convertible notes				(7,783)
Profit before tax				63,145

4. SEGMENT INFORMATION - continued

(a) Segment revenue and results - continued

	Congenital heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Surgical vascular repair business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2015				
SEGMENT REVENUE				
External sales	61,738	86,992	412	149,142
Segment profit (loss)	49,950	74,578	(1,170)	123,358
Unallocated income				
– Other income and other gains and losses				2,979
– Finance income				934
– Share of results of an associate				122
– Net exchange gain on convertible notes				139
Unallocated expense				
– Selling and distribution expenses				(32,085)
– Administration expenses				(20,977)
– Research and development expenses				(20,912)
– Finance costs				(6,467)
– Fair value loss on convertible notes				(237,475)
Loss before tax				(190,384)

Segment profit (loss) represents the gross profit (loss) earned (incurred) by each segment without allocation of all other items of income and expenses, as set out above. This is the measure reported to the chief operating decision maker, the executive Directors of the Company, for the purposes of resources allocation and assessment of segment performance.

4. 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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Operating segments:		
Congenital heart diseases business	154,136	215,383
Peripheral vascular diseases business	410,165	286,835
Surgical vascular repair business	15,456	13,544
Total segment assets	579,757	515,762
Unallocated assets		
Property, plant and equipment	420	709
Investment properties	1,581	1,620
Deferred tax assets	12,790	14,822
Interests in associates	1,005	897
Other receivables and prepayments	12,103	12,967
Bank balances and cash	367,018	255,110
Consolidated assets	974,674	801,887

4. SEGMENT INFORMATION - continued

(b) Segment assets and liabilities - continued

Segment liabilities

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Operating segments:		
Congenital heart diseases business	4,656	9,560
Peripheral vascular diseases business	13,824	14,043
Surgical vascular repair business	118	136
Total segment liabilities	18,598	23,739
Unallocated liabilities		
Other payables	43,291	76,725
Tax payables	16,664	19,794
Government grants	56,797	59,359
Convertible notes	107,326	97,214
Conversion option derivative liability	282,234	296,759
Bank borrowings due after one year	200,000	48,023
Consolidated liabilities	724,910	621,613

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, deferred tax assets, investment properties, certain other receivables and prepayments, interests in associates, and certain property, plant and equipment, and
- only trade payables are allocated to operating segments in arriving at segment liabilities, which therefore exclude government grants (include current portion under other payables and non-current portion), tax payables, other payables, convertible notes, conversion option derivative liability and bank borrowings.

5. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit (loss) before tax has been arrived at after charging (crediting):		
Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	41,433	41,482
Retirement benefits scheme contributions	2,991	3,204
Less: capitalised in development costs	(7,446)	(5,858)
	36,978	38,828
Auditor's remuneration	756	731
Cost of inventories recognised as expenses	32,367	25,784
Depreciation of property, plant and equipment	3,841	3,069
Depreciation of investment properties	37	37
Amortisation charge of intangible assets	1,015	775
Release of prepaid lease payments	636	636
Operating lease rentals in respect of rental premises	4,374	3,975
Government grants	(6,472)	(6,448)
Interest on bank deposits	(675)	(455)
Interest on structured deposits	—	(479)
Effective interest expense on convertible notes	8,003	6,467
Gross rental income from investment properties	(638)	(644)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	37	37
	(601)	(607)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax ("PRC EIT")	**9,213**	10,279
Deferred tax		
Current period	**2,032**	1,165
	11,245	11,444

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 and Lifetech Scientific Trading Limited 先健科技貿易有限公司, two subsidiaries of the Company, are 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 one major operating subsidiary in the PRC were qualified as High and New Technology Enterprises since 2009, and is entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprises is subject to review once every three years and the major operating subsidiary continued to be recognised as a hi-tech enterprise for the years ended 31 December 2016 and 2015.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rates are 25% for the periods ended 30 June 2016 and 2015 respectively.

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

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim periods ended 30 June 2016 and 2015. The Directors did not recommend the payment of an interim dividend.

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share	51,870	(202,172)
Less:		
Effect of dilutive potential ordinary shares:		
Interest on convertible note	(8,003)	(6,467)
Exchange (loss) gain on convertible notes	(7,783)	139
Fair value gain (loss) on convertible notes	20,199	(237,475)
Earnings for the purpose of diluted earnings per share	47,457	41,631
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share (in thousands)	4,000,000	4,000,000
Effect of dilutive potential ordinary shares: convertible notes (in thousands)	320,000	320,000
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share (in thousands)	4,320,000	4,320,000

The weighted average number of ordinary shares for the purpose of diluted earnings for the six months ended 30 June 2016 has been prepared based on the assumption that the conversion of Convertible Notes had been effective on 1 January 2016.

The computation of diluted loss per share for the six months ended 30 June 2015 do not assume the conversion of Convertible Notes because the conversion of Convertible Notes would result in a decrease in loss per share.

The computations of diluted earnings (loss) per share for the six months ended 30 June 2016 and 2015 does not assume the exercise of the Company's options since the average market price of the Company's share is lower than the adjusted exercise price of those options.

The computations of basic and diluted earnings (loss) per share for the six months ended 30 June 2016 and 2015 have been adjusted as a result of the share subdivision on 12 January 2015.

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current period, the Group spent approximately RMB4,195,000 (six months ended 30 June 2015: approximately RMB7,501,000) for the acquisition of property, plant and equipment to update its manufacturing capabilities. In addition, the Group also incurred construction cost for building of approximately RMB20,023,000 (six months ended 30 June 2015: approximately RMB49,695,000), and had addition in pacemaker project with a cost of approximately RMB13,180,000 (six months ended 30 June 2015: approximately RMB30,514,000) during the six months ended 30 June 2016. Pursuant to the Loan Agreement entered into on 8 June 2015, the Group had pledged the land use rights (details are set out in note 10) and the headquarters building which is in the process of construction with a carrying value approximately of RMB33,894,000 and RMB172,055,000 respectively as at 30 June 2016 for the purpose of securing a bank borrowing with a carrying value of RMB200,000,000. The building mortgage application will start to conduct upon the completion of the construction.

During the current period, the Group incurred approximately RMB13,648,000(six months ended 30 June 2015: approximately RMB11,687,000) of development expenditure for the development of congenital heart diseases business and peripheral vascular diseases business, which together with expenditure of approximately RMB222,000 (six months ended 30 June 2015: approximately RMB348,000) for purchase of intangible assets.

10. PREPAID LEASE PAYMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Analysed for reporting purposes as:		
Current asset	**1,271**	1,271
Non-current asset	**32,623**	33,258
	33,894	34,529

The Group's prepaid lease payments represent payment for land use rights in the PRC which are held under medium-term leases.

The Group had pledged its land use right held for own use with a net book value of approximately RMB33,894,000 for the purpose of securing the bank borrowing.

11. INTERESTS IN ASSOCIATES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cost of investments, unlisted	897	1,109
Share of post-acquisition reserves	108	(212)
	1,005	897

As at 30 June 2016 and 31 December 2015, the Group had interest in the following associates which were established by the Group and other shareholder:

Name of entity	Proportion of Ownership interest and voting rights held by the Group 2016	2015	Place of establishment/ operation	Share capital	Principal activity
Shenzhen EnKe Medical Corporation Co., Ltd. ("Enke Medical") 深圳市恩科醫療科技有限公司	49%	49%	The PRC	RMB1,000,000	Trading of medical devices

12. TRADE RECEIVABLES

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
1 - 90 days	43,091	51,159
91 - 180 days	14,643	8,658
181 - 365 days	2,011	6,149
Over 365 days	5,519	4,985
	65,264	70,951

13. TRADE PAYABLES

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:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 - 30 days	3,427	4,928
31 - 60 days	3,704	2,977
61 - 120 days	3,070	2,121
Over 120 days	815	204
	11,016	10,230

14. 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 six months ended 30 June 2016, approximately RMB3,910,000 subsidies relating to research and development of medical devices have been received (30 June 2015: approximately RMB1,036,000 and RMB8,380,000 subsidies relating to research and development of medical devices and the acquisition of plant and equipment, respectively). The Group recognised income of approximately RMB6,472,000 (30 June 2015: approximately RMB6,448,000) during the six months ended 30 June 2016. 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. 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.

15. CONVERTIBLE NOTES

On 30 January 2013, the Company issued HK$152,000,000 unsecured 1% Convertible Notes due 2018. The Convertible Notes bear interest at 1% per annum and mature on 29 January 2018 ("Maturity Date"). The holder of the Convertible Notes has the right to convert the principal amount of Convertible Notes into shares of the Company at an initial conversion price of HK$3.8 per share (adjusted to HK$0.475 per share upon the share subdivision effective from 12 January 2015). The Company may not redeem the Convertible Notes at its option prior to the Maturity Date. The noteholder will have the right at noteholder's option, to require the Company to redeem all or part of the Convertible Notes prior to the Maturity Date at a price equal to their principal amount and interest accrued to the date fixed for redemption subject to the occurrence of specific events as defined in the terms and conditions of the relevant investment agreement.

15. CONVERTIBLE NOTES - continued

The Convertible Notes contain two components, liability component and conversion option derivative. The effective interest rate of the liability component is 16.64% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss. On initial recognition, the total fair value of the Convertible Notes is approximately RMB208,351,000 which is higher than the principal amount of the Convertible Notes of HK$152,000,000 (equivalent to approximately RMB123,348,000) and resulted in a loss on fair value of approximately RMB85,003,000 on initial recognition of the Convertible Notes. The transaction cost for the issuance of Convertible Notes is approximately RMB4,358,000.

The movement of the liability component and conversion option derivative of the Convertible Notes for the period is set out as below:

	Liability component RMB'000	Conversion option derivative RMB'000
At 1 January 2015	78,483	236,595
Exchange realignment	(49)	(90)
Interest charge	6,467	—
Fair value loss	—	237,475
At 30 June 2015	84,901	473,980
Exchange realignment	5,529	16,537
Interest charge	6,784	—
Fair value gain	—	(193,758)
At 31 December 2015	97,214	296,759
Exchange realignment	**2,109**	**5,674**
Interest charge	**8,003**	**—**
Fair value gain	**—**	**(20,199)**
At 30 June 2016	**107,326**	**282,234**

15. CONVERTIBLE NOTES - continued

The fair value of the conversion option derivative component of the Convertible Notes is estimated using a Binomial Option Pricing Model with the assumption of the movement of stock price of the Company and interest rates. The assumption adopted for the valuation of the conversion option derivative component of the Convertible Notes using Binomial Option Pricing Model as of 30 June 2015, 31 December 2015 and 30 June 2016 were as follows:

	30 June 2016	30 June 2015	31 December 2015
Risk-free interest rate (i)	0.379%	0.561%	1.016%
Expected volatility (ii)	55.88%	45.63%	50.00%

Notes:

(i) Risk-free interest rate was used by reference to Hong Kong Exchange Fund Note at the valuation date.

(ii) Expected volatility was calculated by reference to annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies.

The fair values were determined by the Directors with reference to valuation report carried out by an independent qualified professional valuer, Asset Appraisal Limited, an independent firm of professional valuer not connected with the Group.

16. SHARE CAPITAL

	Number of shares	Amount USD
Ordinary shares		
Authorised:		
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016 at USD0.00000125 each	40,000,000,000	50,000

	Number of shares	Amount USD	Shown in the condensed consolidated financial statements as RMB'000
Issued and fully paid:			
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016 at USD0.00000125 each	4,000,000,000	5,000	32

17. SHARE-BASED PAYMENTS

The Share Option Scheme was adopted by the Company on 22 October 2011 and has been amended by an unanimous written resolutions of the Board on 5 May 2015 for the primary purpose of providing incentives to eligible participants.

On 5 May 2015, an aggregate of 160,000,000 options have been granted subject to certain vesting conditions pursuant to the Share Option Scheme to Grantees. The total options are scheduled to be vested in five batches, respectively on 5 May 2016, 5 May 2017, 5 May 2018, 5 May 2019 and 5 May 2020, with 20% of total options in each batch. As at 30 June 2016, 27,236,400 options granted pursuant to the Share Option Scheme have been vested and remain outstanding.

The table below discloses movements in the Company's share options granted to the Grantees under the Share Option Scheme during the six months ended 30 June 2016:

	Number of shares subject to share options			
Types	Outstanding at 1 January 2016	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 30 June 2016
Batch I	28,150,400	—	(914,000)	27,236,400
Batch II	28,150,400	—	(1,311,200)	26,839,200
Batch III	28,150,400	—	(1,311,200)	26,839,200
Batch IV	28,150,400	—	(1,311,200)	26,839,200
Batch V	28,150,400	—	(1,311,200)	26,839,200
Total	140,752,000	—	(6,158,800)	134,593,200
Exercisable as at 30 June 2016				27,236,400
Weighted average exercise price				HK$1.464

17. SHARE-BASED PAYMENTS - continued

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

Grant date share price	HK$1.410
Exercise price	HK$1.464
Expected life	7.75 years - 8.75 years
Expected volatility (Note i)	54.18% - 55.33%
Dividend yield	0%
Risk-free interest rate (Note ii)	1.51% - 1.56%

Notes:

(i) Volatility is average of the annualized standard deviation of daily return of stock price of 1066.hk, 233.hk and 801.hk with the tenor equal to the option life with reference to Bloomberg.

(ii) Risk-free interest rate represents the yields of HKD Hong Kong Sovereign Curve with respective tenors as the valuation date. Linear Interpolation is adopted when necessary.

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

For the six months ended 30 June 2016, the Group recognised share-based payment expenses of approximately RMB12,306,000 (2015: approximately RMB4,606,000) in relation to share options granted by the Company. In addition, approximately RMB2,365,000 (2015: approximately RMB970,000) and approximately RMB1,249,000 (2015: approximately RMB461,000) were capitalised in development costs and inventories, respectively.

18. OPERATING LEASES

The Group as lessee

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:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	7,941	7,701
In the second to fifth years inclusive	8,684	11,611
	16,625	19,312

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	1,184	1,247
In the second to fifth years inclusive	583	1,226
	1,767	2,473

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements 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).

Financial assets/ financial liability	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2016 RMB'000	31 December 2015 RMB'000				
Financial assets Structured deposits (classified as financial asset in the statement of financial position)	–	–	Level 2	Discounted cash flow. Market price of underlying financial instruments, including listed shares and debentures.	N/A	N/A
Financial liability Conversion option derivative liability (classified as financial liability in the statement of financial position)	282,234	296,759	Level 3	The Binomial Option Pricing Model. The key inputs are risk free rate for the yields to maturity of respective Hong Kong Exchange Fund Note and volatility of the share price from the comparable companies.	Volatility (Note)	The higher the volatility, the higher the fair value.

Note: If the volatility to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the conversion option derivative liability would increase/decrease by approximately RMB2,408,000 and RMB1,201,000 respectively.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

Details of reconciliation from the beginning balance to the ending balance of level 3 fair value measurement of financial liability regarding conversion option of Convertible Notes are set out in note 15. There were no transfers between the different levels of the fair value hierarchy for the period.

20. CAPITAL COMMITMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the condensed consolidated financial statements	**142,071**	132,468

21. RELATED PARTY DISCLOSURES

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Amount due from a shareholder:		
Medtronic	—	307
Amount due from an associate:		
Enke Medical	2,418	2,066
Amount due to a shareholder:		
Medtronic	7,582	13,509

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

	Six months ended 30 June	
Nature of transactions	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Pacemaker project consulting fee paid and payable to Medtronic	6,720	28,125
Royalty fee paid and payable to Medtronic	2,619	2,336
Revenue from sales of goods to Medtronic Vascular Galway (subsidiary of Medtronic)	12	2,138
Revenue from sales of goods to Medtronic (Shanghai) Management Co., Ltd (subsidiary of Medtronic)	—	402
Revenue from sales of goods to Medtronic	—	14
Revenue from sales of goods to Enke Medical	361	962

21. RELATED PARTY DISCLOSURES - continued

(b) Non-trade balances

Details of the Group's non-trade balances with related parties are set out on the consolidated statement of financial position and in note 15.

(c) Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Short-term employee benefits	3,451	3,426
Post-employment benefits	96	83
	3,547	3,509

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

22. 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"). The Plaintiff pleaded to the Court to issue a permanent injunction restraining the Defendants from importing and selling HeartR occluders in India which were accused of infringing the Plaintiff's patent. The Plaintiff also pleaded to order the national importer in India and its local Indian distributor to surrender all the rendition of accounts of profits or a decree of damages of Indian Rupee ("INR") 2,100,000 (equivalent to approximately RMB218,000). As at 30 June 2016 and up to the date of the issue of these condensed consolidated financial statements, the cross-examinations of all the witnesses of the Plaintiff and of the Group were completed and the final arguments are still awaited in the suit.

After seeking legal advice, the Directors are of the opinion that it is not probable that the Court will grant a permanent injunction to the Plaintiff and it is also not probable for the Court to award damages to the Plaintiff or direct delivery of infringing devices. Accordingly, the Directors consider that no provision is necessary for any potential liability in the condensed consolidated financial statements.